TESCO

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

Annual Report and Financial Statements 2023.

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Performance highlights

Group salesΔ(a)
£57.7bn
5.3%
(2022: £54.8bn)

Adjusted diluted EPSΔ(b)
21.85p
(0.0)%
(2022: 21.86p)

Adjusted operating profitΔ(b)
£2,630m
(6.9)%
(2022: £2,825m)

Retail free cash flowΔ(c)
£2,133m
(6.3)%
(2022: £2,277m)

Dividend per share
10.90p
Unchanged
(2022: 10.90p)

Net debtΔ(c)
£(10,493)m
(0.2)%
(2022: £(10,516)m)

UK market share (sales value)(d)
27.3%
(39)bps
(2022: 27.7%)

Group net promoter score(e)
15pts
(5)pts
(2022: 20pts)

Statutory measures

Statutory revenue
£65.8bn
7.2%
(2022: £61.3bn)

Operating profit
£1,525m
(40.4)%
(2022: £2,560m)

Statutory profit before tax
£1,000m
(50.8)%
(2022: £2,033m)

Statutory diluted EPS
10.08p
(48.7)%
(2022: 19.64p)

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 207.

(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 19 February 2023.
(e) Basis – Tesco Global Brand tracker on a three-month rolling basis. 2022 NPS was reported on a 12-month rolling basis at 18pts.

Hello.

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 local community we serve – in the UK, Republic of Ireland (ROI), Slovakia, the Czech Republic and Hungary. We provide extra support to those that need it, through food banks, donation schemes and community grants.

This year, we have been laser-focused on keeping the cost of the weekly shop affordable for our customers. At the same time, we have invested in our colleagues and worked in partnership with our suppliers, providing additional support where needed.

At the heart of Tesco is our fantastic team of more than 330,000 colleagues, who go above and beyond to make a difference. We work hard to be an inclusive workplace, where all colleagues can be at their best and build the skills to grow their careers.

In challenging times, our purpose has guided every part of the Group, from Booker and One Stop to Tesco Bank, Tesco Mobile and dunnhumby. Serving our customers, communities and planet a little better every day is what we do.

The Tesco Group.

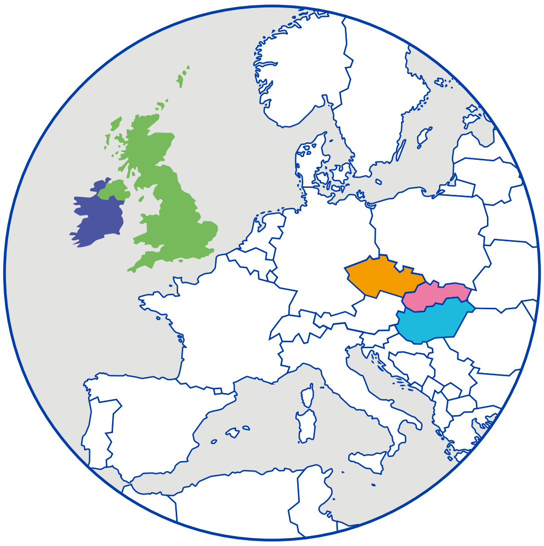
Tesco is a British grocery retailer, with its headquarters in the United Kingdom.

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

Founded in 1919, Tesco began as a market stall in the East End of London. Today we operate 4,859* stores in five markets: the UK, the ROI, the Czech Republic, Slovakia and Hungary.

Our businesses

The Tesco Group also includes: Tesco Bank; Tesco Mobile; a network of One Stop convenience stores; Booker, the UK's leading wholesale business; and our data-science business, dunnhumby.



3,712 stores in the **United Kingdom**

166 stores in the **Republic of Ireland**

187 stores in the **Czech Republic**

157 stores in **Slovakia**

197 stores in **Hungary**

Key facts

£57.7bn	£2,630m	£2,133m
Group sales	Adjusted operating profit	Retail free cash flow
2022: £54.8bn	2022: £2,825m	2022: £2,277m

To read more about our financial performance go to page 30

* including franchises

Our businesses

Tesco is a leading multinational grocery retailer, which aims to serve customers affordable, healthy and sustainable food.

www.tesco.com

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.

www.booker.co.uk

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.

www.dunnhumby.com

One Stop is a retail convenience business with more than 1,000 shops and a focus on being the best store for customers in every neighbourhood.

www.onestop.co.uk

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. The Bank helps more than five million customers manage their money every day.

www.tescobank.com

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.

www.tescomobile.com

Helping customers spend less.

Our value proposition

UK & ROI

Aldi Price Match

Low Everyday Prices

Clubcard Prices

Central Europe

Nízké ceny zaručeny

Clubcard cena

We understand the pressures that our customers have faced this year, and have been doing everything we can to support them. We work relentlessly to keep the weekly shop as affordable as possible, offering great value in more places than anyone else – from grocery to mobile to banking.

Our priorities throughout this period have been clear: to help our customers spend less; to continue investing in our colleagues; and to deliver a positive difference in the communities we serve. We have worked closely with our supplier partners to support them through these challenging market conditions.

Aldi Price Match and Price Guarantee: price matching on the most important products means customers can be confident they don't need to shop elsewhere for great value.

Low Everyday Prices: consistent low prices on products customers buy regularly, so they can confidently plan and manage their spend.

Clubcard Prices: rewarding customers for their loyalty with exclusive deals/discounts.

>8,000

value lines in the UK

Customers | Lowering the price of the weekly shop through our powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices.

~8%

increase in UK hourly colleague pay in 2022

Colleagues | Substantial investment in colleague base pay, on top of other benefits.

Unwavering support for customers.

Our research with customers told us they wanted help with four key things:

1. Affordable food and clothing
2. Healthy, affordable choices
3. Fuel and travel costs
4. Occasional treats

We leveraged our scale and capabilities across the Group to help customers spend less during the year and provide help where they wanted it most.

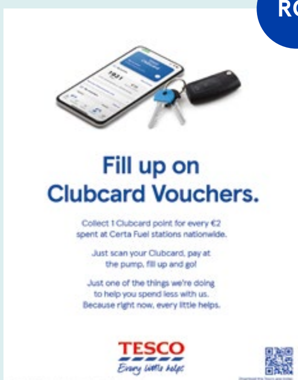
CE

UK

Booker

Mobile

ROI



Bank

£27.5m
support package

Suppliers | We have invested £27.5m in the UK egg sector in the past year.

More than 52 million
meals donated this year

Communities | We have given more than 52 million meals to food banks and charity partners across the Group during the past year.

Purpose and values.

A clear purpose unites the Tesco Group and supports the ambitions and commitments of our business strategy. This year, we lived our purpose through the many different ways we served customers, stepped up for local communities and progressed against our environmental commitments.

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

Our values.

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.

No one tries harder for customers.

We listen to our customers, our communities and each other, and use the feedback provided to make better decisions as a business. With the expertise and knowledge of our colleagues, we change, innovate and adapt to meet customer needs.

We treat people how they want to be treated.

People will always be at the heart of Tesco – a place where everyone is welcome. An inclusive, supportive workplace for our colleagues, where they feel recognised and rewarded for the work they do and have opportunities to get on. A business where we build strong, long-term relationships with our suppliers and other external partners. Respect, trust and understanding is in our culture.

Every little help makes a big difference.

Help comes in all shapes and sizes. From supporting local food banks and community projects via our Community Grants programme, to delivering great service, our colleagues continue to change things for the better. When we add up the many things we do at a local level, together we make a big difference.

Chairman's statement

By delivering value for customers, we create sustainable value for shareholders too.

This has been another significant year for Tesco, once again shaped by circumstances outside our control. The business has demonstrated incredible resilience, as we stepped up to support customers, colleagues, suppliers and communities through the impact of rising cost pressures. At the same time, we have made further progress towards achieving our strategic priorities and, in turn, we have seen strong sales growth across the Group.

I want to say a big thank you to our colleagues for their hard work and dedication throughout the year. Every team and colleague had their own challenges to face, and have risen collectively to meet those challenges incredibly well.

Balancing the needs of all our stakeholders

You will see throughout this report what we have done during the year to support our customers, colleagues, suppliers and communities.

It has been a year when the Board and the executive team have taken great care to ensure we strike the right balance in everything we do. In short, that we do the right thing by all our stakeholders.

We have invested in our value offer so we can help our customers save money whether they are buying groceries or banking with us. Our strong customer focus has meant we are the only full-line grocer to grow UK market share in the past three years and our brand NPS score is the highest of the full-line grocers.

It has also been important to invest in our colleagues throughout these challenging times, improving reward packages delivered across the Group. This recognises that our colleagues are at the heart of Tesco, playing a vital role in ensuring we remain a strong business and continue to deliver for customers.

It was also important to continue recognising the essential role we play in the communities we serve, in particular how we stepped up for them when they needed it most.

By getting this balance right, we have been able to deliver top-line growth, profit and cash and this approach is delivering for all our stakeholders.

Continued growth

This year, we have delivered strong sales performance in all segments, with Group sales increasing 5.3% at constant rates and Retail like-for-like sales up 5.1%. Retail adjusted operating profit decreased by (6.3)% to £2.5 billion. This reflects our continued investment in great value and great quality for our customers, at the same time as looking after our colleagues.

Board changes

In June 2022, we said goodbye to Steve Golsby and Simon Patterson who retired from the Board. We thank them for their valuable contribution to Tesco over several years. Alison Platt succeeded Steve Golsby as Chair of the Remuneration Committee.

Last October, we welcomed Caroline Silver to the Board as an independent Non-executive Director and member of the Audit Committee. Caroline has a wealth of experience across a number of commercial, financial and governance roles and has brought valuable knowledge and perspective to the Board.

In September 2023, Dame Carolyn Fairbairn will be joining the Board as an independent Non-executive Director. Dame Carolyn will also be appointed as a member of the Remuneration Committee and Corporate Responsibility Committee.

Lindsey Pownall will be retiring from the Board at the conclusion of the 2023 AGM. Lindsey's retirement from the Board will mean that she also steps down from her role as Chair of the Corporate Responsibility Committee, where she will be succeeded by Stewart Gilliland.

I am pleased that we continue to make progress on gender equality on the Board, reaching 42% female representation in line with our target. We remain committed to equality across our business and continue to work towards that goal.

Looking ahead

In the coming months, we will continue to manage the impact of cost-of-living pressures and focus relentlessly on delivering value for our customers. Significant uncertainty in the economic environment remains, but Tesco is a strong business, with more than 330,000 exceptional colleagues guided by the one purpose of serving our customers, communities and planet a little better every day.

Whatever the circumstances, I am confident our colleagues will go above and beyond to support our customers and that by working together we can continue to deliver against our strategy and create sustainable long-term value.

John Allan CBE
Non-executive Chair
12 April 2023

For more information about how we have helped our stakeholders see pages 4 to 5, 8 to 13 and 16.

Guided by our purpose, we are building a stronger business.

Last year we set out our new strategic priorities, and I am pleased to say that we have made strong progress against them this year as set out on pages 12 and 13.

We have continued to support our customers and delivered a strong performance, responding with speed and agility to the new and ongoing challenges we faced during the year. It is testament to our resilience as a business, our careful planning, and our flexibility that we have been able to do so with such success.

It is also testament to the brilliant work of the Tesco team, and I want to thank each and every colleague for all they have done. Individually and collectively, we have been guided by our purpose to serve our customers, communities and planet a little better every day. This united effort, as well as our collaborative and supportive culture, is one of our biggest advantages in tough times.

Supporting our customers with a relentless focus on value

Inflation is a pressing reality for everyone – customers, colleagues, suppliers, and every member of our communities. At Tesco, we know it is our job to listen, to understand and then to act to help customers through these challenges. We also know customers are looking for value but do not want to compromise on the other aspects of their shop that are important to them. This is why we are focused on keeping the weekly shop not just reliably affordable, but also healthy and sustainable, while delivering great quality and convenience.

When it comes to value, we know that customers are looking for it wherever, whenever and however they choose to shop with us. This is why we have doubled down on value across the whole Group, see page 4.

We have price-matched more than 600 every day items to Aldi in the UK, and locked our Low Everyday Prices on hundreds of everyday staples until Easter in the UK and ROI. We've also fully rolled out Clubcard Prices to every market, and launched new initiatives via Tesco Bank and Tesco Mobile. And, following the launch of our cost-of-living hub through Tesco Bank, we can offer guidance and advice to help people manage their finances. Booker has also been a champion of value, supporting customers with a price freeze on 450 key catering lines. For further details on all these initiatives and more, see pages 4-5.

Recognising our colleagues

Our colleagues are at the heart of everything we do. We recognised that with household costs rising in the UK, the ROI and Central Europe, we needed to reflect their value in our reward package. Colleagues in every market have therefore received substantial investments in their base pay. In the UK, this included a nearly 8% increase for hourly-paid colleagues in 2022.

Working in partnership with suppliers

Our partnerships with suppliers have been essential this year as we all worked hard to keep the weekly shop as affordable as possible for customers. We recognise the inflationary pressures that suppliers are facing and have therefore been committed to working collaboratively to manage all associated impacts.

We've always been clear that where there are pressures, we will play our part in providing support. For example, we've announced additional support for a number of agricultural sectors including a £27.5m investment in the British egg industry and a 10% increase in contract pricing for the 2022 potato harvest.

As a result, suppliers have voted us the number 1 retailer in the independently run Advantage survey for seven years running, reflecting our commitment to strong partnerships and collaboration.

Supporting our local communities

Having a positive impact on the communities we serve is central to our purpose, and it was essential that we stepped up for them when they most needed our support. We did this through our £1m Golden Grant programme, offering a £10,000 grant to 100 local charities chosen by customers. We also introduced Kids Eat Free at Tesco Cafés during school holidays, giving away nearly 440,000 meals to children.

But it's the meals we provide to food charities and food banks that deliver the greatest positive impact. Tesco is the biggest supplier of food distributed by FareShare, and alongside our customers we are also the largest single source of food donations for food banks for The Trussell Trust. I have been bowled over this year by the continued generosity of Tesco colleagues and customers in all our markets.

Looking after the planet

While we focused on the rising cost of living during the year, we were acutely aware that we could not put the environment on hold. We needed to press ahead with urgency on reducing our impact on the planet and we did just that. The relentless efforts of our teams towards our net zero commitment have helped us achieve a 55% reduction in emissions in our own operations since our 2015 baseline.

We also became the first UK retailer to ban plastic wet wipes and, in addition, we have removed two billion pieces of plastic from the UK business to date. In the UK, by summer 2023, all Tesco tea bags will be compostable – that amounts to more than one billion bags a year.

We are working closely with our farmers and suppliers to promote biodiversity in farming practices. We were particularly pleased this year to launch a large-scale commercial field trial with five major fresh produce suppliers to identify the most planet-friendly and cost-effective alternatives to conventional fertilisers. This trial will help reduce reliance on chemical fertilisers as well as reducing greenhouse gas (GHG) emissions in the supply chain.

We continue to roll out electric vans for customer deliveries, and our fleet has now grown to include nearly 300 vans. We also now provide 2,500 customer electric vehicle (EV) charging points across 600 stores, as we seek to minimise our own emissions while working towards our overarching goal of net zero by 2050. This remains an ongoing journey, and one where we need to work closely with our suppliers and the industry.

Progress on our strategic priorities

I am delighted with the progress we have made since launching our strategic priorities and performance framework last year. As we have responded to the various challenges involved, our priorities have only become more relevant as we build on our unique strengths and focus on doing the basics brilliantly.

We dig into the details of our strategic priorities on pages 12 and 13, but I do want to say a few words on Clubcard. Since launching Clubcard Prices in all our markets, we have had a great response from customers. The number of active Clubcard holders we have in Central Europe has trebled this year, with sales penetration reaching 83%. Penetration in the ROI has risen to nearly 77% this year, while we are at nearly 79% in the UK. We are on a journey to make Clubcard more personalised, and have rolled out individualised digital coupons to four million customers in the UK alone.

Our data science business, dunnhumby, is helping us to access new revenue streams from Clubcard. Since launching the Tesco Media and Insight platform with dunnhumby last year, we have helped 450 leading brands increase the effectiveness of their campaigns, build more interactive, two-way relationships with customers, and grow loyalty for Tesco and our suppliers.

Delivering for shareholders

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

While there is significant uncertainty in the year ahead, we have confidence in our ability to continue to generate cash in the coming years, and we are committed to a progressive dividend policy, this year announcing a full-year dividend of 10.90p per share.

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
12 April 2023

Reduced in price. Just as nice.

To help our customers find bargains more easily and support our commitment to providing customers with great value, we launched our 'Reduced in price. Just as nice.' areas in over 100 stores. These reduced-to-clear sections feature a wide range of products at lower prices, including fresh produce like salads, meat, bread and sweet treats that are close to their expiry date. They not only help customers find something tasty for dinner, or to pop in the freezer, at a lower price - they also contribute to our goal of halving food waste by 2025.

Visit www.tescoplc.com/news/2022/reduced-to-clear-signage-revamp

Q&A with Ken.

What is your highlight from this year?

My highlight is the time I have spent in stores, when I'm able to talk to colleagues and customers and see some of the team's great work come to life. It's also a chance to get some honest feedback about what is working and what isn't. Retail is a fast-moving industry, and you learn so much from being on the shop floor. There's never a better time to be in stores than at Christmas. I travelled around various stores in the Christmas week and the atmosphere was fantastic – I loved every minute.

How has Tesco responded to the cost-of-living challenges faced by colleagues this year?

It has been really important to recognise that colleagues have faced rising household bills just as much as customers. Of course, we have invested in pay, see page 16 for details. But we've also made a number of smaller changes that colleagues say have made a huge difference. These range from doubling our Colleague Clubcard discount over Christmas, to ensuring colleagues have plenty of good food available for free in colleague rooms – not to mention introducing a pay advance for any colleague who might be facing an unexpected bill.

How have you balanced the needs of all stakeholders?

This has been a year when all our stakeholders have faced their own challenges and balancing those needs has been a delicate task. We always strive to make sure we're doing the right thing and that we're aligned to our purpose of serving our customers, communities and planet a little better every day. All that work helps give stakeholders confidence in our business, which in turn can create significant value for our shareholders.

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. Where there was expected disruption, we had excellent plans in place to mitigate that. Where we needed to respond quickly, we demonstrated just how flexible we can be. In my view, that mixture of resilience and flexibility is a great strength of Tesco.

Has Tesco had to press pause on any sustainability initiatives as it focused on serving customers through the cost-of-living pressures?

No, and that's been really important. While the external focus may have been on value and prices, it was essential that we didn't drop the ball on sustainability. In fact, we took our plans even further. Now is a critical time to take action on climate change, and we're doing that by driving improvements and innovation at every point in our value chain. That's first in our own operations, then in our supply chain and for our customers. Our plan on climate action focuses on the areas where we can make the biggest difference – energy, transport, waste, food production and diets.

You have talked previously about food security. Is this still a concern?

I believe that people haven't talked about food security enough until now. If you look at the droughts in China, the floods in Pakistan, the crop failures in Canada and the US last year, you have to assume that we're going to see an even greater increase in food insecurity. After energy, the food system has the greatest impact on the environment. We continue to work closely with our suppliers to improve food systems around the world and support them in making more sustainable choices. We have invested significantly in UK agricultural supply chains as they face challenging market conditions, aiming to ensure they're sustainable in the long term. We continue to work on tackling deforestation in Brazil. During COP27, we joined forces with 40 UK food companies and soy suppliers in announcing a landmark set of actions to ensure all soy used in animal feed in the UK is deforestation-free. These commitments will help us to deliver against the aims of the UK Soy Manifesto, which was agreed by the industry at COP26 in Glasgow.

What progress have you made towards your health targets?

Eating a well-balanced, healthy, sustainable diet is one of the best ways we can look after our health and the health of the planet – and we want to make it easier than ever for our customers to do this. We launched our Better Baskets campaign to help to make Tesco the easiest place to shop for affordable, healthy, sustainable food. This year we've driven an improvement in our health scores, from 58% to 60% in the UK & ROI and maintained the baseline position of 49% in Central Europe. We've removed more than 71 billion calories since 2018 through reformulation. We continue to look for ways to support customers and remove barriers to healthier eating, such as the Kids Eat Free offer in our cafés that helps children access a nutritionally balanced meal outside term time.

What are the key priorities for the year ahead?

I'm excited about the momentum we are building. We have a formula that's working and that we can build on and accelerate. For me, it's about really making progress against those key strategic priorities. There's plenty of exciting innovation in the pipeline – in product development, channels and customer experience.

What is your outlook for the year ahead?

As we build on our momentum over the coming year, we believe that it's as important as ever to remain focused on investing in our customers and delivering them the great value and quality they expect when shopping.

Meeting market needs.

Market drivers	How we are responding
Concerns over cost of living The rise in household costs means that more than ever before, customers are looking for affordable solutions while maintaining their standard of living. Customers are more selective and deliberate on what they spend their money on, looking for ways to make their food budget go further.	For us, that makes it essential to deliver the best quality at the best price. Our value proposition of Low Everyday Prices combined with exceptional value offered by Clubcard Prices and Aldi Price Match means we are at the most competitive position we have been in for many years. As customers look for the best value, we offer that right across the store – from the volume-driven success of our Price Lock campaign through to the growth of our Finest range. For some customers, it is trading down from national brands to great value Tesco products. For others, it is seeking out Tesco from one of the higher-priced, premium-focused retailers, or using our great range of ready meals instead of a takeaway or restaurant meal.
Planet protection With the effects of climate change becoming more pronounced and happening more frequently across the globe, customers want to take action to reduce their impact on the environment. They expect responsible businesses to do the same. As a result, many customers are seeking responsibly sourced, less resource-intensive goods that safeguard the planet.	The efforts of our teams towards our net zero commitment have helped us achieve a 55% reduction in emissions in our own operations against a 2015/16 baseline, see more on pages 18 and 19. We became the first UK retailer to ban plastic wet wipes and, in addition, we have removed 2 billion pieces of plastic from the UK business to date. We are also taking action to reduce emissions across our supply chains, trialling agricultural innovations such as low-carbon fertilisers, alternative animal feeds and vertical farming techniques.
Recognising diversity As society is projected to become more diverse, the need for representation and recognition is growing. Customers are increasingly looking to brands that take pride in – and champion – differences.	As one of the largest employers in the UK, we recognise the importance of representing the communities we serve. Central to achieving this goal is our diversity and inclusion strategy, and the support we give to our colleagues on their individual career journeys. During the year we launched our Black Action Plan and were named among The Times Top 50 Employers for Women for the second year running. For more information, see our Everyone's Welcome report at www.tescoplc.com/media/759669/tesco-everyones-welcome-report-2022. We continue to look for ways to promote inclusivity and increase representation for our customers. These include; the launch of a basics range with skin tone colours, introducing products specifically designed for Black hair, and reflecting the diversity of our customers in our advertising.
Digital retail Recent years have seen a significant increase in the number of businesses focusing on online, quick, and checkout-free commerce. Customers have access to shopping whenever, wherever and however they want it. And they continue to expect better, faster, integrated digital retail to make shopping easier.	One of our strategic priorities is to be Easily the most convenient for our customers. Our extensive store footprint reached a milestone with the opening of our 2,000th UK Tesco Express store in Cambridge in March. That, combined with more than 1,000 One Stop stores and more than 7,000 Booker fascias, means we have the largest network of convenience stores across the UK. This is complemented by the UK's biggest online grocery service and exciting new initiatives such as our Whoosh rapid-delivery service and our frictionless GetGo stores.
Local community respect The effects of the pandemic led to many people spending more time in their local areas. The continued prevalence of homeworking has continued this, with a knock-on effect being increased care for and prioritisation of local environments.	Having a positive impact on the communities we serve is central to our purpose. We stepped up for them in the past year through our £1m Golden Grant programme, offering a £10,000 grant to 100 local charities chosen by customers. We also introduced Kids Eat Free at Tesco Cafés during school holidays, giving away nearly 440,000 meals to children.

Progress against our strategic priorities.

Taken together, these strategic priorities enable us to continue delivering great value, increasing customer loyalty, and staying competitive while ensuring we remain agile and efficient as a business. These four priorities help us maintain our focus on doing the basics brilliantly and leveraging our unique strengths to accelerate growth.

Magnetic value for customers

Redefining value to become the customer's favourite

Why it is important

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

Progress during the year

- Continued to strengthen our value proposition with thousands of products now available through Aldi Price Match, Low Everyday Prices and Clubcard Prices in the UK & ROI, and Low Price Guarantee and Clubcard Prices in Central Europe
- Launched two price locks in the UK & ROI on thousands of everyday products, giving customers great value on their weekly shop
- Launched 998 new products over the year, including 349 Finest products. Drove 6.8% growth in Finest sales
- Continued to make progress on minimising our impact on the planet including accelerating plans to halve food waste; launching a zero-emission electric lorry; and investing in a new facility to protect the Brazilian rainforest against deforestation from soy cultivation
- Launched our Better Baskets campaign to help customers make healthier, more sustainable shopping choices

I love my Tesco Clubcard

Increase loyalty and access new sources of revenue

Why it is important

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

Progress during the year

- Clubcard penetration reached 79% in the UK, 77% in the ROI and 83% in Central Europe
- 21 million active Clubcard households
- 11.7 million Clubcard app users in the UK, 2 million in Central Europe and 0.7 million in the ROI
- Doubled the number of UK customers receiving in-app personalised coupons to 4 million
- Celebrated the first anniversary of our Media and Insight platform and new-product suite – now working with more than 450 consumer goods brands

Easily the most convenient

Incremental capital-light growth

Why it is important

- Serving customers wherever, whenever and however they want to be served.
- Supporting growth of our core online 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.
- Continuing to test and learn from trials of new on-demand services to develop the right offer focused on convenience stores that complements our existing online business.

Progress during the year

- Opened three more GetGo stores with new hybrid format.
- Whoosh now available in 1,000 stores, with up to 10,000 products available to customers.
- Opened our fifth and sixth urban fulfilment centres.
- Opened our 2,000th UK Express store in March.
- More than 70% of UK households are now within 25 minutes of a Click & Collect site.
- Celebrated 4,000th Premier opening, bringing the total number of fascias across Premier, Londis and Budgens to more than 7,000.
- Completed the conversion of nine Joyce's stores to Tesco stores in ROI.

Save to invest

A cost-efficient retailer

Why it is 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

- Strong track record of savings delivery across four streams: goods & services not for resale; property; operations; and central overheads.
- Delivered accelerated savings in excess of £550m.
- On track to deliver original three-year plan 12 months early with at least £1bn cumulative savings by February 2024.

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 sector-leading margins

- Leverage 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.

In doing so, generate between £1.4bn and £1.8bn Retail free cash flow per year

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 5.3% at constant rates, driven by strong growth across all segments.

Group sales∆

£57.7bn ▲ 5.3%[(a)]

(2022: £54.8bn)

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 was down (7.1)% at constant rates to £2.6bn, reflecting the significant investment we have made in our customers and colleagues this year.

Adjusted operating profit∆

£2.6bn ▼ (7.1)%[(b)]

(2022: £2.8bn)

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. This is because Tesco Bank is run and regulated independently of our retail operations.

How we performed

We saw strong operating cash generation, with a high working capital inflow, driven largely by inflation.

Retail operating cash flow[(c)]

£4.5bn ▲ 1.1%

(2022: £4.5bn)

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

Cost-of-living pressures have resulted in a slight decline in our Group NPS score but we remain resilient versus the market.

Group NPS
Three-month rolling

15pts ▼ (5)pts[(d)]

(2022: 20pts)

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

Although there has been a small decline in colleagues recommending Tesco as a Great Place to Shop, our Great Place to Work score remains high at 82%.

Recommend as a place to shop

40pts ▼ (1)pts

(2022: 41pts)

Great Place to Work

82% ▲ +2pts

(2022: 80%)

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. Improving our energy efficiency delivered a further 3%pts saving versus our baseline to a cumulative reduction of 55%.

Carbon emissions

1.0m
(2022: 1.1m)

▼ 7%[(e)]
vs last year

▼ 3%pts
55% cumulative vs baseline

∆ Alternative performance measures (APMs). Measures with the ∆ symbol are defined in the Glossary section on pages 207 to 212.
(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. 2022 NPS was reported on a 12-month rolling basis at 18pts.
(e) Carbon emissions are based on total Scope 1 and 2 (market-based) footprint and stated as tonnes of CO_2 equivalent (tCO_2e), refer to the Climate section on pages 18 and 19 for further detail.

Our business model.

Unique combination of strengths

Understanding customers
We use our expertise to understand and meet our customers' needs better than anybody else.

Our colleagues
We have more than 330,000 colleagues who share our purpose and live by our values.

Scale and reach
Our unparalleled reach allows us to bring great quality products to more customers.

Own Brand products
We source quality products, with expert teams and close supplier partnerships.

Services
Services, such as mobile and banking, focus on the needs of Tesco shoppers and allow us to earn and retain their loyalty.

Innovation
We encourage a culture of innovation so that our business remains at the cutting edge of new trends and demand.

Business model

Products
We partner with our suppliers to source the best possible products that meet and anticipate customers' evolving needs.

Customers
Tesco exists to serve customers

Channels
We work through a range of channels – from small shops to large stores, and online. Booker gives us access to further channels, including business centres and delivered wholesale.

Reinvest
We focus on making Tesco the best it can be. The better we do our job for customers, the more we can reinvest.

To create value for all

Customers
Our business model allows us to bring our customers the best products at the best possible prices, no matter how they choose to shop with us.

Voted Britain's Favourite Supermarket* by customers for

8 yrs

Colleagues
The expertise of our colleagues drives every part of our business model – from our store teams to new product development.

Colleagues who feel able to be themselves without fear of judgement

85%

Suppliers
Our conversations with suppliers focus on delivering great value, great quality products for our customers. When we get it right, our business grows.

Record level of Group supplier satisfaction

86.6%

Communities
Our commitment to our customers goes beyond stores and into every community we serve.

Number of meals donated across the Group

more than 52m

Planet
At this critical time for our planet, we are working to reduce our impact and help suppliers and customers to do the same.

Reduction in Scope 1 and 2 GHG emissions vs 2015/16 baseline

55%

Shareholders
We work to maintain a strong and efficient balance sheet, invest for growth and deliver improved returns for our shareholders.

Full-year dividend

10.90p

* Grocer Gold Awards

A great place to work.

Our dedicated and hardworking colleagues are at the heart of our success. We are committed to ensuring everyone feels welcome and has the support they need to be at their best. Building a culture of trust is a key part of this aim and has been recognised in our annual colleague engagement survey, Every Voice Matters, where 82% of colleagues recommended us as a great place to work.

Investing in colleagues

Our more than 330,000 colleagues are at the heart of our business and how we win together plays a vital role in delivering our core purpose and enabling us to deliver for our customers, communities and planet. Winning together means helping to develop the next generation of talent as well as equipping our colleagues with the skills they need to thrive.

Recognising the vital role store colleagues play in serving our customers, in 2022 we increased pay for our hourly-paid colleagues in the UK by nearly 8%. This new deal recognises the contribution our colleagues make to our business at a time when household budgets are under pressure. In other markets our Central Europe (CE) colleagues have seen an increase of up to 12% in 2022, while Republic of Ireland (ROI) colleagues will have received a 10% cumulative increase to their pay by April 2023. In November 2022, Booker and One Stop colleagues received an increase of between 2.5% and 3.9% to their basic hourly rate. All colleagues enjoy a competitive and comprehensive benefits package, which provides access to share schemes, pensions and wellbeing benefit. This includes our Colleague Clubcard, which offers a 10% discount, increasing to 15% for four days each pay day for UK colleagues. Over the peak of Christmas week last year, we increased discounts by up to 20% for UK, ROI and CE colleagues.

In the UK, we delivered on our commitment to always offer any vacant hours in stores to colleagues working fewer than 16 hours a week before recruiting externally. All new contracts are based on a minimum of 16 hours per week, with the exception of our smallest Convenience stores.

To provide further support to our UK store colleagues we launched My Tesco App, which instantly retrieves available hours to match colleagues' skills and incentivises them to build more capabilities in other areas. In 2024 we will continue its rollout to UK distribution and customer fulfilment centres, followed by CE and the ROI.

In 2022/23 we launched three new products to support managers during the rollout of our Group-wide Your Contribution proposition to manage performance: create a winning performance culture; master feedback; and set strategic objectives.

We also continued to roll out our manager development programme. More than 7,000 colleagues Group-wide attended courses on being an inclusive manager, adaptable thinking and mastering conversations. In CE, more than 300 store managers and deputy managers participated in our manager capability training.

For the third year running, in Bengaluru we have partnered with the Great Manager Institute to deliver the Great Manager Programme, which aims to build the skills and capabilities of our managers with bespoke certified training. Since launching the programme, close to 300 colleagues have been certified.

Jobs, skills and training for young people

We support both existing colleagues and young people starting their careers with a variety of apprenticeship programmes. So far, more than 3,500 apprentices have benefited. Our CE business provided more than 2,700 apprentices with in-store work experience, and in the ROI apprentices were given a range of work experience opportunities.

In 2021, we announced the extension of our three-year partnership with the Prince's Trust for a further five years, with an ambition to reach 200,000 more young people in secondary school, helping to build their employability skills and confidence. Alongside our delivery partners IGD, Speakers Schools and The Careers and Enterprise Company, we are tracking ahead of our ambition to help 45,000 young people through Achieve Clubs, with a continued focus in areas that are vital for young people, such as mental health and wellbeing.

Our final cohort of Kickstart colleagues finished their placements in April 2022, with 94% satisfied with their experience of the programme. 52% of young people who completed the programme gained employment with Tesco. Through our cross-sector collaboration with Movement to Work, we have trialled a new approach to short work placements for young people aged 16 to 30, with and without a disability, and not in education, employment or training.

Health, safety and wellbeing

The physical and mental health, safety, and wellbeing of our colleagues is central to our ways of working. Based on our latest Every Voice Matters results, 86% of Group colleagues agreed that Safety at my workplace is taken seriously.

Recognising the challenges our store colleagues continue to face, we supported USDAW's campaign to protect retail workers from abuse, threats and violence. The Police, Crime, Sentencing and Courts Bill (PCSC) received Royal Assent in May 2022 and will bring the same protections for our colleagues as those given to emergency service workers.

We continued to offer free annual heath checks for our colleagues in Bengaluru. For colleagues in CE, we provide access to food packages consisting of fruit and vegetables to help improve diets. At Tesco Bank, we have rolled out 'Be well building blocks' to all colleagues to help drive healthier working practices and healthier living.

Following a pilot involving more than 6,000 UK colleagues, in November 2022 we launched Pay Advance, an initiative which enables colleagues to access up to 25% of the money they have earned ahead of pay day to help deal with any unexpected costs. Safeguards on the service help to protect colleague pay and future income.

After becoming a signatory of the Menopause Workplace Pledge, a commitment to ensuring colleagues going through menopause are supported, we updated our sickness and absence policy so that absence due to menopause-related symptoms is not counted as part of sickness absence calculation. We also introduced a range of resources including menopause-friendly uniforms, a colleague guide on menopause and a Talking Menopause Colleague Café to build a support network.

Diversity and inclusion

Creating a diverse and inclusive workplace that represents the communities we serve is vital to building an inclusive culture, where everyone feels welcome. It is embedded in our values 'we treat people how they want to be treated' and is an integral part of our success at Tesco. We strive to make progress year on year and are proud that 85% of colleagues feel they can be themselves without fear of judgement, while 86% say their manager makes everyone in their team feel welcome.

Across Tesco Group, we champion diversity and inclusion, from how we attract, recruit and develop our colleagues to retaining diverse talent. In 2022, we made further strides in strengthening our commitment to equitable representation.

This year, examples include:

- Continuing to require diverse shortlists for senior vacancies and making positive changes to hiring practices, resulting in 36% of external senior appointments being female and 40% ethnically diverse this year.
- Following the success in 2021 of our diverse talent communities for high potential colleagues, we have expanded our reach across more parts of the Tesco Group and to more under-represented groups, welcoming more than 210 colleagues who identify as Black, ethnically diverse, LGBTQ+ and/or disabled. The community helps us nurture talent, accelerate individual development and address barriers to progression.
- In line with our commitment to operating in a responsible and sustainable way, in 2021 we linked executive Performance Share Plan to our 2025 global leaders target. In 2022 we took a step further by linking refinancing of Tesco's revolving credit facility to this 2025 diversity target.
- Since the start of 2023, we have made good progress towards achieving Disability Confident Leader Status in the UK. Progress made includes: improved attraction and selection processes for disabled candidates; improved candidate communication; and partnering with disability-focused job boards. This year we were the first retailer to achieve the RNIB Visibly Better Employer status.
- Our colleague networks play a vital role in underpinning our strategy by amplifying the unique challenges diverse groups at Tesco face and play an ever-increasing role as strategic business advisors. Alongside our colleague networks, we continue listening to and elevating diverse voices, utilising the results from our Group-wide colleague engagement survey, Every Voice Matters, and feedback from executive-led colleague listening sessions, to understand where we can do more.
- To better understand the diversity of our workforce we have continued to request diversity data through our internal survey, This is Me. Completion is currently more than 60%. This year we have launched in Booker and Tesco Pensions Investment. As one of the UK's largest private sector employers, we know that collecting this data will take time, our aim is to achieve a full completion rate in the near future. Diversity data from our colleagues will enable us to: identify additional areas of improvement; make more inclusive decisions; and support our ambition to participate in voluntary reporting, such as the ethnicity pay gap and Workforce Disclosure Initiative (WDI).

We launched our Black action plan in the UK in May 2022 to help us understand the challenges faced by the Black community and deliver lasting change across Tesco. Driven by our colleagues, predominantly those in our Black advisory group and colleague network, we aspire to achieve fair and equitable representation across four key areas: community, talent, commercial and brand.

We have already seen progress since implementing the plan, including introducing new Black-owned brands to our offer and launching a specific cohort (and Black learning offer) as part of the diverse talent community to help us better accelerate the careers of Black talent. Our work has been strengthened by partnerships with organisations including The Black British Network and Making of Black Britain.

We continue to work towards our global leadership representation targets. We have made progress against our voluntary commitment to the external FTSE Women Leaders target of 40% female representation at Board executive level and their direct reports by 2025. As a business we have achieved 34% female representation this year, an increase from 29% last year.

	Male		Female		Ethnically diverse	
Board[(a)]	7	58%	5	42%	2	17%
Executive Committee[(a)(c)]	9	69%	4	31%	2	17%
Top global leaders[(b)(c)]	190	71%	79	29%	37	15%◊
All colleagues	156,907	47%	175,908	53%	Not reported	

(a) Our CEO and CFO are members of the Board and Executive Committee and are included within both groups in the above table.
(b) Our top global leaders relates to directors and business leaders across the Group, including Executive Committee members.
(c) One Executive Committee member and a number of global leaders declined to provide ethnicity information and were therefore not included in the percentage calculations.
◊ Deloitte LLP was engaged to provide independent limited assurance over the selected diversity data highlighted in this report with a ◊ using the assurance standard ISAE 3000. Deloitte has issued an unqualified opinion over the selected data. Deloitte's full assurance statement is available at: www.tescoplc.com/sustainability/reporting-hub.

Diverse talent communities

"Being part of Tesco's diverse talent community (DTC) has increased my confidence in bringing my full authentic self to work. The DTC is vitally important for Black colleagues and other under-represented groups at Tesco, including members of the LGBTQ+ community or people with disabilities. It's a step towards true talent equity at Tesco by ensuring that everyone has access to the same opportunities."

Jahnae Gumbs, Business Graduate

Our diverse talent communities support our emerging talent colleagues from under-represented groups through career planning, guidance and increased visibility. In 2022/23 we launched a dedicated Black colleague cohort as part of the DTC initiative. Our aim is to address the barriers and challenges faced by many Black colleagues in the workplace.

Visit www.tescoplc.com/sustainability/colleagues/diversity-and-inclusion-at-tesco

Climate.

Commitment

Climate change remains the biggest and most complex challenge facing the world, with its impacts felt across our supply chain, operations and the communities we serve. The food sector is responsible for more than a third of greenhouse gas (GHG) emissions. We are committed to playing a leading role in helping to tackle these emissions and avoid the most severe consequences of climate change. We strengthened our commitment to being carbon neutral across our Group operations by 2035 and hitting net zero by 2050 across our full value chain, aligned to 1.5˚C.

These targets act as the overarching goal, recognising that bringing nature and climate together into one holistic environmental strategy is critical, alongside packaging and food waste, healthy, sustainable diets, sustainable agriculture, and protecting forests. With these agendas orientated towards our overarching net zero target, it allows us to explore new opportunities through their interconnectivity and ultimately nurture entire ecosystems that are truly sustainable end to end.

Our goal to reach net zero needs transformational change in how we grow, produce and consume food. To achieve this, we are developing detailed, timebound plans to decarbonise key areas of our emissions footprint, particularly the production of our most material agricultural products.

Recognising that we cannot achieve our climate ambitions alone, we continue to promote cross-industry action and advocate to align public policy with net zero across our markets. We do this through our flagship partnership with WWF, as well as our membership with forums such as the Aldersgate Group and the Climate Group, and involvement in leading industry initiatives such as the WRAP Courtauld Commitment 2030 and the British Retail Consortium's Climate Action Roadmap. We have also made commitments to RE100 and EV100, pledging to reach 100% renewable electricity and 100% electric van fleets respectively.

Integration

In 2022 we relaunched our purpose, placing sustainability at its core. We also added climate emissions to our Big 6 KPIs and introduced ESG metrics into our executive remuneration policy. The Performance Share Plan includes three ESG targets, including our near-term emissions reduction milestone, each with an equal weighting of 8.33% (25% in total). In 2021 climate became a standalone principal business risk, recognising the critical impact climate change has on our business. See page 14 for details on our Big 6 KPIs.

To underpin our new purpose and substantiate our public commitments, we have established Group-wide, interdepartmental governance with accountability across the leadership team. Our governance groups maintain oversight of progress made against our interim decarbonisation milestones and have accountability for ensuring the business delivers on climate commitments.

As a result of integrating climate change action throughout our business, we have been able to make further progress on engagement and investment in decarbonisation.

Working toward decarbonisation

The majority of our GHG emissions come from producing the things we sell, and customers using what they buy from us, mainly from fuel and energy. We are more able to influence the way things are produced than how they are used, so our strategy focuses largely on decarbonising the upstream supply chain. While transport, running our stores and waste are relatively smaller contributors, they are still significant and lie almost fully within our control and therefore have a prominent role in our decarbonisation strategy. Our TCFD report starting on page 20 provides more detail on our emissions footprint.

Scopes 1 and 2: running our stores and logistics

To date, we have achieved a 55% absolute emissions reduction in our own operations vs a 2015/16 baseline. This has largely been driven by switching to renewable electricity; however, we have maintained consistent focus on driving energy efficiencies while making significant inroads into decarbonising our remaining key hotspots. Our Group Scope 1 emissions now account for around one million tonnes of CO_2 equivalent (tCO_2e), split roughly a third each across heating, refrigeration and transport.

- **Refrigeration** – we are switching the refrigerant gases in our store fridges to reduce emissions quickly and replacing depreciated systems with recovered CO_2 systems to minimise emissions.
- **Heating** – we have installed heat pumps in 13 stores in the UK and are trialling 100% heat pump heated stores in Czech Republic and Slovakia.
- **Transport** – as signatories of EV100, we are committed to having a fully electric home delivery fleet by 2030 and installing EV charging for customers and colleagues.

Further information on the steps we have taken to drive energy efficiency are contained within the Streamlined Energy and Carbon Reporting disclosure on page 105.

We have already met our 2030 ambition to switch to 100% renewable electricity in our own operations across the Group. Our strategy is designed to ensure we increasingly source our electricity directly, going beyond renewable energy certificates and supporting the development of new renewable assets, helping bridge the gap in investment and infrastructure needed to hit the UK's net zero target. Our target is to source 60% of our electricity by 2030 from power purchase agreements (PPAs) and onsite power generation.

Underpinning this work to transition to zero carbon energy sources, it is imperative that we continually work to minimise our overall energy demand, by investing in efficiencies across our logistics and store operations. This is a critical enabler to ensure we have sufficient capacity to electrify the elements of our operations that continue to rely on fossil fuels.

Scope 3

Our 2019/20 end to end footprint showed that more than 90% of our GHG emissions sit in our value chain (Scope 3). Building a comprehensive supplier engagement programme, encouraging carbon reporting and reduction and finding active opportunities to decarbonise our Own Brand product range are critical steps in our net zero journey. These programmes will feed into our upcoming transition plan in accordance with UK regulatory requirements and the latest guidance from the Transition Plan Task Force.

In 2022, we successfully mapped close to two-thirds of our UK grocery suppliers' operational footprint. As a result of our engagement with suppliers, more than half of our top suppliers have already announced their ambition of setting a net zero plan and of validating their net zero targets with Science Based Targets initiative (SBTi). We are successfully tracking carbon and energy data from more than 87% of our clothing supply chain factories and close to 91% of our mills via the Sustainable Apparel Coalition's Higg tool, giving us enough primary data to design targeted decarbonisation projects moving forward. For our Home supply chain, we will collaborate with Amfori in deploying their Business Environmental Performance Initiative tool to ensure similar coverage by the end of 2023.

To gather carbon and other sustainability metrics from our suppliers with a simplified and harmonised methodology, in 2023 we made a commitment to Manufacture 2030 with an ambition to scale up our carbon data coverage. The transition will enable us to reach more than 80% of our grocery supply chain in the UK, Czech Republic, Hungary, Slovakia and ROI, as well as subsidiaries, Booker and One Stop.

Engaging suppliers is an important element of our decarbonisation roadmap and we need to go further. Close to 25% of our footprint can be traced back to just 30 agricultural products where Tesco frequently holds a significant share in terms of total volume. Therefore, we will set specific decarbonisation work programmes in these emission hotspots, primarily working through our Tesco sustainable farming groups as well as our agriculture forum.

Some of the recent initiatives we have launched from early 2023 include the UK's first commercial trial of low-carbon fertilisers with our five largest field vegetable suppliers in the UK. The roll out of the LEAF Marque Standard certification by 2025 for all domestic and international fresh produce suppliers, and on-farm carbon data tracking in our main meat, fish, poultry and eggs, and dairy supply chains. In preparation for our transition plan disclosure, our plan is to design tailored decarbonisation roadmaps for these agricultural products with the aim of driving down emission intensity.

As a food retailer, almost 40% of our emissions sit downstream with our customers. Understanding the importance of helping customers to make more sustainable choices, in 2022 we launched our Better Baskets campaign. This campaign aims to signpost our customers to options which can be lower in environmental footprint, healthier and affordable at the same time, gradually leading the transition towards lower-carbon purchasing decisions.

More detail on how we are pushing forward with renewable energy sources and progressing our decarbonisation strategy can be found in our TCFD update on pages 20 to 24.

Greenhouse gas emissions and energy consumption*

	2022/23	2021/22	2020/21	Base year 2015/16
Scope 1 (tonnes of CO_2e)	**1,039,346◊**	1,110,098	1,053,131	1,240,871
Scope 2[(a)]				
Market-based method (tonnes of CO_2e)	**7,796◊**	16,107	13,631	1,095,671
Location-based method (tonnes of CO_2e)	**575,462◊**	642,337	718,222	1,657,316
Total Scope 1 and 2 market-based (tonnes of CO_2e)	**1,047,142◊**	1,126,205	1,066,762	2,336,542
Scope 1 and 2 carbon intensity (kg CO_2e/sq.ft. of stores and DCs)	**11.91◊**	12.16	11.63	26.29
Selected Scope 3[(b)] (tonnes of CO_2e)	**567,191◊**	593,405	471,195	684,079
Total gross emissions (tonnes of CO_2e)	**1,614,333◊**	1,719,610	1,537,957	3,020, 621
CO_2e from renewable energy exported to the National Grid (tonnes of CO_2e)	**281**	279	350	–
Total net emissions (tonnes of CO_2e)	**1,614,053**	1,719,331	1,537,607	3,020, 621
Overall net carbon intensity[(c)] (total net emissions kg CO_2e/sq.ft. of stores and DCs)	**18.43**	18.56	16.76	33.88
Total annual energy consumption (GWh)	**6,000**	6,263	6,089	6,823
UK only total Scope 1 and 2 market-based (tonnes of CO_2e)	**888,676**	936,257	880,039	1,751,572
UK only Scope 1 and 2 carbon intensity (kg CO_2e/per sq.ft. of stores and DCs)	**13.88**	13.67	12.99	26.29
UK only annual energy consumption (GWh)	**5,037**	5,203	5,037	5,502

* For both energy and emissions data, we have included all major subsidiaries within Group measures and have included all UK-based subsidiaries in our consolidated UK disclosures.
◊ We engaged Deloitte LLP to provide independent limited assurance over the GHG emissions data highlighted in the above table with a ◊ using the assurance standards ISAE (UK) 3000 and 3410. Deloitte has issued an unqualified opinion over the selected data. Deloitte's full assurance statement is available at: www.tescoplc.com/sustainability/reporting-hub.

(a) Our method statement can be accessed at www.tescoplc.com/sustainability/reporting-hub. 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/reporting-hub.
(c) Carbon intensity calculations for 2020/21 were previously revised to reflect changes in the sq.ft. of our business to include all subsidiaries.

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, on page 41. You can also find details on our greenhouse gas emissions on page 19. We continue to consider the potential financial impacts of climate change in the cash flow scenario modelling within our viability statement on page 47 and impairment note on page 148 to 151.

Governance

We implemented an enhanced climate governance framework last year encompassing the Board, its associated committees and the Executive Committee. This year, we broadened the scope of this governance framework to include all major elements of our plans, reflecting our holistic approach to the delivery of our sustainability ambitions. In addition to climate, the governance framework now encompasses elements including food waste, sustainable agriculture, biodiversity, healthy diets, and packaging. As a result of this wider governance scope, we have made minor changes to the membership and titles of the committees involved, which are described in more detail below.

The Board is responsible for the long-term success of the Group and has ultimate responsibility for climate-related risks and opportunities. The Board's most recent discussion was in February 2023. The Corporate Responsibility Committee oversees the Group's social and environmental obligations, including climate-related matters, and is responsible for monitoring progress towards our commitments. The Corporate Responsibility Committee reviews progress to date and forward projections against our stated commitments through formal papers presented by and discussed with the relevant delivery teams. The Committee meets four times each year and has discussed climate on every occasion during 2022/23, with similar plans to discuss at all 2023/24 meetings. Further information about the activities discussed at the Corporate Responsibility Committee meetings can be found on pages 69 and 70.
The Audit Committee monitors climate-related risk management, internal controls and reporting.

The Executive Committee reviewed our progress against our climate targets twice this year, in June and December 2022. In December, the Committee discussed and approved our broadened governance framework described above and our climate-related plans for the 2023/24 financial year. These discussions were led by the Chief Product Officer, as executive sponsor of our net zero climate commitment. The Executive Committee reviewed and approved 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 formally approved by the Board with reference to the capital and associated operating cost investments required to deliver our carbon reduction commitments. In 2023/24, the Board will oversee progress against the climate targets twice a year.

Reflecting the broader scope of our new planet-related plans, the Group climate committee has been renamed to become the Group planet committee. The change was endorsed by the Executive Committee in December 2022 and is designed to facilitate delivery of our purpose. The Committee provides strategic oversight and is responsible for ensuring the delivery of all our sustainability targets. These include interim decarbonisation and food waste reduction goals, climate risk management and our climate-related disclosures. The Group planet committee met twice in the past 12 months, in June 2022 and March 2023. The committee continues to be chaired by the Chief Product Officer and comprises representatives from significant business functions, which materially influence our ability to achieve our planet related commitments and regulatory obligations.

Three steering groups continue to underpin the implementation and compliance component of our planet governance structure. They are responsible for delivering initiatives to meet operational climate targets (Group operational decarbonisation steering group) and interim milestones, propel decarbonisation in our supply chain (planet steering group) and enable the business to report our progress (ESG reporting & disclosure group). These steering groups are chaired by senior leaders; our Chief Property Officer leads operational decarbonisation (Scope 1 and Scope 2), our Group Quality Director leads product sustainability, which encompasses our Scope 3 value chain decarbonisation, and our Group Finance team leads reporting and disclosure. The steering committees are more broadly supported by a number of cooperative workstreams that each focus on carbon reduction within material emissions hotspots across the business.

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 2023. Our sustainability efforts focus on our ability to create and preserve long-term value for our customers, colleagues, the planet and the communities we serve. To address the effect of climate change, Tesco has set sustainability targets, aligned to a 1.5°C pathway, and has committed to achieving net zero across Scopes 1, 2 and 3 by 2050. These sustainability targets are underpinned by plans and formal oversight through dedicated forums, which continue to provide support for delivering against our long-term targets. Further information about our principal risks and uncertainties can be found on pages 38 to 45.

We have reviewed and refreshed our approach to further embed the management of climate-related risks and opportunities into our enterprise risk management processes. Climate and sustainability task forces have been created for our Republic of Ireland, Central Europe and Booker businesses, and for categories including non-food and Tesco Mobile. We continue to track emerging climate regulations including any requirements for the reporting and disclosure of climate risks.

Metrics & targets

We underpin our net zero strategy with three key commitments:

1. reduce Scope 1 and 2 market-based emissions by 60% by 2025;
2. be carbon neutral across our own operations by 2035; and
3. achieve net zero across our value chain (Scope 3) by 2050.

In the 2022/23 financial year, we reduced our Scope 1 and 2 emissions by a further 3%pts, taking our cumulative reduction against a 2015/16 baseline to 55%. During the year, we invested more than £60m into decarbonising our refrigeration systems, aligned to our ongoing store refresh programme, and the electrification of our online delivery fleet.

In recognition of how critical sustainability is to our business success, our 2023 Performance Share Plan (PSP) continues to incorporate several sustainability metrics, following their inclusion for the first time last year. 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 83.

You can find detailed GHG emissions data, including disclosure across Scopes 1, 2 and selected Scope 3 disclosure on page 19, we have reviewed the Group's physical and transition risks and opportunities, the financial values at risk are quantified in the strategy section below and in the Principal risks 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.

Strategy

During the year, we continued to build on our internal climate-related risk scenario modelling capabilities. In partnership with Risilience, part of the Centre for Risk Studies at the University of Cambridge, this involved creating a 'digital twin' of our business.

The digital twin maps the key areas of our value chain and allows us to stress test our business under five warming scenarios, for both physical and transition risks. The output provides a range of financial value at risk impacts across several risk categories over the short to medium term, which are described in more detail below. Each risk type was assessed based on materiality and likelihood within the five-year time frame on which the quantitative modelling is based. We can also leverage the outputs from this model to estimate the longer-term exposure to each risk category. Our enhanced scenario modelling capabilities allow us to better understand the exposure of the business to the effects of climate change, build effective mitigation plans, stress test our organisational resilience and improve the execution of our net zero strategy.

The tables overleaf summarise the financial value at risk associated with three of the modelled risk categories (policy, consumer and technology) over the short to medium term (five years) and a qualitative assessment of how these risks could evolve over the longer term (10 to 20 years). The modelled impacts refer to transition risks and are quoted based on a 1.5°C pathway aligned to the Paris Ambition and Tesco's stated targets, and a 3°C pathway aligned to the current warming pathway. We have quoted the financial value at risk below as a range, reflecting the uncertain and heavily assumption-based nature of climate-related modelling.

We assess that our business has a high degree of resilience to the climate-related risks detailed below across a spectrum of warming scenarios, including one where warming is limited to 1.5°C. This assessment is based on a variety of factors, which include:

- a broad, comprehensive range of grocery products and core capabilities in adapting our existing ranges while launching new products to meet emerging consumer demands;
- an extensive plant-based meat alternative range, which we continue to innovate; and
- a geographically diversified sourcing base characterised by strong and established strategic relationships with suppliers across the globe, which gives us a natural hedge against weather extremities.

We modelled three further transition risks in relation to: 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 believe that stakeholders recognise our sustainability commitments and the progress we have made to date. 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.

We also considered the potential financial impacts the Group could face as a result of physical risks, largely driven by the potential for weather extremes and related to raw material supply, key facility risks, and market disruption. The geographically diverse nature of our supply base as well as our store and distribution network provides a degree of structural resilience. Our enhanced modelling capabilities allow us to understand the potential physical climate risks at a site level. This enables our property teams to ensure we have robust plans in place in high-risk flood zones to mitigate potential flood risks in the years ahead. The financial value at risk is not material either individually or in aggregate, and we have therefore not disclosed these separately.

Our focus for the 2023/24 financial year will be on further exploring each risk identified as part of this modelling and working with relevant business teams to develop our risk management and mitigation plans.

Policy risk

Pathway	Mitigated annual impact five-year outlook	10-year outlook	20-year outlook
3°C	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	£0-50m	Carbon prices increase by 20-fold between the current year and 2030, with rapid adoption across developed economies	Carbon prices begin to plateau beyond 2030 (by an additional threefold) 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. For our 3°C pathway, we have used $20 ($/tCO$_2$e) and for 1.5°C we have used $80. We are actively working to reduce carbon emissions across our value chain in line with our 2035 net zero commitment across Scope 1 and 2, and our 2050 commitment including Scope 3. This activity will naturally contribute to reducing our exposure to increases in carbon pricing. We have assumed that together with shifts in consumer behaviour and general market pricing we are able to mitigate the majority of this risk.

Our expectation for the 1.5°C pathway over the medium and longer term would be for carbon pricing to continue to increase and eventually plateau, while for the 3°C pathway we would expect current global carbon prices to remain stable with an inconsistent global implementation and therefore an immaterial financial impact.

Consumer market risk

Pathway	Unmitigated annual impact five-year outlook	10-year outlook	20-year outlook
3°C	£0-50m	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	A greater proportion of our customers switch rapidly from less sustainable products to more sustainable options	Demand for sustainable products and services becomes mainstream in the market, the purchasing behaviours and associated financial risk seen in the 10-year horizon stabilise over a longer time period rather than increasing in a linear fashion

This risk models the impact of customers' sustainable purchasing decisions, for example, switching from animal to plant-based protein. Meat and egg-based protein constituted 82% of all our protein sales for UK food and soft drink product categories in 2022/23. The 1.5°C pathway assumes a fast adoption and a significant reduction in demand for less-sustainable and carbon intensive products, whereas the 3°C pathway assumes a limited reduction in current demand.

Our expectation over the medium term is that for the 1.5°C pathway, consumers will increasingly move away from non-sustainable products. In the longer term more sustainable products will become the mainstream option in the 3°C pathway. Less-sustainable products would continue to dominate the market with only minimal decline in demand.

The short-term risk value presented assumes no mitigation; however our broad plant-based product ranges provide an opportunity for us to attract new customers and continue to grow in this category as customer behaviour evolves. Our modelling of consumer preference changes allows our product development and buying teams to work with our supplier partners to evolve our product ranges to remain at the forefront of emerging customer behaviours and demands.

Technology risk

Pathway	Unmitigated annual impact five-year outlook	10-year outlook	20-year outlook
3°C	£0-50m	Green technology grows in certain sectors; however, fossil fuel assets remain in widespread use and therefore write-off costs are at a low level with minimal financial risk to the business	Green technology uptake grows at a continued slow rate; we continue to see impairment of fossil fuel assets, but this also remains at a low level
1.5°C	£25-75m	Green technology grows in all sectors, and fossil fuels and associated technology are phased out resulting in a write off of existing asset values	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 assets due to increasing levels of low carbon-based investment. The 1.5°C pathway assumes a fast-paced transition to green technology whereas as our 3°C pathway assumes a much slower transition.

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 all 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 the short term. 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.

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 2021 we announced a renewed commitment to be net zero across the whole Group and all GHG emission scopes by 2050, while maintaining our own operational (Scope 1 and 2) target of being net zero by 2035. As a company with a sizeable footprint in the agricultural sector (roughly 25% of our Group GHG emissions can be traced back to just 30 agricultural products), we are the first retailer in the UK to join the design and validation pilot of a decarbonisation target in the forest, land and agriculture (FLAG) sectors. The chart below shows the disaggregation of our footprint according to Scope 1, 2 and 3 GHG Protocol categories. Scope 1 and 2 have been updated with our 2022/23 emissions data and Scope 3 emissions are as of 2019/20.

Our priority will be to focus on finding the most scalable and effective solutions to accelerate our decarbonisation across all scopes. Our strategy will concentrate primarily on three main components:

1. continuing to reduce our operational footprint, with a focus on increasing energy efficiency, generating and directly procuring renewable electricity, reducing our dependency on fossil fuels across transport and our property estate and switching the refrigerants we use in our fresh network and stores;
2. enhancing supplier engagement across all business units, geographies and subsidiaries to ensure our supply chain is adequately disclosing footprint data and setting targets to reduce it; and
3. working directly with producers in our agricultural supply chains to identify opportunities to reduce and sequester land-based emissions associated with our own label product range.

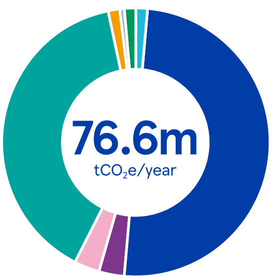
We are committed to reaching net zero Scope 1 and 2 operations by 2035, on a 1.5°C aligned pathway. Since our baseline in 2015/16, we have reduced our Scope 1 and 2 Group footprint by 55%. While this has largely been driven by switching to renewable electricity, we have maintained consistent focus on driving energy efficiencies while making significant inroads to decarbonise our remaining key hotspots: transport; refrigeration; and heating.

We led early on electricity; 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, going beyond renewable energy certificates to help boost domestic UK renewable capacity. We have also installed wind turbines at our depots and solar panels on our store roofs, supporting our energy security. In total, onsite and offsite direct power deals will supply around a quarter of our electricity demand.

It is critical that we de-risk our business from stranded assets, write-off costs and potential future carbon legislation. We will do this by innovating early to scale up decarbonised operations in line with our pathway towards net zero. 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. We have several large fleets of vehicles to decarbonise. To date we have deployed 293 electric home delivery vans and are on track to be 100% electric by 2030 as we continue to replace fully depreciated diesel vehicles. This prepares us for the UK's phase out of vehicles powered by internal combustion engine. We continue to trial various models across the UK and Central Europe as well as electrical refrigeration units in our chilled network.

Our transition to zero carbon energy sources is underpinned by a focus on continually reducing our overall energy demand, through investing in efficiencies across our logistics and store operations. This is a critical enabler to bolster our energy security, manage energy costs and secure sufficient capacity as we continue to electrify our operations.

Our total emissions footprint



- **1.4%** Scope 1: refrigerants, HVAC, transport (logistics)
- **0.01%** Scope 2: purchased electricity
- **50.2%** Scope 3: category 1: purchased goods and services (including deforestation)
- **3.1%** Scope 3: category 4: upstream transportation and distribution
- **3.0%** Scope 3: category 9: downstream transportation and distribution
- **39.1%** Scope 3: category 11: use of sold products
- **1.5%** Scope 3: category 12: end-of-life treatment of sold products
- **0.39%** Scope 3: category 15: investments
- **1.3%** Scope 3: category 3, 5, 6, 7: fuel and energy-related activities, waste generated in operations, business travel and employee commuting

We report on the categories that are material to Tesco based on their contribution to our end-to-end footprint. Our 2019 estimation of our capital goods (category 2) footprint shows a very small contribution compared to our purchased goods and services (category 1); however, as a result of recent methodological updates in the goods and services not for resale sector, we will run new calculations this year ahead of our FY23/24 reporting cycle. 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: processing of goods sold (category 10); downstream leased assets (category 13); and franchises (category 14), are irrelevant for our sector and the scope of our business.

Alongside our operational decarbonisation roadmap, we are setting a comprehensive Group-wide strategy to decarbonise our value chain. This is both upstream, with our suppliers, and downstream to support a sustainable transition in our customers' purchasing behaviour. This helps both to mitigate the risk of consumers shifting to our competitors because of sustainability preferences and to insulate us against rising future carbon prices. Our Scope 3 emissions constitute more than 90% of our total emissions footprint. Upstream activities account for 50% of this, while 30% is driven by emissions from rearing, growing and transporting agricultural products, mainly within the animal protein categories. The remaining 20% is linked to the manufacture of our product ranges, including packaging and production of the fuel that we sell. Downstream activities represent 40% of our footprint including primarily emissions resulting from customers using our products. This includes cooking at home, preparational processes including washing and drying products, and the emissions associated with the fuel that customers buy from our petrol filling stations.

Our two main strategic priorities for our upstream emissions are strengthening our supplier engagement programme around carbon reporting and climate targets and working directly with farmers to scale up decarbonisation on farms. We have asked all of our direct suppliers to report their GHG emissions and set science-based targets, which should aim for net zero across all emission scopes and attain validation by the SBTi by the end of 2025. At January 2023, close to two-thirds of our UK suppliers by value of total cost of goods sold (COGs) report their operational footprint. They do this either through CDP or directly to Tesco by filling in a questionnaire that we circulate via the Tesco supplier network. Suppliers complying with our climate requirements are also eligible to join the UK retail sector's first sustainability-linked supply chain finance programme. We launched this in 2021 in partnership with Santander, offering preferential invoice payment rates to climate-compliant suppliers.

In 2023, we will build on the success of our supplier engagement programme by joining Manufacture 2030, a global cross-industry software platform on which suppliers can submit their carbon data and other sustainability metrics to Tesco and our competitors. This will enable us to increase coverage of our suppliers' climate compliance to go beyond UK suppliers and include an equivalent coverage of around 80% of all suppliers (in terms of COGs) across the Tesco Group. We will also continue our supply chain finance programme with Santander with a focus on supporting smaller suppliers who might require additional resources to be able to comply with the climate requirements.

Decarbonising our agriculture and animal protein supply chains is a priority to mitigate our transition risk. Our model has also mapped the physical risk associated with sourcing these products to understand where our exposure to at-risk commodities is greatest. Our main focus will be to decarbonise the three commercial categories with the highest dependency on these products. These collectively represent close to 40% of production emissions of which 75% is linked to our own label range: (i) meat, fish, poultry and eggs; (ii) bakery and dairy; and (iii) produce. Within these three categories, we have identified the main emission sources we must tackle. For example, in our ruminant supply chains, such as cattle and sheep, the focus will be on improving feed and protein efficiency while reducing methane resulting from enteric fermentation.

In monogastric animal supply chains, such as pork, poultry and aquaculture, the focus will be on ensuring that all feed comes from 100% deforestation and conversion-free sources, a target we have committed to implement by 2025. When it comes to fresh produce, we are working on reducing our dependency on fossil-fuel fertilisers. In early 2023, we launched our first commercial trial of low-carbon fertiliser options with our main field vegetable suppliers in the UK.

Moving forward, we will continue to pilot decarbonisation interventions through our Tesco sustainable farming groups (TSFGs), integrated by producers in the animal protein and produce sectors. We will also explore new ways to use supply chain finance to support our farmers in their green transition.

When it comes to our downstream emissions, we launched our Better Baskets campaign in 2022, which helps our customers make informed decisions on the sustainability of their shopping basket. Our Better Baskets on-shelf communication is available at all Tesco Extra stores and signposts consumers to a product range with enhanced sustainability credentials beyond carbon footprint alone. Our commitment is to ensure 65% healthy sales by 2025 in the UK & ROI, and 53% by the end of 2027 in Central Europe, which will require scaling up the sustainability performance of our product range. To that end, we will develop new product-level data collection platforms, such as Mondra. This UK-based sustainability data start-up aims to estimate the environmental footprint of our own-label product range by understanding their composition and the sourcing areas of their ingredients. We also continue to ask our TSFGs to provide sustainability information from their farms, so our commercial teams are better informed about the sustainability performance of our sourcing partners. To support the wider electrification of our customers' vehicles, we have scaled up the network of pod points to more than 2,500 charging bays across 600 stores across the UK. We are also committed to cutting food waste across the supply chain by 50% by 2030. This is aligned with the WRAP Courtauld 2030 framework, which will also entail working in customer-led campaigns to reduce the waste of our products in customers' households.

In line with UK Treasury regulatory requirements following COP26, Tesco will present our Group transition plan in accordance with UK regulatory requirements and guidance from the Transition Plan Task Force. This plan will give our stakeholders insight into our sector and product-specific decarbonisation plans as well as details of our supplier engagement programme and more information on our climate risk mapping and financial planning. To ensure alignment with the guidelines and recommendations of the Transition Plan Task Force, Tesco is part of a cohort of companies participating actively in the consultation phase for the document's implementation guidance. Tesco also co-chairs, together with WWF, the working group tasked with developing the Sectorial Guidance for Food and Agriculture, with a first draft expected to enter consultation phase in August.

Next steps

Our priorities in 2023/24 will include further developing our internal capabilities in climate-related scenario modelling through our partnership with Risilience. We are contributing closely to the Transition Plan Task Force in preparation of our upcoming transition plan. We will also be updating our end to end footprint in this context, considering all available improvements in methodology and emission factors, as well as inclusion of primary data collected from our supplier base via Manufacture 2030.

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.

Section 172 statement.

The needs of our stakeholders and the consequences of any decision in the long term 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. The differing interests of stakeholders are considered in the business decisions we make across Tesco and are reinforced by the Board. In performing their duties during the year, the Directors have had regard for the matters set out in Section 172(1) (a)–(f) of the Companies Act 2006.

Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions are included throughout this Annual Report, together with details of strategic decisions and actions set out below which are supportive of this Section 172 statement.

Our strategic decisions: long-term direction and purpose-led engagement

Delivering sustainable profitable growth is essential as we aim to create value for all stakeholders over the long term. Our purpose is underpinned by our strategic priorities, as set out on pages 12 and 13. Both our purpose and strategic priorities guide all parts of the business within the Group. Together these strategic priorities enable us to continue to deliver great value, increase customer loyalty, and stay competitive while ensuring we remain agile and efficient as a business. These four strategic priorities: Magnetic value for customers, Easily the most convenient, I love my Tesco Clubcard and Save to invest, help us maintain focus on doing the basics brilliantly and are overlaid with opportunities to accelerate growth.

The Board uses its governance framework to guide its actions and track the Group's progress. Detailed updates and oversight by the Board and its Committees have led the Board to approve our ongoing commitment to return capital to shareholders through dividend declarations and a share buyback programme, together with the listing of additional debt issuance of £250,000,000 5.50% Notes due 2035 and €500,000,000 4.25% Notes due 2031, under the Euro medium term note (EMTN) programme.

Our strategic decisions: sustainability

Climate change remains the biggest and most complex challenge facing the world, with its impacts felt across our supply chain, operations and the communities we serve. The food sector is responsible for more than one third of global GHG emissions. We remain committed to embedding sustainability across all of our business operations and working to reduce our environmental impact. Throughout the year, the Board has sharpened its focus on our sustainability initiatives with a deep dive into our sustainability strategy, which brought our net zero commitments to life, looking at progress so far against some key milestones. The targets that we set as a Board not only support our core purpose of serving our customers, communities and planet a little better every day, but are also essential for the delivery of our net zero commitments of being climate neutral within our own operations by 2035 and through our supply chain by 2050. Our climate initiatives are linked to our strategic drivers and our Big 6 KPIs.

The Board discussed our sustainability journey to ensure we deliver against the 2030 ambition to halve the environmental impact of the average shopping basket and the 2035 and 2050 net zero targets, while understanding the needs and behaviours of our customers and in turn our impact on the environment.

The Board is looking to improve our overall societal impact through sustainability initiatives relating to:

- improving our products;
- decarbonising transport;
- reducing store emissions;
- supporting sustainable consumption;
- eliminating waste (food and packaging); and
- strengthening our communities with a focus on human rights, diversity and inclusion and community priorities such as food banks.

The Board, through its regular updates, understands what is important to our stakeholders and took this into consideration when setting the sustainability strategy and agreeing targets. The Board agreed that a focus on these material initiatives, with affordability, simplicity and ease of understanding in mind, were key.

The Board is supported by the Corporate Responsibility Committee, Executive Committee, Group planet committee and other senior management level committees in delivering our sustainability initiatives. Deep dives into sustainability matters, together with the updates from these committees, support the Board in navigating the challenges along the way. The Board discussed feedback following a session with 250 suppliers that sought ways to learn from and collaborate with Tesco and join forces, where appropriate, to build climate solutions in the food sector together. The Board has met with Tesco experts in the development kitchens and explored the customer journey, looking at how we use customer insights based on customer attitudes and behaviours, exploring the barriers and challenges faced from cost to convenience, to the delivery of a better basket for a better planet.

Our strategic decisions: helping customers spend less

The Board recognises that our customers and colleagues are facing a challenging time through the cost-of-living crisis. A key focus of the Board is to keep the cost of the weekly shop as affordable as possible, through a combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, together covering more than 8,000 products.

Through our brand and marketing in store, it helps customers to understand healthier choices, supporting our sustainability strategy and spotlights better prices for customers, making it affordable and simple. By staying focused on quality, value and sticking to our strategy, our price position has become even more competitive, which supports our stakeholders.

Cost inflation remains significant and, despite these uncertainties, our priorities are clear. We have the right long-term strategy, and we will continue to balance the needs of all of our stakeholders. Most importantly, we will stay focused on delivering value for our customers and colleagues, supporting them in every way we can. During the year, the Corporate Responsibility Committee approved a £1m donation to support food banks run by The Trussell Trust and FareShare and a further £4.6m has been allocated in community grants across the UK, ROI and Central Europe over the next three years.

In addition, we are investing significantly in our colleagues, with a nearly 8% increase for UK hourly-paid colleagues in 2022. More details can be found on page 16.

Understanding our stakeholders.

We strive to create value for each of our stakeholders. While we continue to make progress against our strategic priorities, we also ensure we live up to our purpose and aim to factor local communities and the planet into every decision we make. Against the backdrop of cost-of-living pressures, our commitment to serving our customers, communities and planet a little better every day is more important than ever.

	Customers	Colleagues	Suppliers	Shareholders
Why they are important	We serve millions of customers every week, in stores and online.	We cannot deliver our purpose without our colleagues' dedication; they are at the heart of everything we do.	Our partnerships with suppliers focus on delivering great value and great quality products for our customers. When we get it right together, our business grows.	Our shareholders want to work with us to achieve positive long-term, sustainable growth and returns.
Key engagement metrics	Customers recommend us and come back time and again: our customer net promoter score (NPS), which is measured based on customers recommending us as a place to shop.	Colleagues recommend us as a great place to work and shop; our Great Place to Work score, which is measured through our Every Voice Matters colleague engagement survey.	Our Supplier Viewpoint survey results continue to reflect our progress on building trusted relationships with our suppliers. Meeting our Scope 3 net zero commitments by 2050 and supporting suppliers in improving diversity within their businesses.	Drive top-line growth and grow absolute profits while maintaining sector leading margins. This is expected to generate between £1.4bn and £1.8bn of Retail free cash flow.
What matters to them	Our research with customers told us they wanted help with: affordable food and clothing; healthy, affordable choices; fuel and travel costs; and occasional treats.	Being treated fairly and feeling supported with their health, safety and wellbeing, while being recognised and rewarded for their contribution.	Long-term collaborative partnerships to give them security. This year, other factors included the rising cost of fuel, feed, fertiliser, labour and raw materials, which put pressure on many of them.	Create value for shareholders and deliver long-term, sustainable growth and returns.
Ways we are responding	Our leading value proposition including Aldi Price Match, Low Everyday Prices and Clubcard Prices in UK & ROI, and Low Price Guarantee and Clubcard Prices in Central Europe continues to provide customers with the reassurance that they can trust Tesco for reliable value. We continue to offer great offers and value through Clubcard across groceries, toiletries and beauty products, F&F clothing, mobile and banking. Going forward we will be making greater use of our Clubcard insights to offer enhanced and personalised rewards to our most loyal customers. Tesco Clubcard was ranked best supermarket loyalty scheme in the UK. We have implemented the HFSS location changes, such that products high in fat, salt and sugar are no longer located in certain prominent areas within our stores.	We believe that looking after our colleagues and building a culture of trust is essential to the success of Tesco, as well as promoting a healthier working environment, where everyone can be at their best. We want colleagues to feel recognised and respected wherever they work, as well as experiencing the reward of our collective success.	We signed five-year contracts with some of our supply partners to give them the security to invest in their businesses. We committed to reviewing our prices more frequently and to ensuring that any investment is passed back to farmers as quickly as possible. We are working with suppliers to help them in achieving their net zero commitments, which will in turn support our initiatives.	Regular dialogue with our institutional investors, potential investors and analysts provides insight to their views and policies, which is reflected in our decision making. Engagement with shareholders during the year, with a particular focus on the ESG agenda, helps us to understand their priorities and views on how we are progressing. We have tested every element of our capital allocation framework – refreshing our leverage target, the application of our dividend policy and continuation of our share buyback programme.

	Customers	Colleagues	Suppliers	Shareholders
Example outcomes of our engagement	We announced two new price locks on more than 1,000 products in the UK and around 400 products in ROI on Low Everyday Prices to help customers spend less. At Booker, we supported customers by offering outstanding value, including a price freeze on 450 key catering lines. We have removed more than 71 billion calories from our Own Brand ranges since 2018 through reformulation. We are offering great prices to ensure healthy options feature prominently within our market-leading combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices. In the UK, through food banks, charities and together with our charity partners and customers, we have donated more than 52 million meals in our communities. In addition, we have donated more than £100m in community grants, supporting more than 50,000 projects through 738.4 million votes from our customers.	We have made three increases in base pay across our core UK business in the past 12 months, totalling nearly 8% increase for hourly-paid colleagues in 2022. We have launched My Tesco, a digital app that instantly retrieves available hours to match colleagues' skills and incentivises them to build more capabilities in other areas. To support the roll out of our Group-wide Your Contribution proposition to manage performance, we launched three new products to create a winning performance culture, master feedback and set strategic objectives. More detail on diversity and inclusion can be found on pages 17 and 67.	Over the course of 2022/23 we made an investment of £27.5m in the UK egg sector. We supported the British dairy industry, increasing the price we pay for our milk by around 20%. We invested more than £30m into the British pig supply chain helping to support with increased on-farm costs such as wheat and soya. In the January 2023 Supplier Viewpoint survey, suppliers reported their highest level of satisfaction to date, with 86.6% saying that they are satisfied working with Tesco. 79.4% of suppliers agreed that we put sustainability at the heart of everything we do, which was an increase on the same period last year and the highest level of agreement with the measure since it was introduced in 2021.	Following the return of £300m of capital between October 2021 and March 2022, we have returned an additional £750m of capital through our share buyback programme. During the year, we welcomed engagement with investors to understand their views on ESG matters and from private shareholders at our Annual General Meeting. Understanding the views of our shareholders supports the decisions we take and the opportunities we create.
How we engage and Board oversight	Issues that matter to our customers also matter to the Board. Independent consumer research commissioned each year helps identify where consumers and influencers think we should be focusing our attention and how well they feel we are addressing these issues currently. The Board uses customer surveys, customer engagement and data analysis to listen to customer views and act on what is most important to them. With the skills, expertise and dedication of colleagues worldwide, we are well placed to achieve this.	The Board recognises the need to create conditions that foster talent, encourage all colleagues to achieve their full potential and create an inclusive working environment. Safety is central to how we do business, with the aim of protecting our colleagues and customers from injury. Through our Colleague Contribution Panels, the Board engages with the colleague representatives to understand the views of the workforce. In addition, the colleague Every Voice Matters survey results, are discussed by the Board.	The Board recognises the importance of suppliers being treated fairly to align with our values. This fosters long-term relationships and trusted partnerships with our suppliers. Through supplier surveys and day-to-day contact with our product teams, the Board has visibility of delivery against our commitments under the Groceries Supply Code of Practice (GSCOP).	Directors, senior management and Investor Relations hold regular meetings with existing and potential institutional investors and analysts to understand their views and policies. 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.

LEAF Marque certification

We have completed the roll out of LEAF Marque certification with our nearly 500 UK fruit and vegetable growers. The robust environmental standards will help increase environmental protections across our entire UK supply base, working towards whole-farm, continuous improvement in: climate resilience; biodiversity; habitat area and quality; GHG emissions and carbon footprinting; soil health; deforestation; collaboration; and collective action. By benchmarking growers' progress against practices, the standard identifies target areas and helps producers drive further improvements. It is expected that our entire global fresh produce supply chain will move to LEAF Marque certification by 2025.

Visit www.tescoplc.com/news/2023/tesco-completes-most-significant-roll-out-of-environmental-standards-in-uk-with-leaf-marque-certification-for-all-fruit-and-veg-grower

NFIS.

The table below constitutes the Company's non-financial 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.

Reporting requirement	Associated risks	Our approach	Relevant policies and documents that govern our approach	Purpose and scope	Where to find more information and outcomes	Page
Environmental matters	Climate change Responsible sourcing	We are committed to reducing our environmental impact, helping to tackle climate change and protecting and restoring ecosystems (including biodiversity and nature). Our Group environment policy sets out how we manage our environmental responsibilities and the expectations we have of our suppliers.	– Group environment policy – Sustainability policies on key risk commodities including soy, palm oil, seafood	We have committed to being carbon neutral across our Group operations by 2035 and net zero across our full value chain by 2050, aligned to 1.5˚C. We have implemented an enhanced climate governance framework encompassing the Board, its associated committees and the Executive Committee.	– Purpose and values – Our market context – KPIs – Climate – TCFD – Principal risks and uncertainties – Corporate Responsibility Committee report – Audit Committee: 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	6 11 14 18 20 38 69 71 105
Colleagues	People Health and safety	Our Code of Business Conduct governs standards of conduct in relation to our colleagues, as well as our other stakeholders. We have a confidential Protector Line allowing any colleague or third party to report a violation of the Code of Business Conduct, local law or regulation, or unethical behaviour. In addition, we have policies committing to equal opportunities at work and to providing a safe and healthy working environment.	– Code of Business Conduct – Health and safety policy – Bullying and harassment policy – Diversity and inclusion strategy – Group whistleblowing policy – Colleague engagement	Our purpose, values and leadership behaviours are a vital part of our culture to ensure that through our conduct and decision making we do the right thing for the business and our stakeholders.	– Purpose and values – KPIs – Our colleagues – Stakeholder engagement – Principal risks and uncertainties – Corporate governance, purpose and culture – Board leadership in action – Nominations and Governance Committee: D&I – Directors' remuneration report – Directors' report: employment policies	6 14 16 26 38 56 62 66 77 103
Social matters	Customer Product safety and food integrity Responsible sourcing People	We are proud to be part of thousands of communities around the world. We want to make a positive difference: through the local people we employ; the local businesses we work with; and the local causes we support. We have policies in place to ensure we act responsibly when it comes to working with suppliers, paying tax, retailing age-restricted products and giving to charities.	– Groceries Supply Code of Practice (GSCOP) – Group whistleblowing policy – Our tax principles – Group charitable donations policy – Responsible retailing of alcohol, tobacco and other age-restricted products – Corporate Responsibility Committee terms of reference.	Our 'how to' and 'when to' speak up programmes include our 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.	– Supporting stakeholders through the cost-of-living crisis – Purpose and values – Our strategic priorities – KPIs – Section 172 statement – Stakeholder engagement – Principal risks and uncertainties – TCFD – Board leadership in action – Corporate Responsibility Committee report Details of our sustainability strategy together with fact sheets can be found on our website at www.tescoplc.com	4 6 12 14 25 26 38 20 62 69

Reporting requirement	Associated risks	Our approach	Relevant policies and documents that govern our approach	Purpose and scope	Where to find more information and outcomes	Page
Respect for human rights	Responsible sourcing	We are committed to upholding human rights and support in full the United Nations Universal Declaration of Human Rights and the International Labour Organization Core Conventions on freedom of association and collective bargaining, forced labour, child labour and discrimination at work. We also uphold standards on working hours and health and safety for workers.	– Human rights policy – Group whistleblowing policy – Health and safety policy	We are dedicated to tackling modern slavery not just within our own operations and supply chains, but the issue of forced labour more broadly. Modern slavery is one of our four key human rights strategic priority areas, in which we work to bring about change through our Improve, Transform and Advocate model. Our human rights policy sets out how we integrate human rights into our business operations, including colleague and supplier training and through our due diligence framework.	– Principal risks and uncertainties – Corporate Responsibility Committee report – Directors' report: Modern Slavery Act – More detail on human rights and our Modern Slavery Statement can be found on our website at www.tescoplc.com	38 69 105
Anti-corruption and anti-bribery matters	Political, regulatory and compliance	We take a zero-tolerance approach to bribery and to those involved in bribery. Our policy requires every Tesco business unit to adopt and implement an effective anti-bribery compliance programme and for the policy to be communicated to all colleagues on an annual basis. The Audit Committee receives and reviews biannual ethics and compliance data covering: privacy; fraud; anti-bribery; gifts and entertainment; and the annual Code of Business Conduct declarations.	– Code of Business Conduct – GSCOP – Group anti-bribery policy – Group gift and entertainment policy – Tesco's political donations policy – Cyber security – Data privacy	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 key controls such as: policies (anti-bribery, gifts and entertainment, conflicts of interest, 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.	– Principal risks and uncertainties – Corporate governance, purpose and culture – Directors' report: political donations; anti-bribery matters	38 56 103
How we manage risk		Effective risk management is core to our management practices. We have established a risk management framework, enabling us to clearly identify, prioritise, respond to and monitor our most significant risks and emerging risks themes. We regularly assess our exposure to fraud risks and test our resilience to disruptive events.	– Schedule of matters reserved for the Board – Audit Committee terms of reference	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 risks themes. The Audit Committee is informed of potential risks and responses relating to fraud risks and resilience testing.	– TCFD: climate-related risks – Principal risks and uncertainties – Audit Committee report	20 38 71
Business model		To create value for all. We have a unique combination of strengths and expertise to deliver on our strategic priorities.	– Strategic drivers – Performance framework – Schedule of matters reserved for the Board	The Board is responsible for establishing the Company's purpose and strategy to deliver our long-term sustainable success and generate value.	– Tesco at a glance – Purpose and values – Our market context – Our strategic priorities – KPIs – Our business model – Section 172 statement – Corporate governance, purpose and culture	2 6 11 12 14 15 25 56

Non-financial KPIs

Combining colleague input, customer and stakeholder insights and AI data analysis, we have identified which sustainability issues are most material to Tesco and our stakeholders. Our performance against these issues is tracked using the following KPIs:

Climate: percentage reduction of Scope 1 and 2 market-based GHG emissions compared with 2015/16 baseline year and Scope 3 targets by 2050, see page 18.

Healthy sustainable diets: percentage of volume sales from products with a 'healthy' score, see page 10.

Diversity and inclusion: percentage gender representation, and percentage ethnicity representation of our top global leaders, see page 67.

Food waste: percentage change in tonnes of food wasted as percentage of tonnes of food handled compared with 2016/17 baseline year, see page 88.

Community: more than 52 million meals donated to charity partners and food banks.

Tesco discloses more information and data, including our SASB disclosure, at www.tescoplc.com/sustainability/reporting-hub. Policies are available on our website.

Group review of performance.

52 weeks ended 25 February 2023[1,2]	FY 22/23	FY 21/22	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. fuel)[3]	**£57,656m**	**£54,768m**	**5.3%**	**5.3%**
Fuel	£8,106m	£6,576m	23.3%	23.2%
Revenue (exc. VAT, inc. fuel)	**£65,762m**	**£61,344m**	**7.2%**	**7.3%**
Adjusted operating profit[4]	**£2,630m**	**£2,825m**	**(6.9)%**	**(7.1)%**
Adjusting items	£(1,105)m	£(265)m		
Statutory operating profit	**£1,525m**	**£2,560m**	**(40.4)%**	
Net finance costs	£(533)m	£(542)m		
Joint ventures and associates	£8m	£15m		
Statutory profit before tax	**£1,000m**	**£2,033m**	**(50.8)%**	
Group tax	£(247)m	£(510)m		
Statutory profit after tax	**£753m**	**£1,523m**	**(50.6)%**	
Adjusted diluted EPS[4]	21.85p	21.86p	(0.0)%	
Statutory diluted EPS	10.08p	19.64p	(48.7)%	
Dividend per share	**10.90p**	**10.90p**	**–**	
Net debt[2,5]	**£(10,493)m**	**£(10,516)m**	**0.2%**	
Retail free cash flow[5]	**£2,133m**	**£2,277m**	**(6.3)%**	
Capex[7]	**£1,235m**	**£1,101m**	**12.2%**	

Notes:
1. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on page 207.
2. All measures apart from Net debt are shown on a continuing operations basis unless otherwise stated. Further details on discontinued operations can be found in Note 7 on page 142.
3. Group sales exclude VAT and fuel. Sales change shown on a comparable days basis for Central Europe.
4. Adjusted operating profit and adjusted diluted EPS exclude adjusting items.
5. Net debt and Retail free cash flow exclude Tesco Bank.
6. Like-for-like (LFL) is a measure of growth in Group online sales and sales from stores that have been open for at least a year (at constant exchange rates, excluding VAT and fuel).
7. Capex excludes additions arising from business combinations and buybacks of property (typically stores). Refer to page 211 for a full reconciliation.

Group sales[3] increased by 5.3% at constant rates, driven by strong sales performance in all segments as volumes held up relatively well despite cost-of-living pressures and some further post-pandemic normalisation. We delivered a market-leading performance over the important Christmas trading period, continuing to inflate behind the market as overall levels of inflation increased. Booker delivered an exceptionally strong performance, particularly in catering, with higher out-of-home consumption. Revenue increased by 7.3% at constant rates, including fuel sales growth of 23.2%.

Group adjusted operating profit[4] decreased by (7.1)% at constant rates, primarily reflecting the impact of lower year-on-year volumes, the ongoing investment in our customer offer and significant operating cost inflation, partially offset by a very strong Booker catering recovery and the acceleration of our Save to invest programme, which delivered in excess of £550m of savings in the year.

Group statutory operating profit reduced by (40.4)% year-on-year due to the operating profit impacts above and an increase in adjusting items, with the key driver being a £(982)m non-cash impairment charge on non-current assets (primarily property), mainly due to an increase in discount rates.

Net finance costs were broadly flat year-on-year as the benefit from higher interest receivable and net pension finance income was partially offset by non-cash fair value remeasurements. Further detail is shown on page 34. Our share of profits from joint ventures and associates was lower year-on-year due to a reduction in profits from UK property joint ventures. The reduction in tax this year reflects the lower retail operating profits and a one-off charge in the prior year related to the revaluation of deferred tax.

Adjusted diluted EPS[4] was in line with last year, as the impact of the reduction in operating profit was offset by lower finance costs and tax charges, and the benefit of our ongoing share buyback programme. We have announced a full year dividend of 10.90p per ordinary share, in line with last year.

Net debt[2,5] was broadly flat year-on-year, with strong cash generation funding over £1.6bn of shareholder returns in the form of share buybacks and dividends. We generated £2,133m of Retail free cash flow[5], including a net £468m working capital inflow. Retail free cash flow reduced by £(144)m due to lower retail operating profits and higher levels of capital investment, offset by a reduction in cash tax. The net debt/EBITDA ratio was 2.6 times, up from 2.5 times in the prior year due to a reduction in retail EBITDA.

Further commentary on these metrics can be found below and a full income statement can be found on page 120.

Segmental review of performance

Sales performance

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

	Sales (£m)	LFL sales change[6]	Total sales change: Change at actual rates	Total sales change: Change at constant rates
UK	41,040	3.3%	3.3%	3.3%
ROI	2,645	3.3%	6.3%	5.4%
Booker	8,684	12.0%	12.0%	12.0%
UK & ROI	**52,369**	**4.7%**	**4.8%**	**4.7%**
Central Europe	**4,181**	**10.4%**	**8.3%**	**10.0%**
Retail	**56,550**	**5.1%**	**5.0%**	**5.1%**
Bank	1,106		20.1%	20.1%
Group sales	**57,656**		**5.3%**	**5.3%**
Fuel	8,106	23.0%	23.3%	23.2%
Group revenue	**65,762**		**7.2%**	**7.3%**

Further information on sales performance is included in the supplementary information starting on page 204.

Adjusted operating profit[4] performance

	Profit (£m)	Change actual rates	Change at constant rates	Margin % at actual rates	Margin % change at actual rates
UK & ROI	2,307	(7.0)%	(7.0)%	3.8%	(57) bps
Central Europe	180	7.1%	3.6%	4.1%	(10) bps
Retail	**2,487**	**(6.1)%**	**(6.3)%**	**3.8%**	**(54) bps**
Bank	143	(18.8)%	(18.8)%	12.9%	(616) bps
Group	**2,630**	**(6.9)%**	**(7.1)%**	**4.0%**	**(61) bps**

Further information on operating profit performance is included in Note 2 starting on page 133.

UK & ROI overview

In the UK, Republic of Ireland (ROI) and Booker, like-for-like sales increased by 4.7% versus last year, with growth of 6.7% in the second half. We delivered a very strong performance over Christmas (with like-for-like sales growth of 7.8%), continuing to inflate behind the market as overall levels of inflation increased. Booker delivered particularly strong sales growth of 12.0%, benefiting from continued market share growth in its catering business.

UK & ROI adjusted operating profit was £2,307m, down (7.0)% at constant rates, primarily reflecting the impact of lower year-on-year volumes, the ongoing investment in our customer offer and significant operating cost inflation, partially offset by a very strong Booker catering recovery and the acceleration of our Save to invest programme.

Adjusted operating margin was 3.8%, (57)bps lower year-on-year, reflecting a margin mix benefit last year from higher non-food sales and the year-on-year operating profit impacts above.

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

UK – strong customer offer and relentless focus on value

Like-for-like sales grew by 3.3%, with particularly strong growth of 7.2% across the six-week Christmas trading period. In the first half, like-for-like sales grew by 0.7%, reflecting reduced year-on-year volumes due to higher levels of in-home consumption in the prior year. Growth accelerated in the second half, with like-for-like sales of 6.0%, driven by rising levels of general market inflation and strong demand in the fourth quarter, particularly during the key Christmas trading period.

Food sales grew by 4.6% for the full year, with own brand volume participation increasing by 46bps as customers responded to our overall value proposition, driving growth at both ends of our range; Finest sales were up 6.8% and sales of our entry price and Exclusively at Tesco ranges were up 5.9%. We are at the most competitive we have ever been, with our strongest price index to date, as we continue to invest in our value proposition for customers. The powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, supported by our market-leading ranges, is helping customers manage higher costs of living. We maintained a strong market share at 27.3% and were the only full-line grocer to grow share versus pre-pandemic, while also growing our overall brand index ahead of the market across the three years, most noticeably in quality, up 492bps.

Customers took greater advantage of our exclusive Clubcard Prices promotions, with promotional participation increasing by 3.8%pts to 25.5% in February. Clubcard sales penetration reached 78.5% by the end of the year, up 4.4%pts, with penetration in convenience up 9.9%pts, benefiting from the roll out of Clubcard Prices to our Express stores in the second half of last year and more recently the launch of our market-leading Clubcard Price Meal Deal.

Non-food sales declined by (4.5)% as we traded over strong sales in Home and Clothing categories last year. Home sales declined by (6.4)%, driven by a (9.8)% reduction in our range as we selectively exited low margin categories such as electricals. We outperformed the market in key categories, such as gifting and stationery (by 8.7%pts and 4.3%pts respectively). We purchased the Paperchase brand in January, and we look forward to introducing a wider range of cards, gifting and stationery later this year.

Clothing sales declined by (1.2)%, which mainly reflects the impact of trading over exceptionally strong lockdown-linked demand in the first half of the 2021/22 financial year, partly offset by our efforts to rebalance space from Home to Clothing. We saw a significant improvement in value perception, ahead of other clothing retailers, and the number of customers purchasing at least one product from our Home and Clothing ranges increased by 11.0% and 7.6% respectively. Clothing delivered growth of 7.0% in the fourth quarter.

Sales grew well in both large and convenience store formats, by 4.0% and 6.4% respectively, driven by particularly strong performance in food and higher footfall as some customers switched back into stores from online. Growth was particularly strong in our city centre convenience stores, notably in the London region where sales grew by 9.4%.

Online sales declined by (5.4)%, in line with overall normalisation in the market. Online sales participation stabilised to c.13%, around 4%pts higher than pre-pandemic, driven by strong customer retention.

Online performance

	FY 22/23	One-year change	Three-year change
Sales (inc. VAT)	**£5.6bn**	(5.4)%	57.0%
Orders per week	**1.14m**	(6.7)%	52.1%
Basket size £	**£95**	1.0%	3.2%
Online % of UK total sales	**12.8%**	(1.2)%pts	3.6%pts
Delivery saver subscribers	**688k**	0.8%	39.1%
Click & Collect (C&C) locations	**563**	10.4%	71.1%

We opened our fifth and sixth urban fulfilment centres (UFCs) in Rutherglen, Glasgow (in May) and Bar Hill, Cambridge (in January). Tesco Whoosh – our rapid delivery service – is now in 1,000 stores, exceeding our original target of 800 stores. Our average delivery times have improved by around five minutes to c.25 minutes with nearly two million orders delivered to customers to date. Satisfaction scores are among the highest in the Group, with Whoosh proving particularly popular amongst our most loyal customers.

ROI – consistently outperforming the market

Like-for-like sales grew by 3.3% for the full year, including growth of 6.6% in the second half as general market inflation increased. We delivered a particularly strong Christmas, despite trading over high levels of in-home consumption in the prior year as a result of hospitality restrictions. We grew our market share to 22.9% by the end of the year, with gains of 64bps year on year and 110bps versus pre-pandemic.

Total sales grew by 5.4% at constant rates, including a 1.5%pts contribution from the nine Joyce's stores we acquired in June which were fully converted and reopened as Tesco stores in the third quarter. In addition, we opened four new convenience stores, which contributed 0.7%pts to total sales growth.

Our continued investment in value through Aldi Price Match, Low Everyday Prices and Clubcard Prices is proving to be a winning formula for customers in Ireland. Clubcard Prices has been a particular success, with sales penetration increasing by 22.8%pts to 76.5%.

BOOKER – an exceptionally strong performance across both catering and retail

	Sales £m	LFL
Total Retail	**4,796**	**3.2%**
Retail	2,888	9.9%
Tobacco	1,908	(5.6)%
Total Catering	**3,629**	**26.7%**
Catering	2,109	25.2%
Best Food Logistics	1,520	29.0%
Total Booker*	**8,684**	**12.0%**

* Total Booker also includes small business sales of £259m

Booker delivered exceptionally strong like-for-like sales growth of 12.0%. Catering sales were particularly strong, increasing by 35.5% in the first half as we lapped subdued demand due to pandemic-related restrictions in the prior year. Catering grew by 18.9% in the second half as we continued to significantly outperform the market, working with hospitality customers to ensure they could continue to offer outstanding value while maintaining strong menu choice. This included our price freeze on around 450 key catering lines across the festive period. The number of customers signing up to our Food Clubs has further increased, with 44,000 members now able to access exclusive deals and discounts.

The retail business also continued to grow well, with sales up 9.9% excluding tobacco. Our Jack's product range is proving popular with our Booker retail partners, enabling them to offer their customers a great value own brand alternative on over 500 lines.

Retail tobacco sales declined by (5.6)%, reflecting the market trend as customers returned to overseas travel and duty-free imports increased. Excluding tobacco, total Booker sales growth was 18.4%.

CENTRAL EUROPE – strong delivery of cost reduction plans delivering profit growth

Like-for-like sales grew by 10.4%, with strong growth in all three markets. Inflationary pressures were felt to a greater extent across our Central European markets with even more significant levels of input cost inflation. Food sales grew by 11.9%, with strong growth in both fresh and packaged categories.

We rolled out Clubcard Prices to c.95% of promotions and our Low-Price Guarantee continues to be positively received across all countries. Clubcard penetration is now at 83% versus 60% last year and we have seen strong improvements across our reward perceptions. Our reward scheme is now ranked number 1 in all three countries.

Central Europe adjusted operating profit was £180m, an increase of 3.6% at constant rates. Our cost reduction programme helped offset significant energy inflation, foreign exchange headwinds and an incremental £(25)m charge related to a new extraordinary retail tax in Hungary.

In June, we completed the sale of 17 malls and one retail park, generating proceeds of £203m and a £37m profit on disposal within adjusting items. We are continuing to operate the Tesco hypermarkets in these malls on a leasehold basis.

TESCO BANK

	FY 22/23	FY 21/22	YoY change
Revenue	**£1,106m**	**£922m**	**20.1%**
Adjusted operating profit	**£143m**	**£176m**	**(18.8)%**
Lending to customers	£7.1bn	£6.5bn	9.1%
Customer deposits	£(5.8)bn	£(5.3)bn	8.3%
Net interest margin	4.9%	5.0%	(0.1)%pts
Total capital ratio	25.7%	27.2%	(1.5)%pts

Revenue grew by 20.1%, driven by an increase in credit card spend, a recovery in demand for travel money and an increase in ATM transactions year on year as cash usage continued to recover post-pandemic. In addition, insurance revenue increased due to an additional two-month benefit from the acquisition of Tesco Underwriting Limited in May 2021 as well as underlying growth in policies.

Tesco Bank adjusted operating profit was £143m, down (18.8)% year on year, predominantly due to the impact of a significant provision release in the prior year related to the improved macroeconomic outlook post-pandemic. This was partially offset by a strong performance in our travel money and ATM businesses, combined with higher credit card income, in addition to a higher contribution from the full consolidation of Tesco Underwriting Limited.

Overall lending to customers has increased by 9.1% to £7.1bn, due mainly to higher credit card balances as a result of both increased retail spending and growth in newly acquired accounts. Loan balances remained stable year on year. Our level of customer defaults remains low and the Bank's balance sheet remains in a strong position, with sufficient capital and liquidity to absorb changes in both regulatory and funding requirements.

In addition to winning Credit Builder Card Provider of the Year and Best Card Provider (Introductory Rate) at the Moneyfacts Awards in the first half, Tesco Bank has since won Credit Card Provider of the year at the 2023 Moneyfacts Consumer Awards in recognition of the wide range of credit cards we offer for customers, combined with the unique benefit of being able to earn Tesco Clubcard points.

We announced our two new charity partnerships with The Trussell Trust, who work to end the need for food banks in the UK, and Maggie's, the cancer support charity.

PLANET - serving our customers, communities and planet a little better every day

We continue to roll out innovations to help achieve our aim of net zero emissions across our entire value chain by 2050, aligned to a 1.5°C pathway. In the fourth quarter we announced two new trials with our farmer suppliers. We launched a low-carbon fertiliser trial with five of our key field vegetable suppliers. With 75% of the fertiliser alternatives manufactured in the UK, the trial is focused on increasing food security and cutting greenhouse gas emissions for the harvests linked to the low-carbon fertiliser of those key suppliers. We also launched a fava bean trial to help scale up this UK-native, low-carbon alternative protein to pea and soya, including using it as an ingredient and as alternative feed for pigs.

We have made further progress towards our commitment to be carbon neutral in our own operations by 2035. We introduced a further 243 electric vans into our home delivery fleet, and in an industry first, we introduced a zero-emissions electric lorry to trial deliveries across the 400 London stores served by our Dagenham distribution centre.

This year we launched our Better Baskets campaign, bringing together affordable products to help customers make healthier and more sustainable choices. Healthy products now account for 60% of sales volumes, up from 58% last year, and we are on track to achieve our target of 65% by 2025. Reformulation of Own Brand ranges has contributed to the removal of 71 billion calories to date, putting us well on track to delivering our 100 billion calorie reduction ambition by 2025.

In the third quarter, we announced our new aim to halve food waste in our own operations by 2025, five years ahead of our previous commitment and the UN Sustainable Development Goals (SDG) of 2030. In November, we rebranded reduced to clear with new signage to let customers know that products are *Reduced in price. Just as nice.*, helping them to save on their weekly shop and reduce food waste.

To help support the unprecedented demand in our communities, we have given daily donations to food banks and local charities. In the third quarter we launched The Give Back Express, allowing customers to purchase products most needed by charities and donate them in store. Alongside our winter food collection, which provided an equivalent of 2.4 million meals this year, these initiatives are made possible through our longstanding partnerships with Community Food Connection, The Trussell Trust, FareShare and free sharing app Olio.

Adjusting items in statutory operating profit

	FY 22/23 £m	FY 21/22 £m
Net impairment charge on non-current assets	(982)	(115)
Save to invest restructuring provisions	(138)	(44)
Property transactions	91	128
Amortisation of acquired intangible assets	(76)	(76)
Disposal of Asia operations/China associate	2	41
Other*	(2)	(6)
Litigation costs	–	(193)
Total adjusting items in statutory operating profit	**(1,105)**	**(265)**

* Other includes fair value less cost of disposal movements on assets held for sale, ATM business rates refund, and release of onerous contract provision. See page 138.

Adjusting items are excluded from our adjusted operating profit performance by virtue of their size and nature to provide a helpful alternative perspective of the year-on-year performance of the Group's ongoing trading business. Total adjusting items in statutory operating profit resulted in a charge of £(1,105)m, compared to a £(265)m charge in the prior year.

We recognised a £(982)m non-cash net impairment charge on non-current assets, primarily property, driven mainly by a significant increase in discount rates as a result of macroeconomic factors. The majority of the charge (£(626)m) was booked in the first half the year, with an additional amount charged in the second half as discount rates further increased.

We recognised a £(138)m restructuring provision related to the Save to invest programme, which includes changes made to our store management structures and the closure of our remaining UK counters.

We generated a £91m profit on the disposal of properties in the year, including the sale of our Middlewich distribution centre in the UK, and the disposal of 17 mall properties and a retail park in Central Europe.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(76)m in the year, which relates to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

In the prior year, we recognised litigation costs of £(193)m in adjusting items, relating to proceedings issued against us by two claimant law firms in relation to the overstatement of expected profits announced in 2014. The cash flow related to these claims was also settled in the prior year. Given the legal timeframe for bringing a claim has now elapsed, no further related claims can be brought by shareholders.

Further detail on adjusting items can be found in Note 4, starting on page 138, with additional information relating to the non-cash net impairment charge in Note 14, starting on page 148.

Joint ventures and associates

Our share of post-tax profits from joint ventures and associates was £8m, compared to £15m in the prior year, primarily due to a reduction in profits from UK property joint ventures.

As announced within our interim results, we completed the buyback of our partner's stake in The Tesco Dorney Limited Partnership property joint venture in October 2022, bringing back seven large stores into full ownership. This results in annual cash rental savings of c.£31m and has a broadly neutral impact on net debt, as a £(0.4)bn increase in borrowings is offset by a £0.4bn reduction in lease liabilities.

Following this transaction, we have five UK property joint ventures still in place, from a peak of 13 structures in 2015. These five remaining structures contain properties worth £3.0bn and debt of £2.0bn, with £2.0bn of associated lease liabilities on our balance sheet. The three largest remaining property JVs are with the Tesco Pension Scheme.

Net finance costs

	FY 22/23 £m	FY 21/22 £m
Net interest on medium term notes, loans and bonds	(231)	(208)
Other interest receivable/(payable)	42	(30)
Finance charges payable on lease liabilities	(373)	(405)
Net finance costs before adjusting items	**(562)**	**(643)**
Fair value remeasurements of financial instruments	(51)	123
Net pension finance income/(costs)	80	(22)
Net finance costs	**(533)**	**(542)**

Net interest on medium term notes, loans and bonds was £(231)m, up £(23)m. The combined impact of debt acquired through the acquisition of property partnerships and increased interest rates on floating rate debt was largely offset by the benefit of debt refinanced at a lower coupon in the prior year and the buyback of a portion of secured debt in November 2022.

Other interest receivable totalled £42m, up £72m year on year due to higher interest income on our cash balances and short-term deposits.

Finance charges payable on lease liabilities reduced by £32m year on year. This was driven by the derecognition of £385m of lease liabilities relating to the buyback of The Tesco Dorney Limited Partnership mentioned above and £355m of lease liabilities related to the buyback of The Tesco Sarum Limited Partnership in December 2021.

The non-cash fair value remeasurement charge of £(51)m primarily relates to the mark-to-market movement on inflation-linked swaps, driven by an increase in discount rates. These swaps eliminate the impact of future inflation on the Group's cash flow in relation to historical sale and leaseback property transactions.

Net pension finance income of £80m was driven by the IAS 19 pension surplus as at the end of the 2021/22 financial year, compared to a charge of £(22)m last year when the scheme was in an opening deficit position.

Further detail on finance income and costs can be found in Note 5 on page 139, as well as further detail on the adjusting items in Note 4 on page 138.

Group tax

	FY 22/23 £m	FY 21/22 £m
Tax on adjusted profit	(442)	(502)
Tax on adjusting items	195	(8)
Tax on profit	**(247)**	**(510)**

Tax on adjusted Group profit was £(442)m, £60m lower than last year, reflecting a reduction in retail operating profit and a one-off charge in the prior year related to the revaluation of deferred tax following the decision to increase the corporation tax rate in the UK from 19% to 25% from April 2023. Adjusting items resulted in a £195m tax credit, driven predominantly by taxable deductions relating to the higher impairment charge.

The effective tax rate on adjusted Group profit was 21.3%, higher than the current UK statutory rate of 19%, primarily due to the depreciation of assets which do not qualify for tax relief.

We expect our effective tax rate to be around 26% in FY 23/24 following the increase in the UK corporation tax rate on 1 April 2023.

Earnings per share

	FY 22/23	FY 21/22	YoY change
Adjusted diluted EPS	21.85p	21.86p	(0.0)%
Statutory diluted EPS	10.08p	19.64p	(48.7)%
Statutory basic EPS	10.17p	19.86p	(48.8)%

Adjusted diluted EPS was 21.85p, in line with last year, as the impact of reduced adjusted operating profit was offset by lower finance costs and tax charges year on year, and the benefit of our share buyback programme.

Statutory diluted earnings per share was 10.08p, (48.7)% lower year on year due to an increase in adjusting items, principally a higher net impairment charge on non-current assets.

Dividend

We propose to pay a final dividend of 7.05 pence per ordinary share, taking the full year dividend to 10.90 pence per ordinary share, in line with last year. This includes the payment of an interim dividend of 3.85 pence per ordinary share in November 2022.

The proposed final dividend was approved by the Board of Directors on 12 April 2023 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 23 June 2023 to shareholders who are on the register of members at close of business on 12 May 2023 (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 2 June 2023.

Summary of total indebtedness (excludes Tesco Bank)

	February 23 £m	February 22 £m	Movement £m
Net debt before lease liabilities	(2,775)	(2,570)	(205)
Lease liabilities	(7,718)	(7,946)	228
Net debt	**(10,493)**	**(10,516)**	**23**
Pension deficit, IAS 19 basis (post-tax)	(300)	(242)	(58)
Total indebtedness	**(10,793)**	**(10,758)**	**(35)**
Net debt/EBITDA	**2.6x**	**2.5x**	
Total indebtedness ratio	**2.7x**	**2.5x**	

Total indebtedness was £(10,793)m, broadly in line with last year as increases in net debt and the IAS 19 pension deficit were largely offset by a reduction in lease liabilities. Net debt before lease liabilities increased by £(205)m year on year to £(2,775)m, driven by the impact of fair value remeasurement of net derivatives and the purchase of a portion of the secured debt of our property joint ventures, in order to reduce our ongoing net interest cost.

Lease liabilities were £(7,718)m, down £228m year on year, primarily due to the derecognition of £385m of lease liabilities following the purchase of our partner's stake in The Tesco Dorney Limited Partnership. This was partially offset by an increase in lease liabilities as a result of higher rent payments this year due to the effect of RPI inflation and the lease back of 17 stores situated in the mall properties sold in Central Europe.

We now carry an IAS 19 pension deficit, totalling £(300)m (post-tax), which includes £(157)m relating to the main scheme and £(143)m related to other Group pension schemes. The main scheme was in a surplus of £2.4bn (post-tax) in the prior year and was therefore disregarded in total indebtedness as only pension schemes which are in a net deficit position are included. The movement in the main scheme was driven by movements in discount rates and gilt yields.

The accounting surplus/deficit does not drive contributions to the pension schemes and can be volatile. As disclosed within our interim results, we have agreed the actuarial pension valuation as at 31 March 2022 with the Tesco Plc Pension Scheme Trustee at a surplus of £0.9bn. It was also agreed with the Trustee that no pension deficit contributions are expected to be required ahead of the next triennial valuation in 2025.

We had strong levels of liquidity at the end of the year of £2.7bn and our £2.5bn committed facility remained undrawn. We refinanced the facility in November 2022 for an initial three-year term. The rate of interest payable on this facility continues to be linked to three of our sustainability commitments.

Our net debt to EBITDA ratio was 2.6 times at the end of the year, up from 2.5 times in the prior year end and around the middle of our targeted range of 2.8 to 2.3 times. The year-on-year increase was driven by a reduction in retail EBITDA. The total indebtedness ratio was 2.7 times compared to 2.5 times last year end.

Fixed charge cover was 3.5 times this year, which was stable year on year, as a reduction in retail EBITDA offset lower net finance costs and lease interest payments.

Summary 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 133.

	FY 22/23 £m	FY 21/22 £m
Adjusted operating profit	**2,630**	**2,825**
Less: Tesco Bank adjusted operating (profit)/loss	(143)	(176)
Retail adjusted operating profit	**2,487**	**2,649**
Add back: Depreciation and amortisation	1,570	1,577
Other reconciling items	61	61
Pension deficit contribution	(23)	(19)
Decrease in working capital	468	501
Retail cash generated from operations before adjusting items	**4,563**	**4,769**
Cash capex	(1,143)	(1,050)
Net interest	(573)	(641)
– *Interest related to Net debt before lease liabilities*	*(202)*	*(239)*
– *Interest related to lease liabilities*	*(371)*	*(402)*
Tax paid	(107)	(195)
Dividends received	68	109
Repayment of obligations under leases	(589)	(571)
Own shares purchased for share schemes	(86)	(144)
Retail free cash flow	**2,133**	**2,277**
Memo (not included in Retail free cash flow):		
– *Net acquisitions & disposals*	*(281)*	*122*
– *Property proceeds & purchases*	*266*	*228*
– *Cash impact of adjusting items*	*(61)*	*(316)*

We delivered strong Retail free cash flow of £2,133m, significantly ahead of our target range of between £1.4bn and £1.8bn, driven by another strong working capital performance. The year on year reduction of £(144)m was primarily driven by lower retail adjusted operating profit and an increase in capital expenditure, partially offset by lower tax and net interest payments.

Our total working capital inflow was £468m, driven primarily by higher trade payable balances due to cost price inflation in addition to good working capital management.

Net interest paid was lower year on year due to higher interest received as a result of higher interest rates on cash balances and lower interest relating to lease liabilities as a result of the buyback of the property partnerships mentioned above.

Total retail cash tax paid in the year was £(107)m, compared to £(195)m last year. The reduction reflects lower retail adjusted operating profits year on year and the impact of tax allowable deductions relating to adjusting items, primarily the impairment charge and fair value remeasurements. We continue to benefit from a super-deduction allowance on certain capital investments and we received in-year tax relief of £121m in relation to the £2.5bn one-off pension contribution made in 2021, which is required to be spread over four years for tax purposes. FY 23/24 will be the final year in which we receive this pension-related tax relief. In the Spring Budget 2023, the UK Government announced that full expensing relief on certain capital investments would be available from 1 April 2023 through to 31 March 2026, and we expect this to have a broadly similar cash tax impact as the super-deduction allowance that it replaces.

The net cash outflow of £(86)m for the purchase of our own shares comprises a £(134)m purchase of shares to offset dilution from share scheme issuance, offset by £48m proceeds received from colleagues in relation to those schemes. The lower outflow compared to last year was driven by the timing of purchases to satisfy FY 23/24 maturities.

The net cash impact of acquisitions and disposals was £(281)m, of which c.£(200)m related to the purchase of a portion of the secured debt of our property joint ventures, in order to reduce our ongoing net interest cost.

We generated £266m of proceeds from property transactions, including the sale of 17 malls and one retail park in Central Europe and our distribution centre in Middlewich in the UK. This was partially offset by the purchase of our partner's stake in The Tesco Dorney Limited Partnership in October 2022.

Capital expenditure and space

	UK & ROI		Central Europe		Tesco Bank		Group	
	FY 22/23	FY 21/22	**FY 22/23**	FY 21/22	**FY 22/23**	FY 21/22	**FY 22/23**	FY 21/22
Capex	**£1,069m**	**£963m**	**£115m**	**£91m**	**£51m**	**£47m**	**£1,235m**	**£1,101m**
Openings (k sq. ft.)	318	180	77	54	–	–	395	234
Closures (k sq. ft.)	(233)	(146)	(25)	(25)	–	–	(258)	(171)
Repurposed (k sq. ft.)	9	–	(407)	(125)	–	–	(398)	(125)
Net space change (k sq. ft.)	**94**	**34**	**(355)**	**(96)**	**–**	**–**	**(261)**	**(62)**

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 on page 205.

Capital expenditure (capex) shown in the table above reflects expenditure on ongoing business activities across the Group, excluding property buybacks.

Our capital expenditure for the year was £1,235m, £134m higher year on year, which primarily relates to simplification projects within our UK stores and the opening of convenience stores across both the UK and Ireland. We opened our fifth and sixth UFCs in Rutherglen, Glasgow, in May 2022 and Bar Hill, Cambridge, in January 2023.

In the UK, we opened two new superstores, at Freshwater and Cinderford, 18 new One Stop stores and a further 50 Tesco Express stores, taking our total number of Tesco Express stores to 1,998 at the end of the financial year. We opened our 2,000th Express store in Cambridge in March, after the year end. In the Republic of Ireland, we opened four new Tesco Express stores and converted the nine Joyce's stores we acquired in June last year.

In Central Europe, we opened seven new small format stores and refreshed 35 large stores in the year, right sizing our selling space, to ensure our offer remains relevant for customers. A further 56 store refreshes are planned this year.

Statutory capital expenditure for the year was £1.5bn.

Further details of current and forecast space can be found in the Supplementary information starting on page 204.

Property

	UK & ROI		Central Europe		Group	
	February 23	February 22	**February 23**	February 22	**February 23**	February 22
Property[1] – fully owned						
– Estimated market value	**£15.4bn**	£16.6bn	**£1.8bn**	£1.5bn	**£17.2bn**	£18.1bn
– NBV	**£14.9bn**	£15.1bn	**£1.5bn**	£1.4bn	**£16.4bn**	£16.5bn
% store selling space owned	**58%**	56%	**68%**	68%	**60%**	58%
% property owned by value[2]	**59%**	58%	**65%**	64%	**60%**	58%

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 £(0.9)bn to £17.2bn due to the weakening of the UK property investment market in the past six months. The market value represents a surplus of £0.8bn over the net book value (NBV).

Our Group freehold property ownership percentage was 60%, an increase of 2% year on year. The completion of the purchase of our partner's 50% stake in The Tesco Dorney Limited Partnership in October brought back into full ownership seven sites, contributing a 1% increase in the percentage of fully-owned properties in the UK & ROI. We also repurchased the Tesco Extra stores in Mansfield and Melton Mowbray in the UK.

In Central Europe, the increase in the market value of fully-owned property reflects the assets that were held for sale last year, which were not sold, coming back into the 'Property – fully owned' balance. In the year, we realised £203m of proceeds from the completed sale of 17 malls and one retail park.

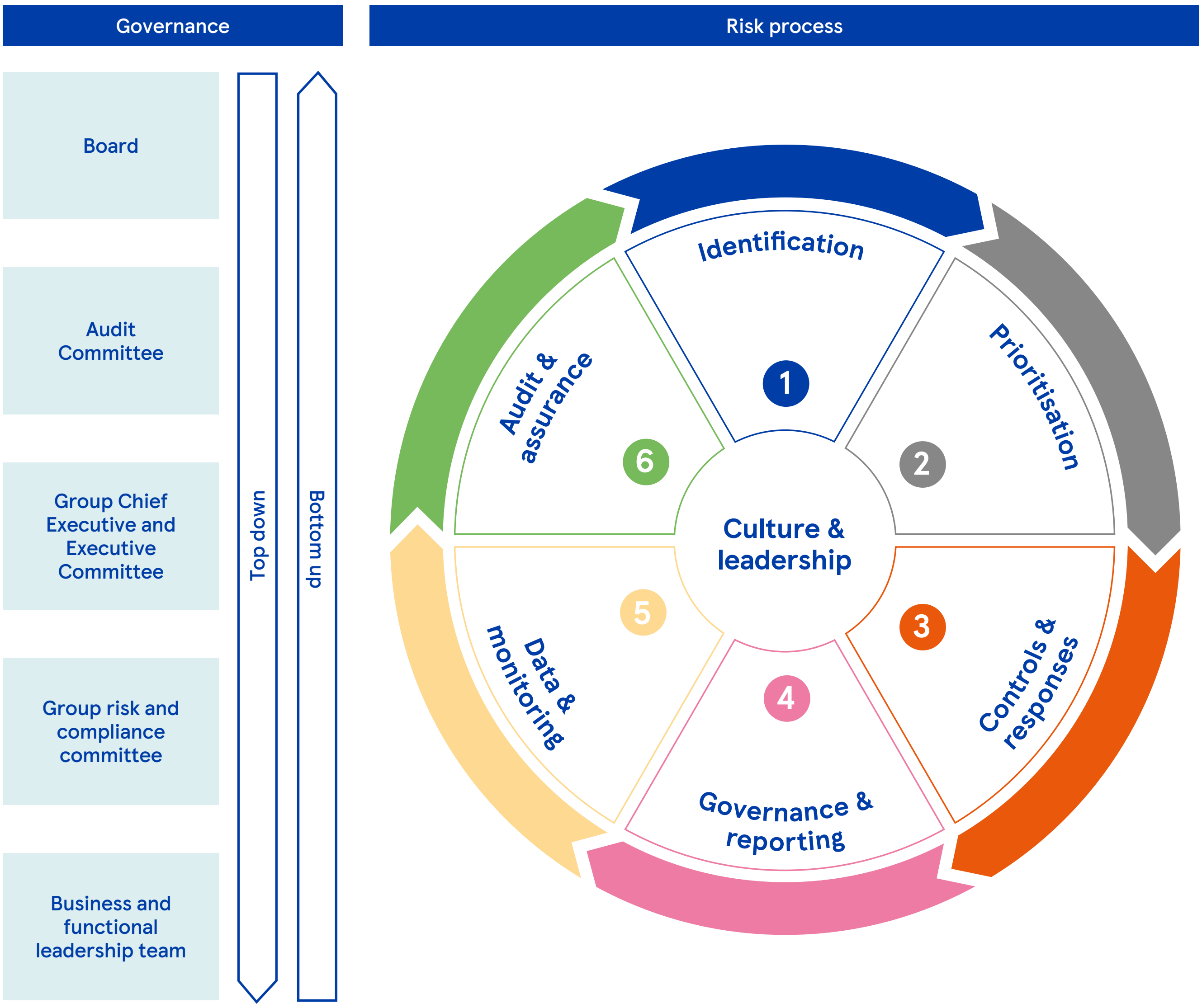
Managing our risks.

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. We manage our risks in line with the risk appetite set by the Board.

Risk management framework

The diagram below provides an overview of our risk management framework defining Tesco's risk management process and governance. Our risk management framework 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 risk management framework 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.

Risk management framework



Principal risks are those significant risks that could affect our strategic ambitions, future performance, viability, and/or reputation. Full disclosure of these risks is included on pages 40 to 45.

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, functional, and business unit 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 risk committee oversees the various elements of the cyber security risk.

Risk controls and responses

For risks where our risk appetite is low, termed, 'risks requiring standards', we take a robust and uniform approach to determine appropriate risk controls and responses, leaving no room for discretion or deviation. 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, Privacy executive committee and Investment committee, as well as, biannually by the Audit Committee. For other risks, termed, 'risks requiring judgements', 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. We determine appropriate risk responses by measuring against the target risk score that articulates the risk appetite, after considering any existing risk mitigations.

Governance and monitoring

A strong risk culture is at the heart of our Risk management framework with clear risk ownership and proactive leadership. The responsibility for identifying, assessing, escalating, and managing risks resides with management at a functional, business unit and executive level. The 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 risk management framework, as well as, detailed reviews of the risks twice a year, to support the external reporting process, see page 75. The Group risk and compliance committee is responsible for the oversight of key risks on behalf of the Executive Committee. During the year, the Chief Audit and Risk Officer (CARO) left the business, and a PwC audit partner acted in an intermediary capacity to oversee the function. A new CARO joined in April 2023.

Audit and assurance

Assurance over risks requiring standards is robust and integrated across all three lines of defence. To mitigate these risks, the second-line functions such as, finance controls, ethics and compliance, safety, responsible sourcing, technology compliance, and people compliance, systematically test the processes and controls established by management.

Group Audit undertakes functional reviews on a rotational basis over the effectiveness of the first two lines of defence. It also carries out targeted controls testing for the risk requiring standards. For risks requiring judgements, Group Audit undertakes risk-based internal audits to ensure sufficient risk coverage.

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.

The table sets out our principal risks. 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 page 46.

At present, there continues to be a heightened level of macroeconomic uncertainty relating to cost and wage inflation, as well as energy supply issues, leading to rising prices, which are continuing to impact our customers' disposable income, thereby changing the way they shop. These also result in an increase in operational costs for us as well as our suppliers, which is further exacerbated by the war in Ukraine. The inflationary and economic risk factors continue to influence our business and are therefore key components of our customer and financial performance principal risks. 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 situation closely and respond accordingly.

There are two notable changes to our principal risks this year. Brand, reputation, and trust is no longer a standalone principal risk, but continues to be monitored as a component of our other principal risks. Furthermore, given the impact of the external macroeconomic and geopolitical situation on supply chains, we have elevated security of supply as a new principal risk. A deep dive of this risk was also presented at the February 2023 Board meeting.

Strategic drivers

- Magnetic value for customers
- Easily the most convenient
- I love my Tesco Clubcard
- 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 **Strategic** O **Operational** 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 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 in line with the previous year 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.	– Our cyber strategy focuses on enhancing the Group-wide control framework, including leak prevention, early detection, and prevention of cyber attacks. – 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 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. – We have further heightened our vigilance and monitoring related to potential cyber threats. This includes gathering intelligence from the National Cyber Security Centre, our security partners, and financial services organisations via Tesco Bank. – 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. – 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 **Compliance** 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 on our ability to do business. **Oversight:** Privacy executive 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 data privacy programme, robust governance and oversight mechanisms.	– We put our customers and colleagues at the heart of all decisions we make when using their personal data. 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 data privacy programme to governance and oversight committees. Our multi-year technology security programme is driving enhanced data security capabilities. – Our Group data privacy programme includes ongoing assessment and monitoring of privacy risks and controls across our businesses. – 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 Strategic O Operational 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 also 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, Corporate Responsibility 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.	– We have established a Group planet committee (previously named Group climate committee) to extend oversight and governance for monitoring the delivery of Tesco's sustainability commitments including those related to climate change. The committee is chaired by the Chief Product 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 roadmaps 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. – We also initiated an exercise to strengthen our baseline data for carbon emissions across our value chain last year, which has further progressed this year. Combined with governance mechanisms in place, this will support effective monitoring, tracking, and reporting of our progress against our commitments. – We have established 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 launched our second sustainability-linked bond. We also continue to report our climate-related financial disclosures, see TCFD section on pages 20 to 24.
Pandemics O Operational Failure to rapidly adapt and respond to the impacts of future pandemics, and their implications for the global economy, may result in disruption to our supply chain, increase colleague absenteeism, and could negatively impact our operations as well as our financial performance. This includes addressing any operational complexities due to evolving mutations and strains associated with a pandemic. **Oversight:** Executive Committee, Audit Committee, Board.	We consider the likelihood of the risk to have decreased since the previous year given the successful rollout of vaccines, reduction in infection rates and the easing of government restrictions across our markets. This risk also covers other infectious disease outbreaks, and we continue to keep a watching brief over any developments.	– The safety and wellbeing of our colleagues and customers has been and continues to be our overriding priority. Management continues to monitor events closely with regular Board oversight, evaluating the change in infection rates, impacts and designing appropriate response strategies. – Our teams have developed a playbook to respond to any future outbreak of new variants or diseases. The playbook includes the learnings from our previous pandemic response and includes specific actions 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. – We closely monitor developments and the government guidelines. We will continue to work closely with the government and relevant labour bodies to develop the right safeguards to ensure our customers and colleagues are safe.
Technology S Strategic O Operational Ch Change 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. I TCC	Our dependence on technology is growing across the Group given the innovative propositions and initiatives that we are introducing. This risk is also influenced by a highly competitive environment for technology talent. We consider this risk stable compared to the 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 their resilience. This involves significant investment in our software, as well as our hosting strategy. We are partnering with 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 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 life-cycle procedures in place and skilled colleagues to build, operate and maintain our systems. – We have 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.

Principal risk	Risk movement	Key responses and controls
Political, regulatory and compliance† C Compliance Failure to comply with legal and other requirements (such as anti-bribery, competition law, grocery regulations and supplier code) in a complex political and increasingly litigious environment, may result in fines, criminal penalties for Tesco or colleagues, litigation (including class actions, e.g. the ongoing equal pay claim), that may lead to adverse financial, legal, and reputational consequences. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	The increase in geopolitical activity across the globe has added to the challenges being currently faced by the UK economy. These geopolitical developments have resulted in an increased uncertainty in terms of future trading opportunities with certain countries, however, we continue to closely monitor the global developments to implement appropriate responses. We have assessed the risk to be in line with the previous year given our current response strategies, monitoring, and control environment.	– Wherever we operate, we aim to ensure that we incorporate the impacts of political and 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 and political landscape, e.g. our assessment and ongoing monitoring of the war in Ukraine and adherence to government directives. – 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.
People S Strategic O Operational Failure to attract, retain and develop the required workforce and capabilities, and to embed our values in our culture, could impact on the delivery of our purpose and business performance. **Oversight:** Nominations and Governance Committee, Remuneration Committee, Executive Committee, Audit Committee, Board.	Market competition for key leadership and specialist talent remains strong, with the retail sector and wider UK economy experiencing specific challenges, such as a shortage of skilled talent. 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 specific 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, and identification of any new skillsets and plans to secure these via internal development or 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 Nomination 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 remains central to our decision making related to hiring. – Our 'how to' and 'when to' speak up programmes across all areas include our 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.
Health and safety C Compliance 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 changes in external conditions, in particular the spike in cost of living, has posed a greater threat to the wellbeing of our colleagues as instances of theft and in-store violence showed an upward trend this year. However, the risk remains stable when compared to the previous year, as we monitor and implement 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. – We have launched a new information exchange platform, which provides leading indicators of safety, enabling early identification of threats and design of action plans that support injury prevention.

Principal risk	Risk movement	Key responses and controls
Product safety and food integrity C **Compliance** Failure to meet regulatory standards and customer expectations related to product safety, traceability and integrity could result in illness, injury or death damaging our relationships with customers, with negative effects on our performance and corporate reputation. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	Given the changes in the regulatory landscape, increased economic pressures being faced by our suppliers (e.g. rise in energy costs, wage inflation) and evolution in consumer preferences, the external risk has increased. 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 and hygiene controls, and also provide support for stores for product safety. – Our crisis management procedures are embedded within our operations to quickly resolve issues if non-compliant products are produced or sold. Clear escalation protocols include the product recall processes. – We operate unannounced supplier audit and product analysis programmes to monitor product safety, traceability, and integrity. We use data analytics to identify which supplier sites may have increased risk exposure, adjusting our audit frequency accordingly. This approach allows us to use our resources effectively, while ensuring appropriate assurance over suppliers' 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.
Responsible sourcing † S **Strategic** C **Compliance** 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, Corporate Responsibility Committee, Executive Committee, Audit Committee, Board.	Exploitation of workers and human rights breaches remain the key drivers of this risk. Continued pressures on global economies have resulted in an increased risk of worker exploitation, particularly in some of our key sourcing countries. We continue to implement targeted response strategies, including the implementation of innovative monitoring methods to ensure our standards are met. This risk has therefore not shown any significant movement compared to the previous year.	– We have policies and guidance to help ensure human rights are respected across our supply chain. These include a focus on appropriately monitoring conditions and progress, tackling endemic sector risks, and addressing wider community needs. – Our contractual agreements with suppliers clearly articulate the expected standards related to human rights and modern slavery. Suppliers' obligations are monitored and discussed as part of regular governance meetings. We are increasing transparency of our supply chains to drive up standards, such as by publishing our Tier 1 supplier list. – We also provide targeted training for colleagues and suppliers dealing with specific regulations related to human rights and modern slavery. – We operate supplier audit programmes to monitor supplier compliance with our standards related to human rights. These include unannounced audits of supplier sites and facilities and the review of any prior approvals for subcontracting. – 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.
Financial performance† F **Finance** C **Compliance** Our financial performance may be adversely impacted by uncertain and volatile macroeconomic conditions that may drive inflationary pressures, rising 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 and Group Finance Director, who lead a team of in-house professionals, 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 and 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.

Principal risk	Risk movement	Key responses and controls
Customer[†] S **Strategic** 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 increased cost of living, which has reduced their disposable income leading to changes in shopping behaviours, resulting in the risk being higher when compared to the previous year. Management has implemented focused response strategies.	– 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.
Tesco Bank F **Finance** C **Compliance** 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.	The macroeconomic environment has become more challenging for Tesco Bank this year due to factors such as inflationary pressures, rising interest rates and cost-of-living concerns 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.	– 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.
Competition and markets[†] S **Strategic** 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 to 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 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.

Principal risk	Risk movement	Key responses and controls
Security of supply† S Strategic O Operational 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, are leading to greater volatility in the availability of raw material and food supply. This may be exacerbated further by unknown political and global events in the future. The risk impacts product availability across our stores and how we serve our customers, thereby requiring elevation as a principal risk. N	– 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 an established mechanism to identify products that 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 that 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 that may be facing financial duress (e.g. additional pay for our farmers). – We have developed business continuity plans, which can be executed in case of any logistical disruptions or inclement weather events that may affect our ability to transport goods.

Emerging risk themes

Emerging risk themes are reported to the Audit Committee alongside our principal risks. We conduct horizon-scanning to enable a medium and longer-term view of potential disruptors to our business. As part of our risk assessment process, we analyse internal and external sources of emerging risk themes through review of leading external publications including attending industry seminars and forums, gathering insights via top-down and bottom-up risk workshops with internal stakeholders, and seeking professional consultation where required. We are currently tracking several emerging risk themes such as political, economic, technological, environment and talent. 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 38 and 39.

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 announced 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.

Management recognise that customers across the Group currently face significant cost-of-living pressures, and continue to prioritise offering great value during these challenging times, 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, banking and data science.

Refer to the Group Chief Executive's review from page 8 and the Financial review on pages 30 to 37 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 rising unemployment and 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 38 to 45.

Four 'severe but plausible' hypothetical scenarios have been modelled which address the principal risks that the Group has assessed would have the most direct and material impact on the Group. None of these 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.

Scenario	Associated principal risk	Description
Recessionary impacts on customer disposable income	– Competition and markets – Customer	Global economies are facing elevated levels of inflation and rising interest rates. The resultant impact on disposable incomes, employment rates and consumer confidence contributes towards a contraction in customer demand, driving like-for-like sales decline across our retail businesses. To deliver our medium-term performance ambitions and maintain our competitive position in such a recessionary environment, further investment in our value proposition will be required which puts pressure on operating margins. 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 (5)%, increased from (4)% in last year's modelling to account for further downside risk given unprecedented disposable income impacts in the prior year. To maintain our competitive position in such a recessionary environment, further investment in our value proposition will be required which puts pressure on operating margins. In addition, management have considered the potential for customers to manage a contraction in disposable incomes by switching from more expensive to lower-priced ranges. Management have applied a downside scenario in this instance which assumes 1% of the existing sales in higher-priced ranges transfers into lower-priced and lower-margin ranges.
Global supply pressures	– Responsible sourcing – Financial performance – Security of supply	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 or retail pricing is constrained. Management have applied a downside scenario which assumes the Group absorbs further cost inflation in colleague pay and cost of goods sold. These cost tensions are assumed to be fully absorbed by the Group, with no assumed mitigation through additional cost savings or retail pricing. The adverse consumer impact from this risk is dealt with in the recessionary impacts on customer disposable income scenario described above.
Climate change	– Climate change – Responsible sourcing – Political, regulatory and compliance	Global action to address rising temperatures results in a shift in consumer sentiment towards more sustainable products and an increase in carbon taxes levied against Group emissions. The costs associated with these risks are based on our climate-related risk modelling, which is described in further detail in the Task Force on Climate-related Financial Disclosures (TCFD) section, starting on page 20. The viability modelling estimates the potential annual financial impact on the Group of three key risk areas, covering consumer sentiment, technology write offs and policy (carbon pricing) risks, based on a 3°C warming pathway.
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 around twice as severe as any decline the Group has faced in recent years.

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 21 of the financial statements 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. In the case of these scenarios arising, various options are available to the Group in order 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 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
12 April 2023

Governance introduction.

"Our refreshed purpose and leadership behaviours are now embedded into the Group's culture, which supports the delivery of our strategic drivers."

John Allan CBE
Chair

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (Code) is applicable to all companies with a premium listing. Companies subject to the Code are required to make a statement demonstrating how they have applied the principles of the Code. 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 on page 50.

During the year the Company was in full compliance with all applicable principles and provisions set out in the Code. Pages 48 to 106 of this report form our Corporate Governance Statement.

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 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: www.frc.org.uk.

Governance framework supporting oversight

This section of the Annual Report focuses on corporate governance. Our governance framework contributes to the development and delivery of our strategy. It ensures that we, as a Board, have the right information, with appropriate detail and at appropriate intervals to oversee progress and challenge management.

Our governance framework allows our dedicated Committees to explore matters in depth. In support of enhancing the oversight of sustainability matters, a full review of our Committee responsibilities was undertaken during the year to strengthen sustainability governance and ensure that all material matters are reviewed by the Board or at a Board-level Committee. Management committees feed into this process as the responsibility and oversight cascades throughout the organisation to achieve a common purpose.

More detail on the Corporate governance framework can be found on page 57.

Leading on culture

It has been a year since we expanded our purpose and developed our new strategic drivers. Our strong and healthy culture, both in the Boardroom and across the business, plays a major role in our success.

Our culture comes to life through our purpose and values: No one tries harder for customers; We treat people how they want to be treated; and Every little help makes a big difference. Our values are integral to the way we behave and do business. They ensure that every colleague at Tesco should 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. We monitor progress through reporting to the Board and receive insight through customer, colleague and supplier feedback surveys, which provide metrics and KPIs to assess our progress and respond accordingly.

Our values and leadership behaviours ensure that the Tesco culture is embedded throughout the organisation. The Board, through its Remuneration Committee, is responsible for ensuring appropriate arrangements are in place for rewarding and incentivising management with specific performance targets linking our culture and purpose to the delivery of our strategy.

More detail on our leadership behaviours and how the Board oversee culture can be found on page 58.

An active and engaged Board

The Board continues to focus on our key priorities. It takes important decisions necessary to progress them, and is held accountable for doing so by our shareholders and other key stakeholders. Strategic deep dives into all areas of the business continued throughout the year with a dashboard of progress against our strategic drivers being presented at each meeting, which we have debated and challenged. This provides great insight and highlights the challenges we face.

The Board is responsible for the delivery of the Group's net zero commitments, with sustainability being a key theme of Board and Committee discussions. The Board is committed to taking a leading role in protecting our planet, addressing the impact of climate change and the contribution we can make as a business to mitigate our own impact and that of our supply chain. Our sustainability ambitions are shared across the Group.

We are deeply committed to our sustainability agenda and welcome collaboration with our colleagues, suppliers and customers collectively to achieve success. With this in mind, our Corporate Responsibility Committee will be renamed Sustainability Committee to reflect its sustainability focus.

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 and inclusion. Through a simple, consistent approach to talent management, the creation of diverse talent communities to support accelerating diverse talent and the introduction of Your Contribution, a new performance management approach that helps colleagues and leaders to deliver the new strategy, we are progressing with our talent management and inclusion strategy and delivery of targets.

In addition, there has been a focus on succession at senior management level to ensure we have robust plans in place, with credible succession plans for all key roles. More details on our succession planning is set out in the Nominations and Governance Committee report on pages 66 to 68.

Throughout its discussions this year, the Board has spent a significant amount of time considering the important role we play for our stakeholders, recognising the pressures on everyone with rising costs.

The Board values the insight gained from stakeholder engagement and places significant importance on maintaining close relationships with stakeholders, taking account of and responding to their views. During the year, we engaged with shareholders and had detailed discussions to understand their priorities with a particular focus on the ESG agenda.

Following the significant vote against Bertrand Bodson at the 2022 AGM, the Board was naturally disappointed with the overall voting outcome. Bertrand is a highly valued member of our Board and we actively sought to engage with significant shareholders who voted against his re-election to understand their voting decision and concerns around the perceived 'over-boarding'. The Nominations and Governance Committee carefully monitors all Directors' external time commitments and the effectiveness of Directors. If the Committee identifies any issues of concern, it takes appropriate action. As a result of our consultation, Bertrand has taken the decision to step down as a member of the Supervisory Board of Wolters Kluwer N.V. at the end of his current term on 10 May 2023.

More detail on Board leadership in action can be found on pages 62 to 63.

Board changes

My role as Chair is to maintain high standards of corporate governance and ensure the Board is equipped to carry out its duties. With the support of the Nominations and Governance Committee, succession planning is regularly reviewed to ensure the Board has a diverse range of professional backgrounds, skills and perspectives. Diversity remains a key consideration in our succession planning at both board and senior management level.

Further detail on our Board diversity and inclusion policy can be found in our Nominations and Governance Committee report on page 67. A Board skills matrix provides valuable insights into our collective and individual strengths on the Board and highlights areas for further development, positioning us well to maintain and further enhance our effectiveness.

There have been a number of changes to Board composition during the year. In June 2022, Steve Golsby and Simon Patterson retired from the Board, and in February we announced that Lindsey Pownall had decided to retire as a Director in June 2023. We are grateful to each of them for their outstanding contributions and commitment to the Board and committees. Stewart Gilliland will succeed Lindsey Pownall as Sustainability Committee Chair.

In October 2022, we welcomed Caroline Silver as a Director, who brings a wealth of knowledge and experience across a number of commercial, financial, international and governance roles. Caroline has undertaken a bespoke on-boarding induction programme to better understand the business. In September 2023, we look forward to welcoming Dame Carolyn Fairbairn as an independent Non-executive Director of the Board. She is a highly regarded business leader with a deep understanding of the macroeconomic and political environment and will be a real asset to the Board.

We continue to have a strong and stable Board composed of Directors with a wide range of relevant knowledge, skills and experience. This was confirmed in our 2022/23 Board evaluation. As Chair, I am responsible for ensuring the effectiveness of the Board, its Committees and individual Directors. I led the performance evaluation and Board effectiveness review and further details of the conclusions of the evaluation are set out on pages 61. The Board and committees continue to perform effectively with clear terms of reference, appropriate agendas and a good balance of support and challenge.

More detail on the composition of the Board and the skills and expertise of our Directors can be found in their biographies on pages 51 to 53.

Conclusion

As a Board, our overarching objective is to ensure we remain a successful and responsible Company, making decisions for the benefit of all our stakeholders and promoting the long-term sustainable success of the Company. We are proud of the way our businesses have adapted to the macroeconomic environment over the past three years, demonstrating that we have an agile and resilient business. I would like to thank colleagues for their hard work and dedication through a challenging period and my fellow Board members for continuing to provide strong leadership in these changing times.

2023 Board priorities

- Inflation and the cost of living and the impact on our customers and other stakeholders.
- Sustainability agenda.
- Delivery of the strategic drivers.

More detail on the activities of the Board during the year can be found on pages 64 to 65.

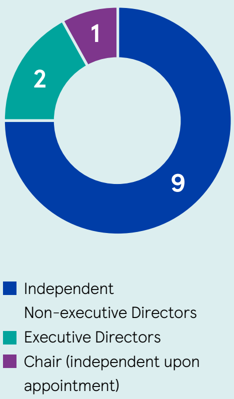
Governance at a glance.

“The Board is committed to maintaining the highest standards of corporate governance. This report demonstrates that having an effective corporate governance framework ensures the Group is appropriately managed and supports the delivery of our strategy within a culture which drives the right behaviours.”

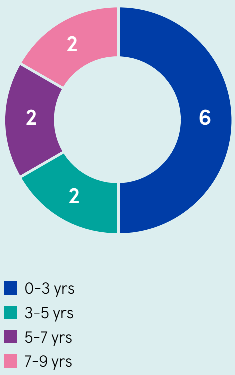
John Allan CBE
Chair

Board composition (as at 25 February 2023)

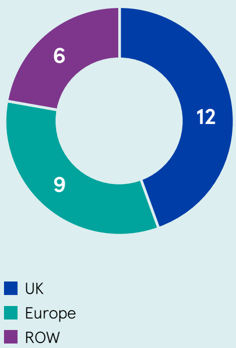
Board balance
(Number of Directors)



Length of tenure
(Number of Directors)

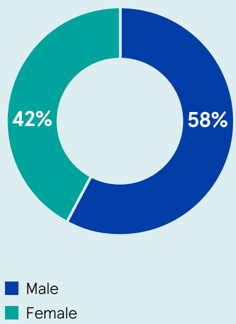


International experience

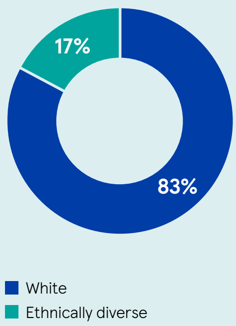


Gender and ethnic diversity

Board gender diversity



Board ethnicity



UK Corporate Governance Code

Board leadership and Company purpose		Division of responsibilities		Composition, succession and evaluation		Audit, risk and internal control		Remuneration	
Principles A-E	Pages	Principles F-I	Pages	Principles J-L	Pages	Principles M-O	Pages	Principles P-R	Pages
Promoting the long-term sustainable success of the Company	7-49 56 62-65	Role of Chair	48-49 54	Appointments to the Board and succession planning	60 61 66-68	Internal and external auditor	71-76	Remuneration policies and practices	80 83-91 101
Purpose, values and strategy	6 12-14 56-59	Board composition	51-54 60 66-68	Balanced Board	50-54 60	Assessment of Company’s position and prospects	38-47 71-76 106	Policy on executive remuneration	79 85-87 89-96
Resources and controls necessary to meet objectives and measure performance	38-45 56-57	Role of the Non-executive Director	54	Annual evaluation	61 66-68	Risk management and internal control	38-46 71-76	Remuneration outcomes	77-78 81-84 97-100
Effective engagement with stakeholders	4-5 15-17 25-27 62-63	Role of the Company Secretary	54						
Workforce policies and practices aligned to values and support long-term success	16-17 58-59 77-105								

Board of Directors.

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

John Allan CBE
Chair
Appointed March 2015

Skills and contribution
John has extensive leadership expertise and has a wealth of knowledge gained across a number of business sectors, including retail and finance experience gained from both the commercial and financial sectors. As Chair, he has a deep understanding of governance and what is required to lead an effective Board.

Experience and past appointments
John was CEO of Exel PLC and, when it was acquired by Deutsche Post in 2005, he joined the board of Deutsche Post, becoming CFO in 2007 until his retirement in 2009. He was chairman of Dixons Retail plc during its turnaround period and, following its merger with Carphone Warehouse, was deputy chairman and senior independent director of Dixons Carphone until 2015. He was also previously a non-executive director of Worldpay Group PLC, National Grid plc, the UK Home Office Supervisory Board, 3i plc, PHS Group plc, Connell plc, Royal Mail plc, Wolseley plc and Hamleys plc, chairman of London First and president of the CBI.

Current appointments
- Chairman of Barratt Developments PLC (retiring 6 September 2023)
- Chair of the Council of Imperial College
- Senior advisor to PJT Partners.

Ken Murphy
Group Chief Executive
Appointed October 2020

Skills and contribution
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.

Experience and past appointments
Prior to joining Tesco, Ken worked for Walgreens Boots Alliance, Inc. for over 20 years in a number of senior management roles across the business. Through his role as executive vice president, chief commercial officer and president of global brands at Walgreens Boots Alliance, Ken had overall responsibility for brand strategy and the commercial offer in the retail businesses of Walgreens and Boots. He previously worked for Procter & Gamble and Coopers & Lybrand (now PwC).

Current appointments
- None.

Imran Nawaz
Chief Financial Officer
Appointed May 2021

Skills and contribution
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.

Experience and past appointments
Prior to joining Tesco, Imran was CFO of Tate & Lyle PLC and held a number of senior financial roles across Europe, the Middle East and Africa, with a career of over 16 years at Mondelēz International and Kraft Foods. He started his career with Deloitte and Philip Morris in corporate audit.

Current appointments
- None.

Melissa Bethell
Non-executive Director
Appointed September 2018

Skills and contribution
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.

Experience and past appointments
Melissa is currently the managing partner at Atairos Europe, an equity investment fund backed by Comcast NBCUniversal, and from 30 April 2023 will transition to become a senior advisor to Atairos. Melissa was previously a managing director of Bain Capital, where she was a member of the senior leadership team responsible for strategy setting, fundraising and portfolio management. Prior to joining Bain Capital, Melissa worked in the capital markets group at Goldman Sachs & Co., with a particular focus on media and technology. She was also previously a director of Ship Midco Limited and served as a non-executive director of Samsonite International S.A., Worldpay Group PLC and Atento S.A.

Current appointments
- Non-executive director of Diageo PLC
- Partner at Atairos and managing partner of Atairos Europe, becoming a senior advisor to Atairos from 30 April 2023
- Non-executive director of Exor N.V.
- Chair of Ocean Outdoor Limited.

Board of Directors continued

Bertrand Bodson
Non-executive Director
Appointed June 2021

Skills and contribution
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.

Experience and past appointments
Bertrand is chief executive officer of Keywords Studios PLC and was previously chief digital officer at Novartis, chief digital and marketing officer at Sainsbury's Argos, executive vice president for global digital at EMI Music and co-founder and CEO of Bragster.com. He has also held senior roles at Amazon and started his career at Boston Consulting Group.

Current appointments
- Chief executive officer of Keywords Studios PLC
- Member of the Supervisory Board of Wolters Kluwer N.V. (retiring 10 May 2023).

Thierry Garnier
Non-executive Director
Appointed April 2021

Skills and contribution
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.

Experience and past appointments
Since 2019 Thierry has been chief executive officer of Kingfisher plc and previously spent over 20 years at Carrefour, the French multi-national retailer. At Carrefour he held a number of senior roles, including CEO of Carrefour Asia, CEO of Carrefour International and managing director of supermarkets for Carrefour France, and was a member of the Carrefour group executive committee.

Current appointments
- Chief executive officer of Kingfisher plc.

Stewart Gilliland
Non-executive Director
Appointed March 2018

Skills and contribution
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. The breadth and diversity of Stewart's experience is a benefit to the Board.

Experience and past appointments
Stewart has significant business and management experience in international markets, specifically those in Europe, having previously held roles with leading consumer-facing companies, including Whitbread, Mitchells & Butler and Interbrew. He held the position of chief executive of Müller Dairies UK and Ireland until 2010, and chairman of C&C Group plc until July 2022. Prior to joining Tesco, he was chairman of Booker Group plc.

Current appointments
- Chair of IG Design Group PLC
- Non-executive director of Chapel Down Group plc
- Non-executive director of Nature's Way Foods Ltd.

Byron Grote
Senior Independent Director
Appointed May 2015

Skills and contribution
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 and make him ideal for the role of Chair of the Audit Committee, where he is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place across Tesco.

Experience and past appointments
Byron brings broad financial and international experience to the Board, having worked across BP PLC in a variety of commercial, operational and executive roles covering numerous geographies. He served on the BP PLC board from 2000 until 2013 and was BP's CFO during much of that period. He was previously a non-executive director of Unilever PLC, senior independent director of Anglo American PLC until April 2022 and non-executive director of Standard Chartered PLC until November 2022.

Current appointments
- Vice chairman of the Supervisory Board of Akzo Nobel N.V.
- Non-executive director of Intercontinental Hotels Group PLC
- Non-executive director of Inchcape plc.

Alison Platt CMG

Non-executive Director

Appointed April 2016

Skills and contribution

Alison has gained significant business-to-business and international commercial experience from working for high-profile consumer-facing companies. Her former membership of the steering group of the Hampton-Alexander Review provides strategic insights on diversity and inclusion. Alison's experience as a CEO enables her to provide challenge and advice to the Board across a range of issues including in her role as Remuneration Committee Chair.

Experience and past appointments

Alison has extensive experience of leadership in customer-driven organisations across the healthcare, insurance and property sectors. As CEO of Countrywide, a position she held until January 2018, she gained significant business-to-business experience adding this to the international experience she gained while leading a number of Bupa's businesses across Asia, Southern and Eastern Europe and the Middle East. Alison was previously chair of Opportunity Now, a non-executive director of the Foreign and Commonwealth Office and Cable and Wireless Communications PLC.

Current appointments

- Chair of Dechra Pharmaceuticals PLC
- Non-executive director of Spectrum Wellness Holdings Limited
- Advisor to Huntswood CTC Limited
- Chair designate of Ageas (UK) Limited.

Lindsey Pownall OBE

Non-executive Director

Appointed April 2016

Skills and contribution

Lindsey's in-depth understanding of the food retail sector and stakeholder focus, together with her wealth of experience in supply leadership and strategic development make her a valuable member of the Board. As Chair of the Corporate Responsibility Committee, she is responsible for the Group's environmental and social objectives and strategies. She is a passionate advocate of supplier relationships, customers, colleagues and sustainability, which directly support Tesco's strategy and her role as Chair of the Corporate Responsibility Committee.

Experience and past appointments

Lindsey has substantial experience in food, grocery and retail brand development, having enjoyed a career of more than 20 years at Samworth Brothers, the leading UK supplier of premium quality chilled and ambient foods. She joined the Samworth board in 2001 and served as chief executive between 2011 and 2015. Lindsey was previously a non-executive director of Story Contracting Limited and Story Contracting Holdings Limited until September 2022.

Current appointments

- Director of The Ho-So Initiative Limited
- Independent advisor to GrowUp Urban Farms Limited.

Lindsey will step down from the Board at the conclusion of the 2023 AGM.

Caroline Silver

Non-executive Director

Appointed October 2022

Skills and contribution

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.

Experience and past appointments

Caroline has spent more than 30 years in the investment banking sector and was most recently a partner and managing director at Moelis & Company. She has held senior corporate finance and M&A positions at Morgan Stanley and Merrill Lynch, starting her career at PricewaterhouseCoopers, where she qualified as a Chartered Accountant. Previously she was a trustee of the Victoria and Albert Museum, a non-executive director of Meggitt PLC and M&G PLC, and on the Board of the London Ambulance Service NHS Trust.

Current appointments

- Advisory partner to Moelis & Company
- Non-executive director of Bupa
- Non-executive director of Intercontinental Exchange, Inc and Chair of ICE Clear Europe
- Member of International Advisory Board of Adobe Inc
- Non-executive director of Barratt Developments PLC (with effect from 1 June 2023 and will succeed John Allan as Chair of Barratt Developments PLC with effect from 6 September 2023).

Karen Whitworth

Non-executive Director

Appointed June 2021

Skills and contribution

Karen brings a wealth of experience and extensive knowledge of the retail sector, in particular logistics and supply chain, finance and risk, to the Board.

Experience and past appointments

Karen has significant retail, strategic and financial experience gained through a number of commercial, operational and governance roles. Karen was previously a supervisory board member and member of the audit committee at GS1 UK Limited. She spent more than 10 years at J Sainsbury plc, latterly as a member of the commercial board and director of non-food grocery and new business. Prior to joining J Sainsbury in 2007, she was finance director at online entertainment business BGS Holdings Limited and held a number of senior roles at Intercontinental Hotels Group Plc. Her early career was spent at Coopers & Lybrand (now PwC), where she qualified as a Chartered Accountant.

Current appointments

- Senior independent director of The Rank Group plc
- Senior independent director of Tritax Big Box REIT plc
- Independent advisor to GrowUp Urban Farms Limited.

Board of Directors continued

Robert Welch
Group Company Secretary
Appointed August 2016

Skills and contribution
Robert provides legal and corporate governance advice and support to the Board and the boards of all other legal entities in the Group.

He has worked as a company secretary for more than 25 years during which time he has held the positions of company secretary at FirstGroup plc and Kazakhmys PLC.

He is a member of the executive committee of the Association of General Counsel and Company Secretaries of the FTSE 100 (GC100) and the CGI Company Secretaries Forum.

Role profiles
The Board has agreed a clear division of responsibilities between the running of the Board and running the business of the Group. The responsibilities of the Chair, Group Chief Executive, Senior Independent Director and other Directors are clearly defined so that no individual has unrestricted powers of decision and no small group of Directors can dominate the Board's decision making.

Chair
The Chair is responsible for the effective leadership of the Board, setting the agenda, ensuring its effectiveness and maintaining a culture of openness and transparency at Board meetings. The Chair also promotes effective communication between Executive and Non-executive Directors and ensures all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge. The Chair ensures all Directors receive accurate, timely and clear information to assist them to make their decisions, identifies training and development needs as required, and ensures new Directors receive appropriately tailored induction programmes.

Group Chief Executive
The Group Chief Executive has day-to-day responsibility for the effective management of the Group and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board.

The Group Chief Executive is also tasked with providing regular operational updates to the Board on all matters of significance relating to the Group's businesses or reputation, and for ensuring effective communication with shareholders and other key stakeholders.

Senior Independent Director
The Senior Independent Director provides a sounding board for the Chair and acts as an intermediary for the Non-executive Directors. The Senior Independent Director is available to shareholders should they have any concerns, where communication through normal channels has not been successful or where such channels are inappropriate. The Senior Independent Director meets with the Non-executive Directors at least annually when leading the Non-executive Directors' appraisal of the Chair's performance.

Non-executive Director
The Non-executive Directors bring independent insight and experience to the Board. They have a responsibility to constructively challenge the strategies proposed by the Executive Directors; scrutinise the performance of management in achieving agreed goals and objectives; and play leading roles in the functioning of the Board Committees, bringing an independent view to the discussion.

Group Company Secretary
The Group Company Secretary is secretary to the Board. He ensures Board procedures are complied with and the Board has the information, time and resources it needs in order to function effectively and efficiently. He advises the Board on all governance matters and facilitates induction programmes for new Directors and provides briefings on governance, legal and regulatory matters.

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.

C
R
i

New Non-executive Director

Dame Carolyn Fairbairn DBE
To be appointed 1 September 2023

Dame Carolyn Fairbairn will be joining the Board on 1 September 2023 as an independent Non-executive Director. Dame 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. Dame Carolyn will become a member of the Remuneration Committee and Corporate Responsibility Committee.

Other directors who have served during the year:
Steve Golsby and Simon Patterson served as independent Non-executive Directors until 17 June 2022.

Key to Board Committees

N	Nominations and Governance Committee
A	Audit Committee
R	Remuneration Committee
C	Corporate Responsibility Committee
●	Chair of Committee
i	Independent Board member

Committee membership as at 12 April 2023

Executive Committee.

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.

Ken Murphy
Group Chief Executive

Member since October 2020.

Ken's full biography appears on page 51.

Imran Nawaz
Chief Financial Officer

Member since May 2021.

Imran's full biography appears on page 51.

Natasha Adams
CEO, Tesco Ireland and Northern Ireland

Member since June 2018.

Natasha is responsible for Tesco's businesses in the ROI and Northern Ireland.

Natasha joined Tesco in 1998 as a Personnel Manager and then served in a range of store-focused roles. Prior to being appointed to her current role, she was Chief People Officer. Natasha is also a non-executive director of Berkeley Group Holdings plc.

Alessandra Bellini
Chief Customer Officer

Member since March 2017.

Alessandra is responsible for building the Tesco brand globally and putting the customer at the heart of everything that we do. Customer insights, loyalty, propositions and marketing communications are within her responsibilities.

Prior to joining Tesco in 2017, Alessandra worked at Unilever for 21 years, in a number of senior marketing positions across different countries and categories. Previously, she had a 12-year career in advertising, working both in Italy and the UK. Alessandra is president of the Advertising Association.

Guus Dekkers
Chief Technology Officer

Member since May 2021.

Guus is responsible for all consumer-facing enterprise technologies and related services, spanning stores, online, supply chain and digital across the Group.

Guus joined Tesco in 2018 having previously worked at a number of major international companies, including Airbus, Volkswagen, Siemens, Continental and Johnson Controls, gaining extensive multicultural experience of driving large-scale technology transformation and change programmes. Guus is also a non-executive director of SwissCom.

Christine Heffernan
Group Communications Director

Member since March 2019.

Christine is responsible for building Tesco's reputation, leading Tesco's external and internal communications, public affairs, government relations, community and campaigns agenda.

Christine joined Tesco Ireland in 2014 as Corporate Affairs Director. Christine has previously worked in the financial, energy and telecoms sectors.

Gerry Mallon
Chief Executive, Tesco Bank

Member since August 2018.

Gerry is responsible for leading Tesco Bank.

Gerry has held a number of leadership roles in financial services. Prior to joining Tesco, Gerry served as chief executive officer of Ulster Bank Ireland and was chief executive officer of Danske Bank UK (formerly Northern Bank). Earlier in his career, Gerry held roles at Bank of Ireland, McKinsey & Company and the UK Civil Service. Gerry is also chair of Foundation of Hearts and a non-executive director of Heart of Midlothian PLC.

Adrian Morris
Group General Counsel

Member since September 2012.

Adrian is responsible for the legal, company secretarial, group security, resilience, regulatory and compliance functions across Tesco PLC.

Prior to joining Tesco, Adrian worked at BP PLC as associate general counsel and prior to that at Centrica PLC, latterly as general counsel for British Gas. He is also a non-executive director of Tesco Bank and Moorfields Eye Hospital NHS Foundation Trust.

Ashwin Prasad
Chief Product Officer

Member since September 2020.

Ashwin is responsible for the planning, ranging, sourcing and supply of the products we sell across the Group. In addition, he has direct responsibility for managing this for the UK.

Ashwin joined Tesco in 2010 from Mars Inc. He has worked across a number of product divisions as a Category Director and Commercial Director.

Matt Simister
CEO, Central Europe

Member since April 2017.

Matt is responsible for all of Tesco's businesses in the Czech Republic, Hungary and Slovakia.

Matt joined Tesco in 1996 as a marketer. He built on his UK experience with three years as Commercial Director for our Czech and Slovak businesses. Following this, he returned to the UK to set up Tesco's Group Food capability. In April 2017, Matt was appointed to his current role as CEO, Central Europe.

Jason Tarry
CEO, UK & ROI

Member since January 2015.

Jason is responsible for all of Tesco's businesses in the UK & ROI.

Jason joined Tesco in October 1990 on the graduate recruitment programme. He has held a number of positions in the UK and internationally across both food and non-food divisions. Jason became CEO for clothing across the Group in 2012, before being appointed as Chief Product Officer in January 2015. In July 2018, Jason was appointed to his current role of CEO, UK & ROI.

Emma Taylor
Chief People Officer

Member since March 2022.

Emma is responsible for setting the people strategy and plans at Tesco, including reward, colleague experience and capability. Emma joined Tesco in 2001 as part of the graduate recruitment programme, and worked as part of store management teams before following her passion for people and moving into the People team. Emma has worked in a variety of People roles at Tesco, across large stores, convenience and in head office, and became People Director, UK & ROI in 2018.

Emma is a Tesco Pension Trustee.

Andrew Yaxley
CEO, Booker

Member since July 2018.

Andrew is responsible for the Booker business.

Andrew joined Tesco in 2001 from Mars Inc. He has worked across a number of product divisions including as Commercial Director for our Czech and Slovak businesses. He became Managing Director of the London business in 2013 and then CEO, ROI in 2015. In 2018, Andrew returned to the UK to take up the role of Chief Product Officer and in 2020 was appointed CEO, Booker. Andrew is a non-executive director of Avidity Group Limited.

Corporate governance, purpose and culture.

Role of the Board

The Group is led by an effective and committed Board, which is responsible for the long-term success of the Group. The Board has collective responsibility for the management, direction and performance of the Company, ensuring due regard is paid, at all times, to the interests of its stakeholders. The detailed governance framework ensures the Board has the right level of oversight for matters that are material to the Group.

The Group's delegation of authority provides a clear direction on decision making, ensuring that decisions are taken at the right level of the business by the colleagues best placed to take them. Each decision taken aligns to our culture and values and considers the benefits, the risks, the financial implications and the impact on the relevant stakeholders. The Board, with the support of its Committees, places great importance on ensuring we achieve a high level of governance across the Group. This supports the Board when delivering its strategic objectives and meeting its key performance indicators (KPIs).

The Board has overall responsibility for establishing 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 on page 58.

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 across the Group facilitates effective management and sound decision making. This is essential to our governance framework. Efficient internal reporting, effective internal controls, and oversight of current and emerging risk themes are embedded into our business processes, which align to our strategy, purpose and culture.

Board biographies 51 to 53

Board leadership in action 62 to 63

Board activity 64 to 65

Summary of matters reserved for the Board

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 full schedule can be found at www.tescoplc.com

- Setting and monitoring Group strategy, culture, operating plans, Long Term Plan and budget
- Monitoring the Group's net zero commitments for Scope 1 and 2 by 2035 and Scope 3 by 2050
- Approval of major acquisitions, mergers, joint ventures and disposals
- Governance framework including Board appointments, delegations of authority and Board diversity and inclusion policy
- Changes to the pension scheme arrangements
- Dividend policy, declaration and payment
- Changes to corporate and capital structure
- Significant capital expenditure and borrowing
- Oversight of risk management and internal controls
- Determining the nature and extent of emerging and principal risks
- Financial reporting, controls and disclosures
- Review of remuneration policies and share schemes
- Entry into material contracts

Corporate governance framework

Board Committees

The Board is supported by the activities of its Committees, which ensure specific matters receive the right level of attention and consideration. Board Committee members are provided with the detailed information to enable them to discharge their duties and make recommendations to the Board. Cross-Committee membership provides visibility and awareness of matters relevant across the Committees.

Details of Board Committee membership and activity during the year is set out in the Committee reports.

Audit Committee	Corporate Responsibility Committee	Nominations and Governance Committee	Remuneration Committee
Chair: Byron Grote	Chair: Lindsey Pownall	Chair: John Allan	Chair: Alison Platt
Provides independent assessment and oversight of financial reporting processes including related internal controls, risk management and compliance. It also oversees the effectiveness of the internal and external audit functions.	Provides oversight on the Group's sustainability initiatives to support the delivery of the Group's purpose and strategic priorities. Note: with effect from April 2023 the Corporate Responsibility Committee will be renamed Sustainability Committee.	Reviews the size, composition, tenure and skills of the Board. It also leads the process for new appointments, monitors Board and senior management succession planning, considers independence, diversity, inclusion and Group governance matters.	Determines remuneration policy and packages for Executive Directors and senior managers, having regard to pay across the Group and the views of stakeholders.

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

Executive management committees

The Board delegates responsibility for the day-to-day operational management of the Company to the Group Chief Executive. The Group Chief Executive is supported by a team of executives who head each of the key operations of the Group and who form the Executive Committee under the direction and leadership of the Group Chief Executive.

There are a number of executive management committees which provide updates to the Board, Audit Committee, Corporate Responsibility Committee and Executive Committee on matters of significance.

Executive Committee	Disclosure committee	Group risk and compliance committee	Group planet committee	Cyber committee
Responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.	Responsible for considering timely and accurate disclosure of sensitive information.	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.	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.	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. It highlights matters of importance to the Board.

Board oversight of internal control and risk management

The Board has overall responsibility for the oversight of internal control systems and risk management processes. It has established a risk management framework to manage and report the risks we face as a 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 of the risk management framework and the effectiveness of internal control processes including a review of:

- the Group's interaction with its external auditors including their role, audit scope, independence and audit and non-audit fees;
- the activity, role and effectiveness of our internal audit function, including an update covering a range of management issues and actions to address their findings;
- formal assessment of the effectiveness of both external and internal audits on an annual basis; and
- supported by the disclosure committee, reviews the integrity of our financial and narrative statements, including interim and annual financial statements and announcements relating to the performance of the Group.

More information on our principal risks, the oversight of Group disclosure and the work of the Audit Committee can be found on pages 38 to 45 and 71 to 76.

Corporate governance, purpose and culture continued

How the Board monitors culture

The Board is committed to maintaining the highest standards of corporate governance in the management of its affairs. 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 monitors culture in a number of ways: through Board and committee management reporting; our workforce engagement forums; capability plans; Every Voice Matters employee survey results; and monitoring of progress made on our diversity and inclusion strategy and targets.

Through the Board and executive leadership, Tesco culture drives the right behaviours to ensure that our colleagues and other stakeholders do the right things in the right way so that our actions are aligned to the Group's purpose, core values and strategic priorities. Our purpose sets out why we do what we do, our strategic priorities set out what we are going to do and our values set out how we are going to get there.

We have four behaviours which provide further guidance to our leaders, on how we work together:

- **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.

These behaviours are also built into the performance framework, therefore placing as much importance on 'how' individuals work as 'what' they deliver. People updates to the Board and Executive Committee provide oversight of the culture we operate in and insights into our behaviours. The Board recognises that treating colleagues with respect and compassion is essential to building a culture of trust. The Nominations and Governance Committee supports the Board in reviewing culture, diversity, inclusion and talent management and the Remuneration Committee in assessing executive performance in line with our strategic drivers, KPIs and behaviours. For all colleagues, our purpose is why we are here and do what we do and our values enable all of us to deliver against our purpose in the right way. Our win together behaviours, for our senior leaders and head office colleagues, guide us to behave in a way that creates a culture where we work together as one team to deliver against our strategic priorities.

The Board believes that understanding its stakeholders and what matters to them is key to its success. With the skills, expertise and dedication of colleagues worldwide, we have a culture which is well placed to achieve this. 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 will support the delivery of the strategy. Through colleague, customer and supplier engagement surveys, the Board and Executive Committee analyse the results and develop action plans for improvements.

Our Code of Business Conduct also defines the standards and behaviours expected and is supported by Group policies and mandatory training. Colleagues are required to complete mandatory training within five days of joining the Group, and on an annual basis, to reinforce the importance of these standards.

Our **purpose**, why we are here

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

Our **values**, put our purpose into practice

No one tries harder for our customers	We treat people how they want to be treated	Every little help makes a big difference
Understanding what matters to our customers, colleagues and communities, then trying to make those things better, is at the heart of Tesco.	Looking after our colleagues in a culture of trust and respect means we can all be at our best.	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.

'Protector Line' provides colleagues and suppliers with the ability to raise concerns regarding possible misconduct and breaches of the Code of Business Conduct. The Group risk and compliance committee provides oversight of key regulatory and compliance matters and reports biannually to the Audit Committee. In addition, the Audit Committee has oversight of the whistleblowing policy and Protector Line with matters subject to independent investigation. Any material matters are raised to the Board.

Every decision taken at all levels considers our culture, purpose, values and leadership behaviours. Our values and leadership behaviours are a vital part of our culture, helping us ensure that through our conduct and decision making we do the right thing for the business and our stakeholders.

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

Board and Committee meetings

The Board held six scheduled meetings during the year and an additional strategy day. In addition to scheduled meetings, Directors will meet to consider matters of a time-sensitive nature as the business requires. The table below shows the attendance at the scheduled Board and Committee meetings. In the rare event of a Director being unable to attend 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.

Through a regular review of the Board and Committee 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.

The Board and its Committees have a standard paper template which is regularly reviewed, providing a structure to ensure that the right information is received by Directors to support their oversight, challenge and decision making.

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 arise 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.

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 to the Chair, for circulation to the Board. No such concerns were raised in 2022/23.

During the year, the Non-executive Directors met with the Chair of the Board without the Executive Directors being present, on several occasions.

The schedule on pages 64 to 65 sets out the key topics the Board reviewed, discussed and debated during the year. These were in addition to the annual cycle of matters the Board reviews and support Directors' oversight and understanding when considering stakeholders while reaching decisions.

For more information on the Board leadership in action see page 62 to 63.

Board and Committee attendance[a]

	Board	Audit Committee	Corporate Responsibility Committee	Nominations and Governance Committee	Remuneration Committee
John Allan	6/6	–	4/4	4/4	5/5
Ken Murphy	6/6	–	–	–	–
Imran Nawaz	6/6	–	–	–	–
Melissa Bethell	6/6	5/5	–	–	–
Bertrand Bodson [c]	6/6	–	3/4	–	–
Thierry Garnier	6/6	–	–	–	5/5
Stewart Gilliland	6/6	–	4/4	4/4	–
Byron Grote	6/6	5/5	–	4/4	5/5
Alison Platt	6/6	–	–	4/4	5/5
Lindsey Pownall [c]	6/6	–	4/4	–	4/5
Caroline Silver [b]	3/3	2/2	–	–	–
Karen Whitworth	6/6	5/5	4/4	–	–

(a) This table shows details of scheduled Board and Committee meetings. Steve Golsby and Simon Patterson stood down from the Board and relevant Committees on 17 June 2022.
(b) Caroline Silver joined the Board as an Independent Non-executive Director on 1 October 2022.
(c) Lindsey Pownall and Bertrand Bodson were unable to attend one committee meeting each during the year due to a prior commitment.

Corporate governance, purpose and culture continued

Skills and experience of the Board

The Board believes that it is essential to have a balanced and diverse Board with a mix of skills and expertise required to deliver our strategy and create long-term value for shareholders. This ensures that leadership and decision making are focused, allowing debate and challenge when risks and opportunities for the future are being considered. Our Board possesses a wide range of knowledge and experience from a variety of sectors. The Board and Nominations and Governance Committee consider the skills required to deliver the strategy in the longer term and through the succession planning process, identify any potential gaps as they arise. The matrix below details the skills and experience that collectively, the Non-executive Directors bring to the Board.

The Non-executive Directors provide a strong independent element to the Board and the oversight they provide is balanced with individuals contributing a broad range of skills, diverse experience and knowledge, demonstrating independence and constructive challenge. Relationships between the Directors are based on trust and mutual respect, enabling open and frank conversations. This ensures that even the most challenging decisions are taken for the benefit of the Company, with due consideration for those stakeholders who may be affected.

Appointments

Non-executive Directors are initially appointed for a three-year term with an expectation that they will continue for at least a further three years. In accordance with their letter of appointment, after three years' service the performance of a Non-executive Director is rigorously assessed by the Nominations and Governance Committee, with any development needs discussed by the Chair with the Non-executive Director. Directors are nominated by the Nominations and Governance Committee and are subsequently approved by the Board for election or re-election annually by shareholders at the Company's AGM. The Nominations and Governance Committee have undertaken an assessment of each of the Directors' experience, skills, independence, time commitments, conflicts and the Board believes that all Directors continue to be effective and committed to their roles. All Directors, with the exception of Lindsey Pownall who will retire in June 2023, will submit themselves for election or re-election at the forthcoming AGM in June 2023. The Board recommends that shareholders be supportive of their election or re-election to the Board.

Details of the Directors' service contracts and terms of appointment, together with their interests in the Company's shares, are shown in the Directors' remuneration report on pages 77 to 101.

Induction and development

All new Directors receive a comprehensive induction programme over a number of months which is designed to facilitate their understanding of the business and is tailored to their individual needs. The Chair and the Group Company Secretary are responsible for delivering the programme covering the Company's core purpose and values, strategy, key areas of the business and corporate governance. Thereafter, the Chair agrees with Directors their individual training and development needs.

As part of the ongoing development of Directors, throughout the year the Board receives regular briefings and visits key sites in order to provide a deeper understanding of the Group. The Board also receives the benefit of teach-ins and technical updates provided at Board and Committee meetings, which aim to ensure that Directors remain up to date with key developments on the business environment in which Tesco operates. During the year, Directors have received additional briefings on climate and sustainability-related matters and digital and cyber security. Directors are provided with the opportunity to, and are encouraged to, attend training to ensure they are kept up to date on relevant legal, regulatory and financial developments or changes.

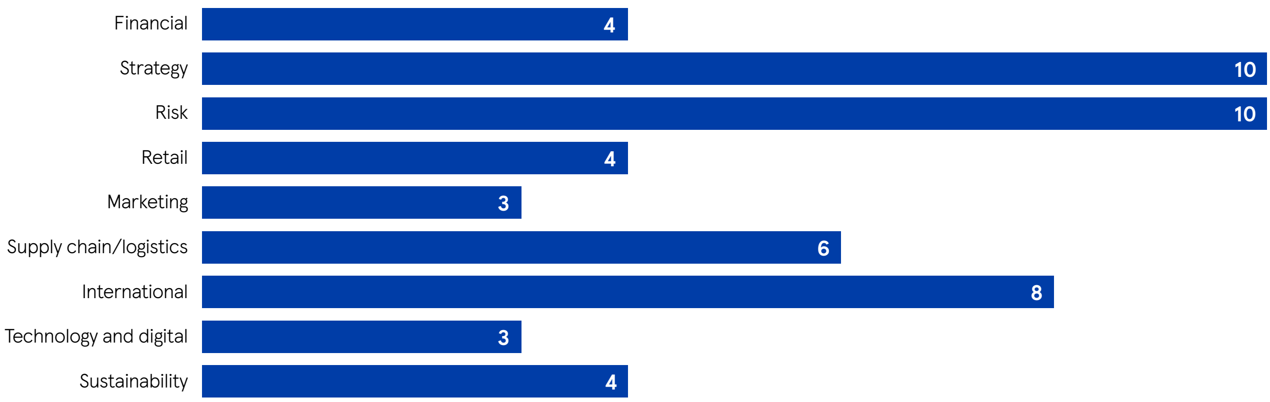
Induction programme

New Director induction programmes are delivered through:

- meetings with senior managers across the business;
- meetings with advisors;
- attendance at Committee meetings;
- site visits to stores, urban fulfilment and distribution centres, providing an opportunity to meet colleagues and see at first hand the business operations; and
- access to a library of reference materials.

Directors' feedback is that the comprehensive induction programme provides great insight into the business operations, governance and controls, with an opportunity to meet colleagues within the business.

Board skills and experience



Board effectiveness.

Board evaluation process

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 performance review assesses the effectiveness of the Board, its Committees and Directors. The evaluation is externally facilitated every three years with the last external evaluation undertaken by Boardroom Review during 2021/22. The next external evaluation will be in respect of the 2024/25 financial year. The Chair and the Board continually work to strengthen and enhance the effectiveness, skills and experience of the Board to align with the Group's strategy. During the year, an internal evaluation in respect of the full year 2022/23, was led by the Chair, with the support of the Group Company Secretary, using an online questionnaire to capture the views of each Director. The evaluation 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 identified in the 2021/22 survey and identifying potential for improvement. This year's Board evaluation focused on Board Committe composition and expertise, stakeholders and culture, Board dynamics, the effectiveness and focus of meetings, Board committee effectiveness, strategy and risk oversight, succession planning, talent management and priorities for change.

The Senior Independent Director sought feedback from each Director on the performance of the Chair using an online questionnaire. The results of the feedback were discussed at a meeting of the Directors without the Chair present. The unanimous view was that the Board was functioning very effectively. The Chair had provided excellent leadership throughout a challenging year and creates an inclusive and purposeful culture in the Boardroom, focusing on the most important issues of strategy, people, performance and governance.

The results of the evaluation were presented to the Board which concluded that the Board and Committees work well together providing the right level of oversight, with the appropriate challenge, discussion and debate. There were no points expressed during the evaluation process that had not previously been discussed, demonstrating that all Directors exhibit an open and collaborative style. Overall, the effectiveness of the Board was rated high with some key areas of focus proposed. An action plan has been developed and will be reviewed to track progress throughout the year.

Focus of internal effectiveness survey

Actions identified during 2022/23 evaluation

The internal effectiveness review identified the following priorities and opportunities for the Board's focus over the coming year:

- greater focus on the longer-term strategy and sustainability objectives;
- 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 succession process and ongoing diverse talent management plans;
- additional focus be given to customer insight and supplier engagement; and
- Directors to spend more time in the business, through individual site visits and meetings with management.

Progress against actions identified through the external evaluation in 2021/22

Action identified	Progress against action
Continue to develop and test risk appetite to facilitate the Board's decisions	Additional risk deep dives have been undertaken to focus on emerging themes, scenarios, horizon scanning and risk mitigation
Continue to develop the sustainability agenda to balance the short, medium and long-term objectives	Deep dive on sustainability matters undertaken with greater visibility and monitoring of the milestones to achieve our net zero targets
Reviewing the balance of activities at the Board and its Committees	A review of Board and Committee responsibilities undertaken with a focus on clarity and separation of roles. Matters reserved for the Board and Committee terms of reference updated
Focus on development and succession plans at Board and Executive Committee level to strengthen the diverse management pipeline	More regular updates on the talent pipeline discussed at the Board and Nominations and Governance Committee alongside detailed diversity and inclusion strategy updates

Board leadership in action.

Board activity

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 Board has a forward-looking programme of agenda items scheduled for discussion throughout the year to ensure operational and financial performance, risk, governance, strategy, which includes our sustainability targets, culture and stakeholder groups are discussed at the appropriate time. The Board and Committee paper template ensures that the Board has high-quality, clear and timely information to support Directors in their decision making. A review of the template is regularly undertaken to ensure that each of these matters is considered when papers are drafted. Board oversight supports the strategic direction and ensures the long-term viability in line with stakeholder expectations.

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. This enables the Non-executive Directors to engage with colleagues from across the Group. A summary of the Board's key activities during the year is set out on the following pages, detailing a breakdown of the proportion of time spent by the Board on these matters.

Each of the Board Committees meet at least four times per year. Following each Committee meeting, each Committee Chair provides the Board with a written and verbal update on Committee activities. These updates include the financial and risk deep dives the Audit Committee undertakes, updates on sustainability matters from the Corporate Responsibility Committee, details of Executive Director remuneration from the Remuneration Committee and succession planning and governance-related matters from the Nominations and Governance Committee. Committee papers and minutes are shared with all Directors to allow them to raise questions on specific Committee topics if required.

During the year, the Board reviewed and approved entry into material contracts taking into consideration the associated operational and financial benefits and risks. It also considered the impact on all stakeholders including financial returns, security of supply, improved pricing, quality of products, the impact on our carbon footprint and sustainability initiatives and the impacts to all stakeholders in light of the cost-of-living crisis.

The Board holds additional strategy and planning days during the year, at which senior managers present on each of our business areas. The aim is to better understand 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.

Board visit to food bank

In November 2022, members of the Corporate Responsibility Committee visited a branch of Hackney Foodbank. The Foodbank is part of a network of 1,200 food banks linked to The Trussell Trust, with whom Tesco has a longstanding relationship. In 2022, we celebrated 10 years of this partnership, with support growing from a food collection in 290 stores in 2012 to 1,041 food collection points in stores today. Members met with the CEO of the Foodbank, Pat Fitzsimons, and The Trussell Trust CEO, Emma Revie. Emma highlighted the challenges faced by food banks due to the cost-of-living crisis and Pat outlined the challenging situation in Hackney. Key topics discussed included:

- the changing demographic of food bank users (they were seeing many more working families for example), and how the Foodbank had adapted to this change, for example having different operating times to accommodate this change;
- the significant demand The Trussell Trust is seeing, which is now outstripping supply. It was discussed what role Booker could play in providing support, as well as utilising Jason Tarry's forthcoming role as IGD President to galvanise industry action;
- additional work undertaken by food banks, such as their links with bodies like Citizens Advice, to ensure people can access all benefits they are entitled to;
- the impact and importance of Tesco's support for The Trussell Trust, both during COVID-19 and the cost-of-living crisis, on an ongoing basis. The in-store collection points and food provision play a vital part in the work of The Trussell Trust; and
- innovations that the Foodbank is exploring, such as a Phone to Food app that allows people who are using their food bank to spend vouchers/giftcards at local independent stores instead of receiving food parcels.

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 local senior management to gain insight into the business operations and the challenges they face.

During 2022, the Board visited the operations of Booker and had the opportunity to spend time in a number of convenience stores. Later in 2023 our Central European business will host a three-day visit of the Board to its operations. These visits provide in-depth knowledge for the Directors, enabling them to meet management, share their own experiences and challenge and support the business directly.

Further details of the Board's activities during the year are set out on pages 64 to 65.

Stakeholder engagement

A key objective of the Board is to create value for shareholders and deliver long-term, sustainable growth.

The Board recognises the importance of listening to and understanding the views of its key stakeholders. In support of Directors' section 172(1) duties, the Board receives insights through customer, colleague, supplier and investor engagement into how we are perceived, what our stakeholders want and how they want to be treated. The Board acknowledges that every decision it makes will not necessarily result in a positive outcome for all stakeholders. A key consideration when making decisions is for the Board to balance the sometimes conflicting needs of our stakeholders while considering the Company's purpose, values and strategic priorities, which ensures the Board's decision making is consistent and in the best interests of the Company. It also takes other relevant factors into account, which includes: the interests and views of the communities where we operate; Tesco pensioners; and its relationship with regulators and NGOs.

We actively engage with our institutional investors throughout the year to understand their views on a variety of topics. The AGM provides a valuable opportunity each year for private shareholders to hear from the Board, and for the Board to hear from our private shareholders. This year's AGM will be held on Friday, 16 June 2023 at 11.30am. Shareholders will receive an update on the Q1 trading performance with an update on the business since the 2022/23 year end. With an average of 74% of the issued share capital voted at the 2022 AGM, the Board looks forward to meeting with and hearing from shareholders at the 2023 AGM.

More information on stakeholder engagement can be found in the Section 172 statement and Stakeholder engagement section on pages 25 to 27.

Colleague engagement

The Board established three Colleague Contribution Panels (CCPs) in 2019 which represent the workforce across all business areas of the Group. These have been running successfully for three years with each CCP being hosted by an independent Non-executive Director. Alison Platt hosts the Central Europe CCP which is attended by representatives from our businesses in the Czech Republic, Hungary and Slovakia. Byron Grote hosts two CCPs: the UK & ROI CCP attended by representatives from Tesco stores, fulfilment, distribution, head office, customer engagement centre and ROI and the UK subsidiaries CCP attended by representatives from Booker, Tesco Café, One Stop, dunnhumby, Tesco Maintenance, Oakwood Distribution, Tesco Bank and Tesco Business Services Bengaluru.

2022/23 Colleague Contribution Panels

Representatives have each attended two CCPs during the year, with six being held in total. The half-year CCPs focused on feedback from the full-year session in November 2021, an update on the activities of the Board, and the introduction of the topics for discussion at the November 2022 CCPs with the main focus being on our strategic priority, Magnetic value for Customers.

During the period from June to November, representatives gathered feedback from colleagues on the topics for discussion at the November 2022 CCPs, as well as gathering views on any topics colleagues wished to raise.

During the year, themes raised by representatives related to: improved communications; cross-format working; price and quality; cost-of-living challenges for customers and colleagues; pay and benefits; supporting our communities; sustainability initiatives; and business improvements.

The CCPs meet every six months to discuss matters of importance, focus on topical issues and allows the host to share the views and activities of the Board and its Committees. 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.

Following each of the CCPs, the Board receives an update directly from each of the hosting Non-executive Directors, together with a more detailed paper capturing the feedback. The Board welcomes the insights the CCPs offer on the views of the workforce and the issues that matter most to our colleagues. These form part of the Board's decision-making process along with the feedback received from the Every Voice Matters colleague engagement survey.

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.

Board visit to Booker operations

During 2022, the Board visited the operations of our Booker business to meet colleagues and customers and gain a greater understanding of the Booker business operations and retail market. The visit included a presentation on the Tesco convenience strategy, which included Booker convenience stores. During the visit, the Board visited a Booker Cash and Carry, a Booker catering customer and a number of Booker convenience stores.

The Board receives regular updates on the Booker business to understand the market it operates in and the financial and operational performance of the business. The updates also enable the Board to explore opportunities and challenges, and understand brand perception within the market.

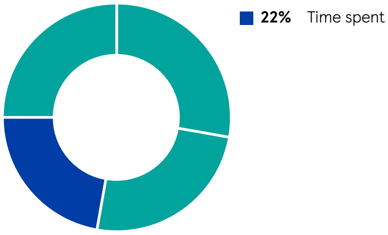
Board activity.

	Strategy	Operational performance
		
Information flow	– Group Chief Executive updates – Progress against four strategic drivers – Annual strategic review – Planet strategy and progress against targets set to deliver on our net zero commitments – Technology and cyber security deep dive – Innovation update	– Updates from our businesses in the UK, ROI and Central Europe – Deep dives into Tesco Bank, Booker, dunnhumby, Tesco Mobile and F&F – Health and safety updates focusing on people safety and safety framework – Customer insight and product innovation
Outcome, benefits and considerations	The Group Chief Executive provides an overview of the operational and financial performance of the business at each meeting, giving oversight and the opportunity to challenge and track progress against our strategic priorities. Strategy days provide a deep dive into each of the business areas. Having a clear strategic direction for the short, medium and long term, as well as understanding our stakeholder expectations, is vital for the delivery of our strategic priorities. Deep dives into our sustainability strategy brought our net zero commitments to life with a review of progress against our key milestones. Improved technology will support the delivery of our strategic priorities. Technology updates to the Board covered our operational infrastructure, technical capabilities, cyber security and data privacy. Our internal IT platforms continue to develop together with other technology initiatives, which span across all business areas. The Board's oversight of the data and technology strategy ensures the business moves forward through technology and innovation to meet the needs of customers and colleagues. A dedicated cyber security programme has been developed with clearly defined governance, oversight and structured training processes. Our innovative projects are linked to our purpose and strategic drivers. Good progress is being made. These updates help shape strategy and take the business forward. It is essential that we keep innovating for the future to meet the changing needs of our customers and the environment we operate in. Our key innovation priorities are to: strengthen our approach through learnings; accelerate and scale 'mature' experiments quickly to deliver value to the business; and focus on new opportunities that align with our strategic drivers.	Business updates from each of the business areas provide essential oversight of the opportunities and challenges the different business areas face and provide opportunities for sharing Group initiatives. Insight into how our different markets operate and the impact on stakeholder-related matters provides the Board with the oversight required to support its strategic decision making. It also allows the Board to identify opportunities and risks, sharing their own experiences and facilitates the necessary actions to be taken to align with our strategic priorities. The Board regularly receive updates on our Own Brand product development and how we create competitive advantage. Quality perceptions are set and reset continuously to review price, promotions, product, packaging and the shopping experience. Through the use of multiple data sources including trends influencing consumer spend and habits globally, we have an understanding of our customers' needs to develop products and propositions for the future. Health and safety updates are provided to the Board which review our health and safety strategy, progress against the priorities, ways for improvement, the volume and severity of injuries and the cost of injury claims. Ensuring that the appropriate health and safety provisions are in place is essential for the operation of our business. The Board places significant importance on looking after the safety of colleagues, customers and anyone else impacted by our business.

Additional information

	Pages		Pages
Purpose and values	6, 58	**2023 highlights and Tesco at a glance**	IFC, 2-3
Our strategic priorities and KPIs	12-14	**Chairman's statement**	7
Our business model	15	**Group Chief Executive's review**	8-10
Climate and TCFD	18-24	**Our market context**	11

Financial performance and risk



Information flow

- Chief Financial Officer updates
- Review of financial position, balance sheet, going concern and viability of the Group
- Progress against the Long Term Plan (LTP) and budget
- Review of risk management framework, principal and emerging risks
- Updates on sales, profit, cash flow and capital expenditure in all regions
- Review of funding, liquidity plans and property portfolio

Outcome, benefits and considerations

The Chief Financial Officer presents a detailed overview of the financial performance of the business at each meeting to ensure the Board is provided with the required financial oversight and has the opportunity to challenge. This includes: details of the progress of the Big 6 across the Group and the key performance indicators; performance by business unit compared with the LTP; cost inflation; and Save to invest. The Board regularly reviews progress of the LTP. Our LTP sets out our growth ambitions over the next three years, including the continued delivery for all stakeholders and ongoing cash returns to our shareholders.

The Board reviews the capital allocation framework, dividend policy and shareholder returns and the management of the Group debt capital markets activities, including the new issuance of a bond under the Euro medium term note (EMTN) programme.

Regional updates provide the Board with an overview of the sales, profit, cash flow and capital expenditure of each of the business areas.

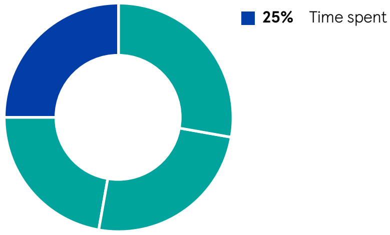
The Board has overall responsibility for risk management and is actively engaged in risk discussions. The Audit Committee, on behalf of the Board, undertakes an annual effectiveness assessment to manage the most significant risks or principal risks facing the Group and actions taken to mitigate them, validating the key risk movements and approving any required outcomes arising from the risk assessments. Strengthening the risk and internal control environment is fundamental to Tesco's governance framework.

Review of the property portfolio and valuation of the property portfolio provide the Board with visibility to ensure the portfolio is properly managed and accounted for.

Additional information

	Pages
Financial review	30-37
Principal risks and uncertainties	38-45
Viability statement	46-47
Audit Committee report	71-76

Governance and stakeholder engagement



Information flow

- Stakeholder engagement
- Culture, diversity and inclusion strategy
- Talent, succession and development
- Investor views and key market issues
- Product supplier and sourcing
- Governance matters

Outcome, benefits and considerations

Our Group Chief Executive's report provides updates on stakeholder engagement as well as government and regulatory developments. In addition, the Board receives specific papers on customer insight and supplier engagement, which details survey results, management action plans and focus areas for improvement. Visibility and understanding of our stakeholders' views supports the Directors' decision making.

Building leadership capability, to develop and grow diverse talent and strengthen future pipelines through tailored development programmes, is a key focus for the Board. The Board is committed to creating an inclusive workplace and reflecting the diversity of the communities we serve. Tesco has a clear diversity and inclusion strategy in place to ensure that at Tesco, Everyone's Welcome. Colleague Contribution Panels provide valuable feedback, see page 63. The Board discusses the outcomes from the six-monthly panels, which strengthens the colleague voice in the Boardroom. In addition, the Board reviews an analysis of results and action plans from the annual Every Voice Matters colleague engagement 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.

Governance matters are discussed at each meeting which include topics such as directors' and officers' insurance, litigation, Modern Slavery Statement, approval of significant contracts, review and approval of statutory reporting and shareholder documentation and governance-related matters.

In addition, each Committee Chair provides an update on the activities of the Committee.

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Corporate Responsibility Committee report	69-70

Nominations and Governance Committee.

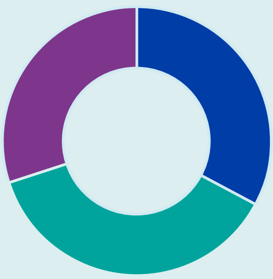
Committee membership and tenure

Director	Member since
John Allan, Tesco PLC Chair and Committee Chair	March 2015
Stewart Gilliland	April 2019
Byron Grote	December 2015
Alison Platt	April 2019

Details of attendance at Committee meetings is set out on page 59.

Details of the time spent on key areas of responsibility during 2022/23 are set out below.

Committee activity



- **33%** Board and senior management succession planning
- **37%** Talent management
- **30%** Group governance

2022/23 Evaluation of Nominations and Governance Committee

An internal review of the Committee effectiveness was conducted during the year. Its findings concluded that the Committee remained effective with a good mix of perspectives and backgrounds with the right balance.

Priorities identified

- Chair and Senior Independent Director succession
- Focus on governance and the governance framework
- Focus on talent management and succession planning

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 and inclusion policy
- Monitor the progress of the Group's diversity and inclusion strategy

Group governance

- Changes to the Group's corporate governance framework, including review of matters reserved for the Board and Committee terms of reference
- Compliance with the UK Corporate Governance Code
- Board and Committee evaluation process and progress against actions identified
- Effectiveness review of Non-executive Director time commitments, independence, Directors' conflicts of interest
- Governance-related legal and regulatory developments

The Committee's terms of reference 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 and inclusion and Board effectiveness.

Board composition, expertise and succession planning

As part of the ongoing succession planning activity, the Committee regularly reviews the structure, size and composition of the Board and its Committees to ensure that they continue to provide advice, guidance and constructive challenge to the management team, based on their collective knowledge and experience. Succession planning is a key priority for the Committee to ensure a structured and systematic process is in place to refresh the Board. A review of Committee composition also forms part of the succession planning process.

To support the succession planning process, a skills matrix is regularly reviewed to ensure the Board and its Committees have and maintain 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. The matrix shown on page 60 demonstrates the broad diversity and experience of the Board.

As mentioned in my governance introduction, there have been a couple of changes to the Board composition during the year.

The Committee is responsible for identifying and reviewing suitable candidates through a formal and transparent process, with a recommendation to the Board. Following an in-depth selection process, assisted by Lygon Group, the Committee made a unanimous decision to recommend to the Board the appointments of Caroline Silver and Dame Carolyn Fairbairn with effect from October 2022 and September 2023, respectively. Detailed role profiles were developed and a search initiated. The Committee reviewed a shortlist of candidates with a recommendation to the Board. As part of the Committee's consideration, it reviewed the current Board and Committee composition, the existing diversity of skills, knowledge and experience on the Board, the diversity of gender and ethnicity together with the skills, experience and time commitments required in the delivery of the role. 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. Open advertising was not used. Lygon Group has no connection to Tesco or any of its Directors.

Senior management talent planning

The Committee plays an important role in overseeing the development of a diverse pipeline for succession to senior management roles across immediate, short and longer-term timescales. Succession planning at executive and senior management level continues to be a priority and throughout the year the Committee monitored the development of the future business leaders and the available pool of talent within the Group to strengthen our diverse management pipeline. This is essential to mitigating people risk, ensuring a continuous level of quality in management and that we have the required capability to deliver. This review includes progress against the strengthening of role profiles and development plans for high-potential colleagues. There were no changes to our Executive Committee during the year.

Continued focus on diverse representation of our top global leaders, specifically on gender, with a clear plan of action to support further progress in order to achieve our aspirations. This will include senior sponsorship, robust career and development plans and a refreshed targeted development intervention for all high-potential women. We will also seek to understand cultural barriers through listening sessions and insight to inform further action around our policies and working environment.

Diversity and inclusion

The tone for diversity and inclusion across the Group is set from the top. The Board believes that having a diverse leadership team and an open and inclusive culture where everyone is welcome supports one of our core values: We treat people how they want to be treated. The Board's diversity and inclusion policy sits alongside the Company's various diversity and inclusion policies. These policies support the Company's wider commitment to building an increasingly diverse business where all colleagues are given equal opportunities through recruitment, learning and development.

The Board believes that it is vital to have a diverse Board, with the right balance of skills, knowledge and experience across professional backgrounds, gender, tenure, age, ethnicity and diversity of thought. A diverse Board with different perspectives, insights and viewpoints in decision making ultimately benefits the Group's stakeholders through better business performance and decision making. The Board takes into account the recommendations of the FTSE Women Leaders and Parker Review on gender and ethnic diversity. As part of the annual Board effectiveness review, the Board considers the diversity of the Board, its Committees and the Executive Committee. The Committee reviews the Board's diversity and inclusion policy in detail each year and monitors the progress against the policy. During the year, updates were proposed and recommended to the Board for approval, including an increase in the diversity target from 33% to 40% of women on the Board in line with the Listing Rule requirements proposed by The Financial Conduct Authority (FCA) in April 2022 applying to financial periods beginning on or after 1 April 2022. The current Board diversity and inclusion policy was approved by the Board in October 2022. The policy objectives are detailed in the table below. The Committee will consider the latest recommendations from the Parker Review when conducting its annual review of the Board diversity and inclusion policy.

Board diversity and inclusion policy

Policy objectives	Implementation	Progress against objectives
Commitment to achieve a minimum of 40% female representation on the Board by the end of 2024.	Regular succession planning sessions are undertaken throughout the year to ensure that the balance, skills and experiences required to deliver on the strategic objectives are in place over the short, medium and long term.	Currently at 42% female representation on the Board.
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.	The Board is supportive of the FCA proposals, noting the comply or explain basis. Consideration is given to this as part of the succession planning process in the short term.	Consideration to be given to appointing a female Chair and/or Senior Independent Director as part of our succession planning in 2024.
The Board supports and monitors Tesco's diversity 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, diversity and inclusion to assist the development of a pipeline of high-potential and high-performing candidates with diverse backgrounds in senior management roles. KPIs established to measure progress.	We are committed to promoting diversity and have set a target of achieving 35% female and 14% ethnically diverse representation of our top global leaders by 2025. Diversity of this population is currently 29% female and 15% ethnically diverse.
Maintain at least one Director from an ethnic minority background.	Diversity and inclusion is considered as part of the succession planning process.	Currently meet the recommendations of the Parker Review with both Melissa Bethell and Imran Nawaz, being from Asian backgrounds. 17% of the Board is ethnically diverse.

See page 17 for further details of the Group's approach to diversity and inclusion, and page 103 in the Directors' report for detail on the Group's employment policies.

The Board's diversity and inclusion policy is available at www.tescoplc.com

Nominations and Governance Committee continued

Board effectiveness

The Board and senior management set the tone from the top and lead by example through effective management and good stewardship. Effectiveness of the Board encompasses many aspects of Board governance including: composition; skills and expertise; independence; time commitments; conflicts of interest; and Director re-election. The Committee undertakes detailed reviews of each of these aspects at least annually, but additionally as part of the succession planning discussions throughout the year.

Time commitments

The Board recognises the importance of all Non-executive Directors having the necessary time to commit to the business. Upon appointment, Non-executive Directors letters of appointment stipulate the expected time commitment while acknowledging that this may vary depending upon the demands of the business and other events. All Directors make themselves freely available as required, even at short notice, in order to meet the needs of the business. 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, and considers whether each Director has demonstrated they have sufficient time to devote to their present role within Tesco, including under potential periods of corporate stress.

As previously stated, the Board was disappointed by the voting outcome during the 2022 AGM relating to the re-election of Bertrand Bodson. The Committee discussed the matter at length after the 2022 AGM and the shareholder consultation which followed. Directors are required to seek approval before accepting any additional external appointments. The Board continues to firmly believe that Bertrand had sufficient time to devote to his Tesco role, despite his other external roles. Bertrand has since decided to step down as a member of the Supervisory Board of Wolters Kluwer N.V. with effect from 10 May 2023.

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. During the year, approval was granted to Stewart Gilliland, Byron Grote, Alison Platt and Caroline Silver to take on additional directorships. It was determined that the additional time commitment, taking into account their current overall responsibilities, would not have an effect on their commitment to Tesco as a Non-executive Director.

Independence

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

Conflicts of interest

In accordance with the Companies Act 2006 and the Company's Articles of Association, Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors excuse themselves from consideration of the relevant matter.

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

Annual election and re-election

Annually, the Committee considers and recommends to the Board the re-election of Directors by shareholders at the AGM. This is supported by each Director's individual assessment undertaken as part of the annual Board evaluation process. The Committee concluded that there were no reasons identified to prevent any Director from being recommended for election and re-election at the 2023 AGM.

Additionally, in accordance with the Non-executive Directors' letters of appointment, 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. No Director reached their three or six-year review during the period.

Board evaluation

The Committee oversees the Board evaluation process. During the year, the Committee reviewed the progress of the actions identified through the 2021/22 Board evaluation and discussed whether any further actions would be desirable. In addition, the Committee reviewed the proposed approach to the 2022/23 evaluation of the Board, Committees and Directors, considering the key themes and focus of the review.

An internal review of the Committee's effectiveness was conducted during the year, details of which are set out on page 66.

Full details of the 2022/23 Board evaluation are provided on page 61.

John Allan CBE
Nominations and Governance Committee Chair

Corporate Responsibility Committee.

“As a Committee, we are passionate in overseeing the integration of sustainability across the Group to ensure we achieve our sustainability targets and put our stakeholders, communities and planet at the heart of everything we do.”

Lindsey Pownall OBE
Corporate Responsibility Committee Chair

Committee membership and tenure

Director	Member since
Lindsey Pownall, Committee Chair	April 2016
John Allan	March 2015
Bertrand Bodson	June 2021
Stewart Gilliland*	April 2019
Karen Whitworth	June 2021

* Stewart Gilliland will take over as Committee Chair with effect from June 2023

Details of attendance at Committee meetings is set out on page 59.

Details of the time spent on key areas of responsibility during 2022/23 are set out below.

Committee activity

- **30%** Sustainability strategy
- **39%** Material sustainability matters
- **31%** Governance and stakeholders

2022/23 Evaluation of Corporate Responsibility Committee

An internal review of the Committee effectiveness was conducted during the year. Its findings concluded that the Committee remained effective. Enhanced clarity and a refocusing of Committee responsibilities have been well received.

Priorities identified

- Continue to enhance the monitoring of material sustainability targets and issues
- Enhance communication plan to ensure stakeholders are aware of our actions

Key responsibilities

Sustainability strategy

- Support and advise the Board on matters relating to planet and communities
- 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
- Review and challenge initiatives supporting Group net zero commitments
- Monitor KPIs relating to sustainability and climate
- Monitor external developments on sustainability

Deep dive into material sustainability matters

- Climate
- Food waste and packaging
- Health and diets
- Community
- Sourcing
- Human rights

Governance and stakeholder engagement

- Corporate reporting relating to sustainability matters
- Stakeholder engagement on sustainability matters
- Effectiveness of Committee and review of 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 this year’s Corporate Responsibility Committee report. During the year, we expanded our responsibilities to assist the Board in its oversight of sustainability governance and assurance on a range of environmental and community topics. 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 planet and communities. A more in-depth review of these areas can be found in the Strategic report on pages 1 to 47.

The Committee’s discussions are informed by the experience of Tesco’s senior leadership team – as those accountable for driving responsible and sustainable growth through Tesco’s operations. These in-depth discussions ensure the Committee stays alert to current and emerging trends and to any potential risks arising from sustainability issues. The Committee captures these insights for the Board through formal feedback and the ongoing sharing of knowledge.

Corporate Responsibility Committee continued

With the heightened focus on sustainability matters and the evolving role of the Committee, the Committee increased the frequency of meetings during the year from three to four, with the core focus being the oversight of the Group's sustainability strategy and the integration of sustainability throughout the business operations. In addition, the Committee decided to change its name from the Corporate Responsibility Committee to the Sustainability Committee, with effect from April 2023, to better reflect the Committee's responsibilities.

Complementing the Committee's role, the Audit Committee is responsible for overseeing the assurance programme of Tesco's sustainability commitments and the Remuneration Committee for monitoring and approving sustainability-linked performance metrics and the alignment of senior executives' individual objectives with sustainability goals. We collaborate closely with these Committees and cross-Committee representation provides a link between all the Board Committees.

Sustainability strategy

The effects of climate change and nature loss are becoming ever more apparent and increasingly urgent. Sustainability is integrated into the Group's overall strategy, with reducing the environmental impact of our own and our supplier partners' operations a key principle of one of the Group's strategic drivers, Magnetic value for customers. The Board is committed to becoming carbon neutral across Group operations by 2035 and net zero across the supply chain by 2050. 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. The Committee is satisfied that good progress continues to be made in understanding and managing both risks and opportunities across the business. Further information can be found in the Climate and TCFD sections on pages 18 to 24.

The Committee has developed a sustainability framework to monitor progress against sustainability plans, KPIs and key milestones, measuring brand perception against our most material issues. This is considered alongside our planet plan which 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 to ensure we stay ahead of expectations, drive change and show transparency in our reporting. Deep dives into material issues support the Committee in overseeing and challenging management in the delivery of our sustainability targets. All activities play a part in helping us to decarbonise our business and supply chains.

It is important for our stakeholders to be aware of and understand the actions we are taking on sustainability initiatives. The Committee reviews the annual customer and colleague communications plan along with quarterly communication updates, which provide an overview of the activity supporting our key sustainability themes. For example, our Better Baskets initiative through our partnership with WWF; campaigns relating to packaging and food waste; innovation initiatives; and the roll out of solar panels to power refrigeration units on HGVs reducing our carbon footprint.

Material sustainability matters

During the year, the Committee received deep dive presentations on a number of key issues, including:

- our healthy sustainable diets programme, detailing performance against our health strategy and commitments, the challenges faced and how these challenges were being addressed through the Better Baskets initiative, reformulation of Own Brand lines and new launches of healthy products. The Committee noted the good progress being made towards the target of 65% of UK & ROI sales coming from healthy food by 2025;
- responsible farming and sustainable agriculture, reviewing our priorities to help to ensure Tesco has long-term sustainable supply chains that meet our customer and shareholder expectations, support British agriculture, animal health and welfare, and protect and restore nature, in addition to meeting our net zero ambitions;
- packaging and food waste, including a review of our strategy and monitoring our commitment to halve food waste across our own operations by 2025. An update on eliminating waste demonstrated the progress against our '4Rs' packaging plan to reduce or remove packaging, together with an update on progress against our food waste plan for 2022, and the work undertaken to redistribute food through our charity partnerships. We also oversaw, a number of innovative projects to make use of food waste, including exploring the use of insects as an alternative protein for animal feed; and
- sourcing and human rights, reviewing our human rights strategy and managing human rights risks.

Governance and stakeholder engagement

Following the refresh of the Group's purpose in October 2021 and the renewed focus on the most material issues of our strategy, the Committee has undertaken a review of matters scheduled throughout the year for discussion at its meetings to ensure it has a detailed understanding of the key issues and challenges faced in delivering against our sustainability targets.

The Committee is a passionate advocate for transparency and stakeholder engagement and continues to work on sustainability issues alongside key stakeholders and investors. As part of our stakeholder engagement, the Committee regularly receives updates from the Investor Relations team to understand the views of our major investors. In addition, during one of its meetings the Committee had the opportunity to hear the views of a number of our major shareholders first hand, in a dedicated feedback session. Committee members also had the opportunity to participate in ESG investor roundtables, bringing insight and challenge back to the business.

Empowering our stores, our colleagues and our customers to make a bigger difference locally, and finding new ways everyone can play a part in supporting the local community, is a key part of our purpose. Throughout the year the Committee received updates on the Group's community initiatives and their impact. Given the impact of the economic crisis on many of Tesco's customers, the Committee explored Tesco's long-standing relationship with FareShare and The Trussell Trust who, through donated food from Tesco and others, help feed people in communities. In addition, Committee members visited a branch of the Hackney Foodbank, see page 62. To support these charities, Tesco held its annual winter and summer food collections, with Tesco customers donating 3.8 million meals and Tesco topping up every donation by 20%. The Committee also reviewed a number of other community activities, the details of which are set out in the Stakeholder engagement section.

During 2021/22, the Group undertook a share forfeiture programme following a tracing and notification exercise which completed in 2022/23. Following discussion, the Committee approved an additional £1m donation in support of FareShare and The Trussell Trust throughout the winter period; and £4.6m over three years to be used in the UK, Central Europe and the Republic of Ireland towards the Tesco Community Grants fund to celebrate the blue token voting scheme and provide for additional community activity across the Group.

L. Pownall

Lindsey Pownall OBE
Corporate Responsibility Committee Chair

Audit Committee.

Committee membership

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

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 51 to 54.

The Committee Chair invites other regular attendees including: 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.

Committee membership, together with attendance at meetings is detailed in the table on page 59.

2022/23 Evaluation of the Audit Committee

Following the external evaluation conducted last year, the 2022/23 Committee evaluation formed part of the Board evaluation process and was rated highly overall, see page 61 for further details. The review found that the Committee was operating effectively and its broad role and remit remained appropriate for the current needs of the business. The relationship with supporting functions and the external auditor were rated very highly, having an excellent balance between being challenging and supportive. The balanced agenda was managed efficiently and allowed for adequate challenge and discussion. Opportunities for improvements included regular deep dives on emerging areas, a focus on longer-term capital planning and investment analysis, and planning for compliance with UK regulatory reform.

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 compliance matters. Further details on the division of Board responsibilities and the Committee's role in complying with the UK Corporate Governance Code are set out on page 48. The Committee's key areas of responsibility are detailed below and further discussion of key activities can be found later in this report.

Financial statements and reporting

- The Committee monitors the Group's financial reporting processes. We review and submit 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.
- The Committee reviews the Group's assessments of going concern, longer-term prospects and viability and the distributable reserves position prior to any declaration of dividends.
- The Committee considered proposed changes to accounting policy.

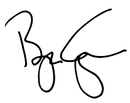
External auditor

- 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.

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.

Looking ahead, the Committee will continue to monitor macroeconomic conditions affecting the Group. In connection with ongoing governance reform proposals specific to audit and financial reporting, the Committee will regularly review the development of appropriate policies and documentation in respect of reporting procedures and the implementation of an audit and assurance policy, see page 75.



Byron Grote
Audit Committee Chair

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

Audit Committee continued

Principal activities
In addition to its key areas of discussion, the Committee received regular updates from management in relation to: key financial controls; sustainability KPI assurance and reporting; IT general controls; treasury; tax; pensions; insurance; capital structure; and internal audit. The Committee also 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.

Financial & 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 74.

The Committee considered the viability and going concern statements, their underlying assumptions and the longer-term prospects. The Committee also considered the appropriateness of a three-year viability assessment period after modelling the impact of certain scenarios arising from the Group's principal risks: recessionary impacts, global supply pressures, climate change and data breach. The Committee received updates on perceived challenges and viability impact that the business could face resulting from climate change and broader macroeconomic uncertainties. The Committee evaluated going concern over an 18-month period, which included a review of financial plans and assumptions, access to financing and operational risk management, contingent liabilities, and the adaptability of financial plans. In our review of the financial statements, we considered, and challenged as appropriate, the accounting policies and the significant judgements and estimates underpinning the financial statements.

The Committee received updates from the triennial pension scheme valuation and discussed measures to further de-risk the Tesco UK Scheme and the impact of improving commutation factors and the resulting increase in liabilities. The Committee continues to monitor the impact of discount rates and volatile bond markets on the accounting position of the Group's pension schemes, see Note 29.

The Committee monitored the Group's compliance with the new European Single Electronic Format (ESEF) tagging and additional requirements to 'block tag' policies and notes, with additional assurance provided by Deloitte. Our use of assurance and referencing in the 2021/22 structured annual report was given as an example by the FRC.

As impairment remains one of the most significant areas of judgement, we considered steps to simplify and improve the complex impairment-model process across the Group, including tightening review controls and ensuring stronger audit trails. The Committee received regular updates on the store impairment and goodwill position considering WACC trends, cashflow forecasts and discount rate assumptions. As a result of the market movements in cost of equity, a full impairment assessment over Tesco Bank Goodwill was undertaken at the half year and regularly reviewed thereafter. The Committee was satisfied that, factoring in macro upside and downside scenarios, sufficient headroom existed. Our impairment methodology and details of the impairment of non-current assets is presented in Note 14.

Corporate governance and compliance programme
The Committee reviewed the scope of compliance work and approach to enhanced financial controls through a combined Finance and Technology compliance programme. It oversaw preparations for formal unaudited attestation on controls effectiveness required as part of expected corporate governance reforms, receiving updates on the latest position of audit reform proposals, and monitored implementation readiness across the business. The Group commissioned an independent report that assessed the adequacy of structures in place to effectively respond in each reform area and implementation readiness.

Ethics & 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 assessed the effectiveness of the Group's 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 104 for more information.

Risk management
The Committee reviewed the Group's principal and emerging risks and mitigation strategies, with particular discussion of prioritised risks and risk movements. We also discussed the complexity of the Group's supply chains and the threat of frequent disruption to product availability due to increased volatility in external conditions. It was considered appropriate to adopt security of supply as a new principal risk, 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 page 39. 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 38.

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.

Group risk & audit
In the year there were leadership changes within the Group Risk & Audit function. In the absence of a Chief Audit & Risk Officer, for segregation of duties and independence purposes, a PwC audit partner oversaw audit responsibilities in collaboration with the Internal Audit Director. The position was monitored by the Committee to ensure independence was maintained. They provided feedback on the team's performance which confirmed strong partnerships with management and the business. A new Chief Audit & Risk Officer joined in April 2023. The Committee monitors the activity, role and effectiveness of the Group Risk & Audit function, detailed on page 74. At each meeting, we receive 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 and risk charters and the audit plan.

Key discussions in the year

Share buyback programme

Following the Group's refresh of its capital allocation framework last year, the Committee discussed options to optimise the Group's net debt position and continue the return of surplus cash to shareholders through ongoing share buybacks. We considered these proposals and recommended implementation to the Board. We continued to receive regular updates on the ongoing share buyback programme and having successfully completed £300m under the initial programme, we announced an enlarged tranche of £750m to be returned to shareholders, which completed in February 2023. The Committee considered the accounting treatment for the split of buybacks that straddle prior year ends. Before recommending to the Board, the Committee discussed appropriate alignment with 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 future strategy. We also discussed the evolving conflict in Ukraine and possible perception of stakeholders.

Regulatory matters

In light of FRC publications and thematic reviews, the Committee considered how the key observations would be factored into the Annual Report. The Committee discussed particular areas of focus by the FRC and considered the broader economic environment in corporate disclosures. Areas of enhancement were identified and have been considered in this Annual Report, including discount rates, enhancements to s414 disclosures, judgements and estimates, and improved explanation of the assumptions used in scenario modelling for viability and going concern. The Committee considered the Group's energy hedging strategy in light of the significant rise in wholesale gas and power prices and the uncertain geopolitical landscape. The Committee will continue to consider the impact of changes in the macroeconomic environment on the underlying wholesale energy cost assumptions.

IFRS 17 reporting

The Committee received updates on the outcome of an impact assessment. The biggest Group impact arose in Tesco Underwriting, who met regularly with management to consider the position. The Committee reviewed the accounting judgements applied and supported the application of the simple form premium allocation approach disclosure. An explanation of how the accounting has been applied is included in Note 1.

Environmental disclosures and the revolving credit facility

The Committee reviewed the proposed disclosure plan and enhancements to scenario modelling in connection with the Task Force on Climate-related Financial Disclosures (TCFD) on pages 20 to 24. One such improvement included the development of a bespoke test environment mapped to Tesco, which allows for the modelling of potential financial impacts of climate change. Furthermore, we can monitor the evolution of these risks over time. The Committee was satisfied that the Group had complied with all recommendations having reviewed the outcome of assessments in the prior and current year.

The Committee reviewed the sustainability KPI assurance programme, including the mix of internal and external assurance provided. Deloitte were engaged to perform independent assurance over the non-financial metrics detailed in this Annual Report.

The Committee scrutinised the integrity of governance and controls around the quality of internal data points. The Group continue to work towards greater assurance over TCFD disclosures and, with the support of Deloitte, will undertake a gap analysis of the 2023 TCFD statement, in parallel to the remeasurement of total carbon footprint, ahead of moving to a statement with limited assurance.

The Committee reviewed the Group's renewal of its revolving credit facility (RCF). The RCF's sustainability link was also considered in the context of the Group's viability position and updated to better reflect the overall ESG strategy and alignment with KPIs used in the Group's performance share plan. The Committee will continue to discuss the appropriate use of ESG-related metrics within its current and future funding strategy and the mechanism for ESG assessment. 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.

Property related transactions

Following the revised accounting policy implemented in the prior year for property buybacks, the Committee considered the accounting treatment of bought back JV structures. We also oversaw the complex buyback of property bonds in the form of secured debt. The Committee considered the accounting implications and impact to the Group's net debt position. A possible amendment to the APM definition was considered, however, the Committee were comfortable that no change was required.

Key financial controls

The ongoing financial controls compliance programme is well progressed to support a formal attestation on controls effectiveness required as part of pending regulatory reforms. The Committee reviewed the scope of compliance work undertaken and the approach. Updates on progress towards enhanced corporate governance compliance and other control improvements were provided from the CFOs of UK & ROI and Central Europe operations. The effectiveness of key financial controls is reviewed annually, and controls testing carried out. Controls would remain subject to other assurance activities, including by Group Audit who will test the primary key financial controls on a regular basis and report their findings to the Committee. No significant or material control issues have been identified. Regulatory developments will continue to be monitored and the project plan adapted accordingly as the landscape develops.

Cyber security programme

The Committee was regularly updated on the Group's cyber risk management and the activities of the Group's cyber risk committee, set up to oversee effective governance protocols over cyber security activities across the Group. More details on the continued monitoring of cyber risk can be found on page 40.

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. Testing of the access management environment in mainframe and non-mainframe environments was ongoing. Several improvements were identified to be implemented to remove reliance on manual steps. The Committee will continue to explore the additional controls required by compliance measures and understand the breadth of the control environment.

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
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: recessionary impacts, global supply pressures, climate change and data breach. The Committee also considered the Group's financing facilities and future funding plans. Based on this, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, with no material uncertainties noted, and recommended the approval of the viability statement. For further information, see page 46 of this Annual Report.
Acquisitions and disposals	The Committee considered the accounting and disclosures in relation to the acquisition of The Tesco Dorney Limited Partnership (formerly a property joint venture). The Committee also considered the accounting and disclosures related to the disposal of property assets in Poland and Central Europe, including the sale of 17 mall sites, one retail park and partial leaseback of 17 stores. For further information, see Notes 7 and 33 to the financial statements.
Impairment	The Committee reviewed and challenged management's impairment testing of goodwill, in particular in relation to Tesco Bank, and the Group's portfolio of store cash-generating units. 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 27 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 details, see Note 29 to the financial statements.
Pension surplus tax rate	In respect of the Interim results, the Committee considered management's assessment of the manner in which the Group expects to recover defined benefit pension plans in a surplus position and the resulting tax consequences. At the year end, the Tesco UK Scheme was in an accounting deficit position. For further information, refer to Note 29.
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. 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.
New accounting standards issued but not yet effective	The Committee considered the implementation of IFRS 17 'Insurance contracts', which becomes effective for the financial year ending 24 February 2024. The Committee reviewed and challenged the key 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 Note 1 to the financial statements.

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. Committee meetings are generally scheduled close to Board meetings to facilitate effective and timely reporting. An update is provided to the Board following each meeting.

Committee members regularly hold private sessions following each meeting with both the external auditor and internal audit team to provide an additional opportunity for open dialogue and feedback without management present. The Committee Chair also meets with the Chief Financial Officer, acting Chief Audit and Risk Officer and external auditor on an ad hoc basis and prior to each Committee meeting.

Group Audit

Group Audit is part of the Group Risk & 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 our 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 internal audit plan remains under review and subject to change throughout the year to reflect any changes in risk profile, business objectives and external environment. The Committee reviews and approves all changes to the audit plan and receives regular updates on the outcome of the work performed.

Management culture is considered through evaluation of the control environment as part of every audit undertaken. However, a structured methodology and approach for dedicated culture audits is under consideration for inclusion in the plan for future years.

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 reporting of these reviews is often unrated and is less structured to enable timely advice to the business. The results of these reviews are also presented and reviewed by the Committee.

The 2022/23 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 2023/24 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 strong independence of the team and noted their capabilities. 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.

In the year, the Committee approved the Group risk charter, which defines the accountabilities for conducting risk management activities, ensuring transparency and a clear line of separation to preserve the independence of Group Risk and Group Audit from the business.

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 our 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 38. Specifically for internal controls over financial reporting, a key financial controls framework is maintained and used as the basis for focused second-line control activities. The results from this have been reported to the Committee through the year. This key financial controls framework is currently being enhanced to meet the future needs of pending corporate governance reforms.

Audit and assurance policy (AAP)

In line with the audit reform recommendations outlined in the consultation paper issued by the Department for Business Energy and Industrial Strategy, the Group is in the process of documenting and implementing an audit and assurance policy. Group Risk & Audit is tasked with the responsibility for facilitating the development of the AAP, in coordination with other functions across the three lines of defence: management controls (first line), typically risk and compliance functions (second line) and Group Audit (third line). The Committee will continue to monitor the development of the AAP.

External audit

As the Group's external auditor for the 2022/23 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.

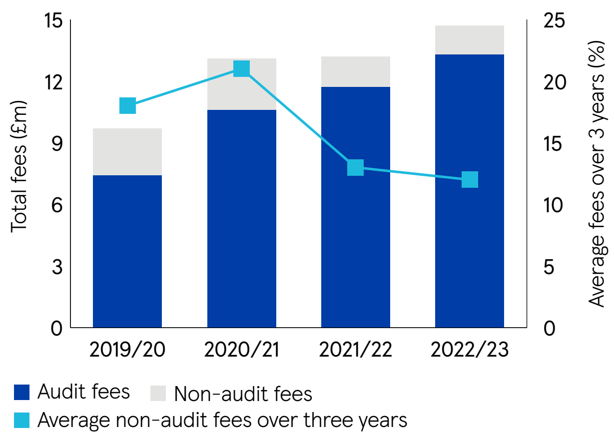
The Committee regularly reviews the role of the external auditor and the scope of its work. We will consider future audit needs as part of the AAP. The Committee also considers the effectiveness of the external auditor on an ongoing basis during the year. Among other factors, the review covers Deloitte's independence, objectivity, appropriate mindset, and professional scepticism. The Committee's conclusions are based on its own observations and interactions with the external auditor and having regard to the FRC's 'Revised Ethical Standard 2019'.

Non-audit services

The FRC's 'Revised Ethical Standard 2019' has 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 on page 76.



Audit Committee continued

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

Key: Increase / No change / Decrease

Nature of service	Level of fees in 2022/23 (£m)	Level of fees in 2021/22 (£m)	Change	Safeguards to preserve independence and objectivity
Forensic services: provision of data repository services for information needed for disclosure purposes as part of ongoing claims[a]	–	0.6	Decrease	Careful consideration of the scope of services and related threats, in particular the objective, reasonable and informed third-party test. Threats are mitigated by having a separate engagement team not involved in the audit, the subject matter being historical and factual in nature, working with informed management and audit partner rotation.
Section 166 skilled person reasonable assurance review for Tesco Bank performed under International Standards on Assurance Engagements (ISAE) (UK) 3000	0.4	–	Increase	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.
Other non-audit services: various audit, assurance and compliance-related services	0.5	0.4	Increase	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	0.5	0.5	No change	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	**1.4**[b]	**1.5**[c]		

(a) Engagement predates Deloitte's appointment as external auditor. Deloitte's engagement on this work has now ceased.
(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.
(c) £129,773 of the 2021/22 fees are not subject to the cap (all within other non-audit services). The remaining fees are all subject to the cap.

Effectiveness, quality and appointment of the auditor

The Committee 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. The Committee discussed feedback from the previous 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 2023, 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 recommended to the Board that Deloitte be reappointed at the 2023 AGM. The effectiveness of Deloitte will be continually monitored in 2023/24 by the Committee.

During the year, Deloitte supported management in the continued efforts to simplify the approach to impairment testing. These improvements reduced complexity, provided better identification of impairment triggers and drove efficiencies in meeting accounting standards. Internal training on the impairment modelling tool was provided to local finance teams, which led to improved documentation and inputting. We also noted an increased central oversight and will continue to work with management to further simplify the process where possible. 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 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 and John Adam has been lead audit partner since 2020.

The Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services. The Committee reviews and makes a recommendation to the Board with regard to the reappointment of the current external auditor each year. In making this recommendation, the Committee monitored and assessed their effectiveness, objectivity, independence, lead partner rotation and any other factors that may impact the Committee's judgement regarding the external auditor. 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. In line with regulation, over the course of the next year, the Committee plans to initiate a competitive tender of the external audit contract beginning with the 2025/26 financial year.

Fair, balanced and understandable

The Group has a strong commitment to balanced reporting. As part of the fair, balanced and understandable review, an advanced draft of the whole Annual Report was reviewed by management, as well as independent functions, who performed verification and assessment under prescribed guidance. The external auditor reported findings to the Committee who considered the Annual Report and Financial Statements 2023 and concluded that the disclosures, as well as the processes and controls underlying its production, were appropriate. We recommended to the Board that the Annual Report 2023 is fair, balanced and understandable while providing the necessary information to assess the Company's position and performance, business model and strategy.

Directors' remuneration report

Chair's letter.

Committee members

Director	Member since
Alison Platt, Committee Chair	April 2016
John Allan	March 2015
Thierry Garnier	April 2021
Byron Grote	July 2015
Lindsey Pownall[a]	June 2021

(a) Lindsey Pownall will step down from the Committee at the conclusion of the 2023 AGM.

Quick facts

The Committee determines the remuneration policy and packages for Executive Directors and senior managers. When setting and operating this policy, the Committee also has regard to workforce remuneration, the experiences of other stakeholders and alignment with strategy and culture. This means we can recruit, retain and motivate our executives as part of an integrated overall approach to remuneration.

Details of the key decisions taken by the Committee in 2022/23 are set out below:

- determining 2022/23 incentive outcomes for Executive Directors and Executive Committee members, particularly in light of the wider stakeholder experience;
- setting stretching targets for the annual bonus and Performance Share Plan (PSP) in a continuing uncertain and challenging environment;
- agreeing an adjustment to PSP targets to reflect an event that was not anticipated at the time they were set; and
- determining Executive Director and Executive Committee members' base salary increases and the fee increase of the Chair, all below those of the wider workforce.

The Committee's full terms of reference can be found on our corporate website at www.tescoplc.com.

You can see details of meeting attendance and the results of the internal evaluation of the Committee's performance on pages 59 and 80, respectively.

Directors' remuneration report index

"Our focus this year has been on implementing our new policy to ensure remuneration is aligned to our purpose and strategic priorities as well as having regard to the wider workforce and other stakeholders."

Alison Platt

Dear Shareholder

I am pleased to present my first Directors' remuneration report as Chair of the Remuneration Committee (the Committee), having taken over the role from Steve Golsby on 17 June 2022. I would like to take this opportunity to thank Steve on behalf of the Committee for his excellent work as Chair and his support to me personally during the transition of roles.

This report provides an update on the first implementation year of our remuneration policy, which was approved by shareholders at the June 2022 AGM. The Committee appreciated the high level of shareholder support for the remuneration policy and the remuneration report, receiving 92.0% and 92.2% of votes in favour, respectively. We also appreciated the continued dialogue we have had with a number of shareholders, their representative bodies and the wider stakeholder group on remuneration throughout the year.

Delivering on our purpose and strategy

In 2021 we launched our refreshed purpose to reflect and inform the way we operate in every part of our Group: Serving our customers, communities and planet a little better every day. Our purpose continues to underpin our priorities and the decisions made by the Committee, including decisions around remuneration. Ensuring incentives are aligned to our strategic priorities is also an essential part of our approach to remuneration. More details on how our strategic priorities link to our incentive arrangements are disclosed in the At a glance section.

This financial year has been one where we continued to bring our purpose to life, in an ongoing challenging environment for all our stakeholders, our communities and our environment. It has been a year in which the economic uncertainties, made worse by the war in Ukraine, heightened the importance of staying close to our customers, colleagues and supplier partners, to do everything we can to balance their needs. The relentless efforts to keep the cost of the weekly shop as affordable as possible have been our highest priority. We are proud of the efforts our colleagues have made, in partnership with our supplier partners, to mitigate the impact of inflation and protect our supply chains.

Throughout the year, we have invested significantly in our colleagues to support them during a time of such cost-of-living pressures. We set out overleaf some of the key remuneration actions and decisions that the Committee has overseen this year in light of the external environment, our purpose, our strategy and our commitments to stakeholders.

Chair's letter continued

Supporting our colleagues through the cost-of-living crisis

- We recognise that our colleagues are fundamental in delivering our strategic priorities and bringing them to life in a way that makes a difference for all our customers and stakeholders.
- As part of the wider remit of the Committee, we have focused a significant amount of time this year on overseeing the support that we provided our colleagues throughout the cost-of-living crisis. This follows the support we provided to colleagues during the COVID-19 pandemic and continues to demonstrate the laser focus we have on our colleagues and communities.
- We have introduced a number of market-leading reward-based initiatives during the year to support our colleagues, including the largest ever single-year investment in colleague pay. Wider support has included extending discount allowances, increasing access to hours, the 'pay advance' scheme to support colleagues' financial wellbeing and offering free food in colleague rooms.
- The Committee has been equipped with knowledge and insights through our wider workforce dashboard, which sets out how colleague pay operates throughout the Group. This, and other key colleague metrics, inform our decisions relating to the wider workforce as well as executive pay.
- We set out further details on the support we have provided our colleagues over recent years on page 90.

Colleague engagement

- Listening to the views of colleagues, on both executive pay and in relation to their own pay, continues to be a fundamental undertaking of the Committee.
- The Board continued to hold Colleague Contribution Panels during the year, using the opportunity to hear directly from colleagues across the Group. We used these forums to discuss colleagues' views on executive pay and other matters of interest to them.
- The Committee considers the feedback we receive from colleagues as part of our decision making on executive pay. Further details of our colleague engagement are set out on page 61.
- Committee members continued to spend time in the business listening to colleagues and customers. These perspectives are brought back to the Committee and reflected in its decisions.

Evolution of our sustainability strategy

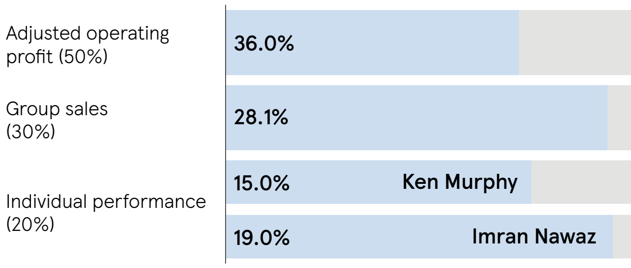
- Following an extensive review of the most appropriate measures for Tesco, we introduced carbon reduction, food waste and diversity and inclusion performance measures into the PSP last year. These measures reflect and support the achievement of key sustainability priorities for Tesco and align with our purpose.
- We reviewed the appropriateness of these measures, how effective they have been and their evolution over the past year. We determined that the measures remained material to the business and should continue to be PSP measures in 2023.
- Further details of how our ESG measures link to strategy are set out on page 88.

2022/23 business performance and incentive outcomes

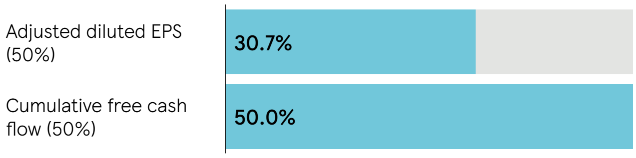
Tesco has delivered a strong trading performance against a challenging backdrop of inflationary costs, customers under cost-of-living pressures and changing shopping behaviours.

The chart below demonstrates the performance outcomes of our 2022/23 bonus and 2020 PSP. Full details of performance against the 2022/23 individual objectives are set out on page 98.

2022/23 bonus achievement



2020 PSP achievement



The overall formulaic vesting level for the annual bonus is 79.1% of maximum for Ken Murphy and 83.1% for Imran Nawaz. Neither Ken Murphy nor Imran Nawaz were in the role at the time of the 2020 PSP grant. The vesting level of the 2020 PSP award, which is 80.7% of maximum, is therefore reported here for transparency and completeness only. Further details can be found in the At a glance section commencing on page 81.

As set out in the 2020 Directors' remuneration report, at the time of the 2020 PSP grant the Committee noted that it would use the discretion available to it under the remuneration policy when determining the PSP outcomes and would make any necessary adjustments to ensure that the Executive Directors do not benefit unduly from windfall gains in the event of a market recovery.

The Committee reviewed the grant price of the 2020 PSP (227.2p) compared to the grant price of the 2019 PSP (230.3p) 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 24 February 2023 (246.9p) and is satisfied that no windfall gains have occurred and that no adjustment is required on vesting.

2023/24 salary and incentives

When considering salary increases and incentives for our executives, the Committee has been mindful of both the wider colleague experience and our fairness principles. With this in mind, the Committee has reviewed the salary levels of the Executive Directors and agreed increases of 3.0% for Ken Murphy and 4.0% for Imran Nawaz, noting that these increases are considerably lower than the increase for UK hourly-paid colleagues of nearly 8% in 2022.

All incentive awards in relation to 2023/24 will be made in accordance with the approved remuneration policy. Further details can be found on pages 85 to 88.

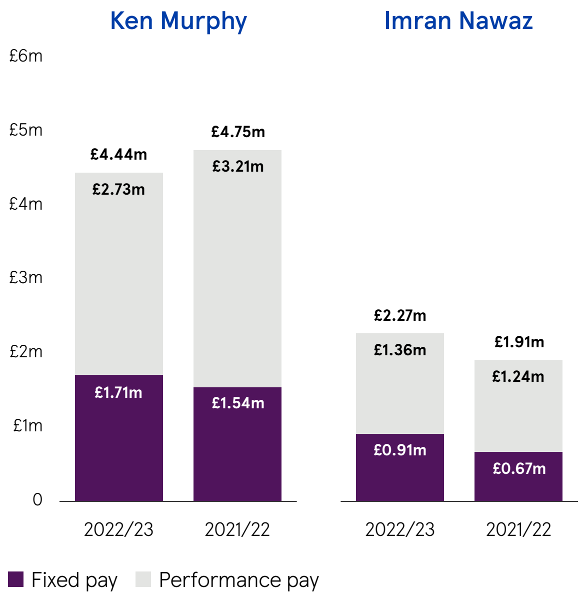
Appropriateness of remuneration

The Committee continued to review the appropriateness of remuneration decisions, including incentive outcomes for executives, salary increases for 2023/24 and implementation of the policy in 2022/23. In doing so, it considered overall business performance as well as the wider experience of our key stakeholders, namely our customers, colleagues, supplier partners and shareholders. Balancing the needs of all our stakeholders continues to be at the heart of our purpose. In particular, the Committee considered the following factors in determining remuneration decisions:

Key stakeholder	Factors considered by the Committee
Customers	– Solid UK market share performance and the only full-line grocer to gain market share over three years. – Competitiveness of offer recognised by customers in a tough market. Brand NPS now highest of the full-line grocers and outperformed market on customer satisfaction. – Powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices helping ease cost-of-living pressures, leading to our most competitive offer ever.
Colleagues	– Colleagues in every market received substantial investments in their base pay, with the biggest ever investment in the pay of hourly-paid UK colleagues to £11.02 per hour. – Great Place to Work score remained high at 82%. – Raised the cap on colleague discount allowance. – Introduced pay advances to support financial wellbeing. – Increased access to vacant hours in stores. – Improvement made to the free food offer in colleague rooms.
Suppliers	– Supported British dairy farmers, increasing the price we pay for milk by around 20%. – Invested more than £30m into the British pig supply chain, helping to support with increased on-farm costs. – Investment of £27.5m in the UK egg sector. – Number 1 retailer in the Advantage supplier survey for a seventh year.
Shareholders	– Delivered another year of strong growth. – The Board is recommending a final dividend of 7.05p taking the full-year dividend to 10.90p, in line with last year's full-year dividend. – Ongoing commitment to buy back a further £750m of shares by April 2024.
Community	– Tesco and our customers provided more than 52 million meals through donations to food banks and our communities. – Introduced Kids Eat Free at Tesco cafes during school holidays.

Based on an assessment of business and executive performance and the wider stakeholder experience as set out above, the Committee is satisfied that the outcomes of the annual bonus and PSP reflect both the performance of the business and the experience of stakeholders, including the wider workforce. It therefore believes no discretion should be applied.

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 2022/23 and 2021/22.



Ken Murphy and Imran Nawaz joined the Board on 1 October 2020 and 1 May 2021, respectively. As such, neither of them was eligible to participate in the 2020 PSP. Imran Nawaz's 2021/22 remuneration reflects his appointment date.

Committee changes

As announced on 28 February 2023, Lindsey Pownall will be stepping down from the Board and the Committee at the conclusion of the 2023 AGM. On behalf of the Committee, I would like to thank Lindsey for her insights and invaluable contribution during her time on the Committee. Her willingness to address challenging situations and provide constructive solutions will be missed.

In September, Dame Carolyn Fairbairn will be joining the Committee and I look forward to her contribution.

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

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 99.

Committee overview

How the Committee spent its time

The Committee met five times during the year, four of which were scheduled meetings and one ad hoc. The chart below summarises the key issues the Committee spent time discussing:

Evaluation

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. Details and results of the wider Board evaluation process are set out in the Corporate governance report on page 61.

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 £69,500 (2021/22: £127,950) 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 and global mobility projects. However, the Committee is satisfied that the PwC engagement partner and advisory team that 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 2022 AGM

The table below sets out the voting outcome on the remuneration policy and remuneration report at the 2022 AGM:

	Votes for (millions)	Votes against (millions)	Votes withheld (millions)
Remuneration policy	5,148 (91.98%)	449 (8.02%)	8
Remuneration report	5,166 (92.22%)	436 (7.78%)	2

The Committee engages in regular dialogue with shareholders and annually invites major investors to discuss its remuneration practices and governance matters. The Committee finds such meetings 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.

Committee's priorities in 2023/24

As well as considering its standard business, the Committee will also focus during 2023/24 on areas including:

- overseeing wider workforce remuneration, policies and practices. This will aim to ensure pay fairness 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 other executives;
- 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
- monitoring developments on our purpose and strategy to ensure remuneration practices and policies are consistent with the Group's long-term goals and aligned to the interests of all our stakeholders.

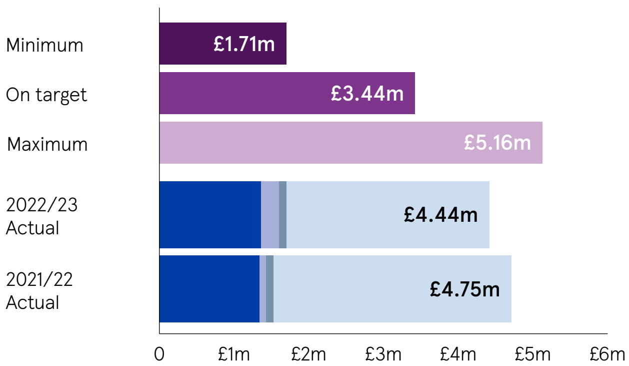
At a glance.

Remuneration outcome for the year

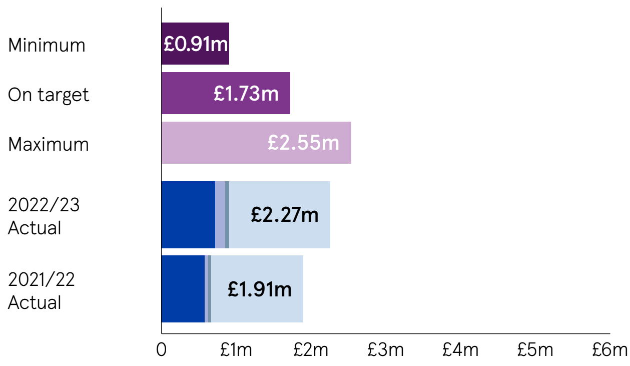
The charts below show the 2022/23 potential remuneration opportunity and actual achievement compared with the 2021/22 actual achievement (excluding any buyout awards). Imran Nawaz's 2021/22 actual remuneration reflects his appointment date of 1 May 2021.

The relevant figures for each element of remuneration that make up the figures, as shown below for the Executive Directors, can be found in the table on page 97. Neither Ken Murphy nor Imran Nawaz received a PSP payout in 2021/22 or 2022/23 due to their dates of joining the Board preceding the grant dates.

Ken Murphy



Imran Nawaz

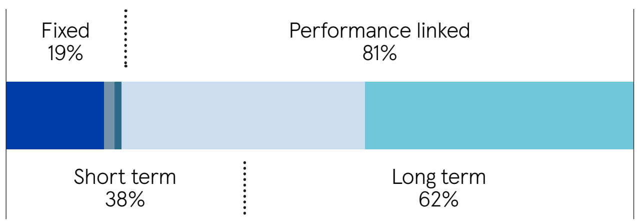


- Minimum – fixed pay (base salary, benefits and pension)
- Target – fixed pay and award for on target annual bonus (50% of maximum)
- Maximum – fixed pay and maximum award for annual bonus

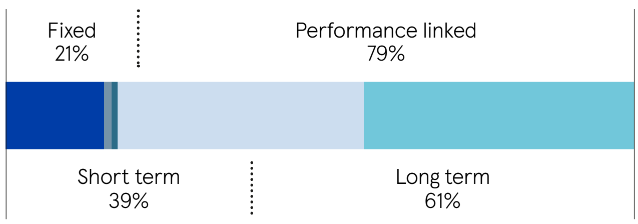
Fixed versus performance-linked remuneration

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. 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.

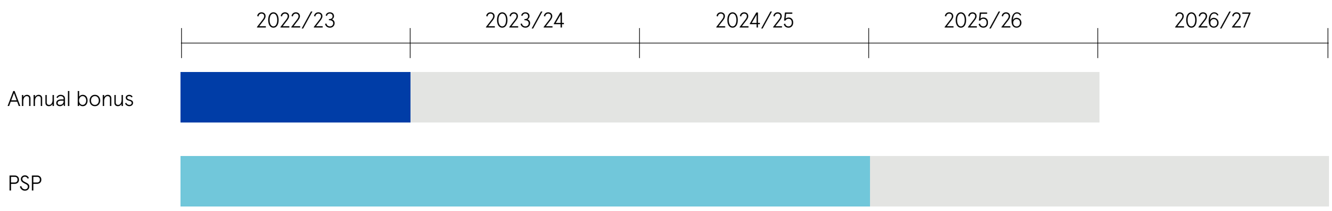
Ken Murphy



Imran Nawaz



Pay at risk



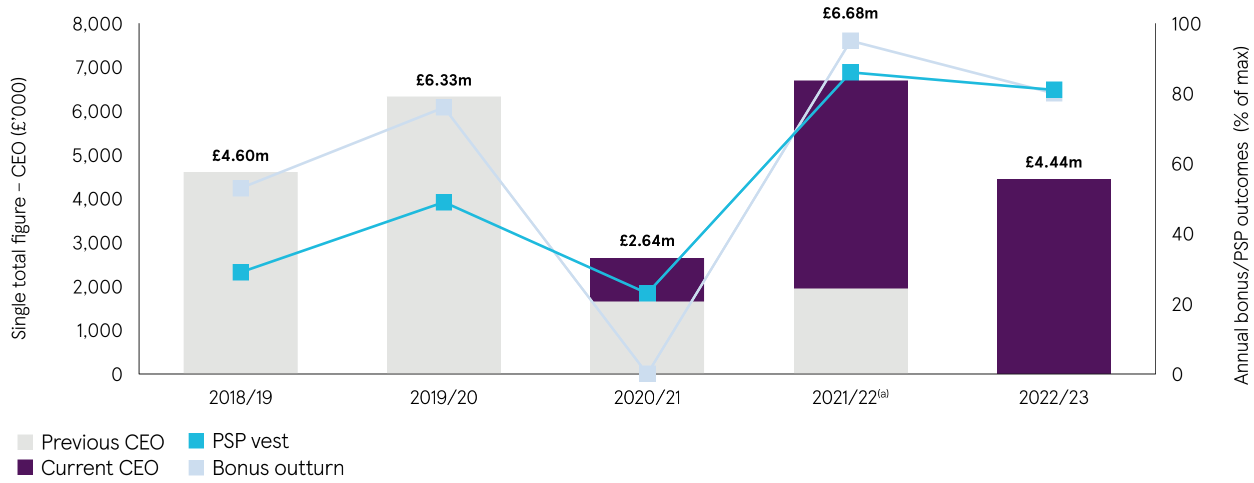
Annual bonus
- Performance period
- Deferred period (half of actual bonus deferred into shares)

PSP
- Performance period
- Holding period

At a glance continued

Five-year total remuneration for the Group Chief Executive role

The Single total figure of remuneration (STFR) is disclosed each year in respect of each individual who has performed the role of Group Chief Executive (CEO). However, under the UK reporting regulations, there is currently no requirement to show the STFR in aggregate for all individuals who have performed the role of CEO during the year. The chart below shows how the STFR of the CEO role has evolved over the past five years, including payments to the current CEO and the previous CEO in each year. This combines the CEO STFR with amounts disclosed in the 'Payments to former Directors' section for the previous CEO in relation to the relevant financial year as per the single total figure methodology.



(a) The 2021/22 figure includes £363,000 in compensation for income forfeited under a non-compete clause with the current CEO's previous employer.

2022/23 annual bonus outturn (audited)

The chart below shows the outcome of the 2022/23 annual bonus. We set out a summary of overall business performance on pages 2 to 37 within the Strategic report.

Annual bonus measure	Threshold 25% payout	Target 50% payout	Stretch 100% payout	Weighting	Outcome achieved Ken Murphy	Outcome achieved Imran Nawaz
Group sales	Actual £57,689m £54,531m	£56,218m	£57,905m	30%	28.1%	28.1%
Adjusted operating profit	Actual £2,624m £2,350m	£2,540m	£2,731m	50%	36%	36%
Individual objectives	Details of performance are set out on page 98.			20%	15%	19%
Total				**100%**	**79.1%**	**83.1%**

The performance outcome resulted in the following annual bonus payouts:

	2022/23 base salary (£'000)	Annual bonus opportunity (% salary)	Actual award (% maximum)	Actual award (% salary)	Actual award (£'000)	Actual annual bonus deferred into shares (50% of actual annual bonus) (£'000)
Ken Murphy	1,380	250	79.1	197.8	2,730	1,365
Imran Nawaz	730	225	83.1	187.0	1,365	682

2020 PSP outturn (audited)

The chart below shows the outcome of the 2020 PSP award. Neither Ken Murphy nor Imran Nawaz was granted awards as these preceded their joining dates. We set out further details of the award on page 98.

PSP measure	Threshold (25% payout)	Stretch (100% payout)	Actual	Weighting	Outcome achieved
Cumulative free cash flow	£2.9bn	£5.1bn	Actual £5.5bn	50%	50%
Adjusted diluted EPS	17.2p	25.4p	Actual 21.1p	50%	30.7%
Total				**100%**	**80.7%**

Strategic alignment disclosure for 2023/24 implementation

The Committee believes it is vital that a significant proportion of the remuneration package for the Executive Directors and senior management should be performance-related and that performance measures are aligned to our purpose and strategic priorities.

Strategic priorities

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

Purpose

- Customers
- Communities
- Planet

The below tables set out our incentive performance measures and how these align to our purpose and strategic priorities:

2023 PSP		Alignment to strategic priorities	Alignment to purpose
Cumulative Retail free cash flow (37.5%) **Adjusted diluted EPS (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.
ESG measures (25%)	**Carbon reduction (8.3%)**	Aligned to the Group's commitment to be carbon neutral across our own operations by 2035 and brings to life our purpose to serve our planet a little better every day.	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.
	Food waste reduction (8.3%)	Aligns to our goal of halving food waste across our own operations by 2025 and brings to life our purpose to serve our planet a little better every day.	
	Diversity and inclusion (8.3%)	We aim to increase the diversity of our leadership teams, so we better represent the communities we serve.	Embedding diversity and building inclusion into everything we do is key to our business success and helps us connect to our communities.

At a glance continued

2023/24 annual bonus	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, exploiting 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 98.	Individual objectives are aligned to each part of our purpose: customers, communities and planet.

Shareholding requirement (audited)

The Committee wants to incentivise Executive Directors to take a long-term, sustainable view of the Group's performance. For this reason, when the Committee looks at the remuneration paid in the year, it also looks at the total equity Executive Directors hold and its value based on the Group's performance.

The charts below set out the progress of Ken Murphy and Imran Nawaz toward the minimum shareholding requirement and how Ken Murphy's shares could build up over the medium term. Following the vesting of the majority of his buyout awards, Imran Nawaz has achieved 284% of his shareholding requirement of 300% of salary. Both Ken Murphy and Imran Nawaz are required to retain all shares that vest to them, net of any tax liability, until the shareholding guideline has been met.

Executive Director shareholdings % of base salary (audited)

Ken Murphy – 2022/23

Actual 69% | 400%

Imran Nawaz – 2022/23

Actual 284% | 300%

Ken Murphy – potential build-up of shareholding over time

69%	102%	208%	314%	420%
2022/23	2023/24	2024/25	2025/26	2026/27

(a) Build-up of shares is based on actual 2021/22 and 2022/23 annual bonus outcomes and future annual bonus and PSP outcomes being 50% of maximum (of which 47% is deducted to cover statutory deductions), no change in base salary or quantum of awards, no dividend equivalents added and a constant share price of 238.7p.
(b) Between 25 February and 12 April 2023 Ken Murphy acquired 55 partnership shares under the Buy As You Earn (BAYE) plan. No other changes in Executive Director share interests occurred in the period.
(c) The value of Executive Directors' shareholdings is based on the three-month average share price of 238.7p to 25 February 2023.

The table below sets out the number and value of shares held by Executive Directors at the beginning and end of the financial year and the total value of these shares using the opening price and closing price for the year. You can see full details of Executive Directors' interests in share awards on page 99.

	Number of shares held outright		Deferred share awards[a]		Total value of shares and awards (£'000)		Difference in value (£'000)
	27/02/2022	**25/02/23**	27/02/2022	**25/02/23**	27/02/2022	**25/02/23**	
Ken Murphy	46,924	**74,593**	–	**613,160**	£136	**£1,642**	£1,506
Imran Nawaz	525,033	**742,930**	–	**237,402**	£1,521	**£2,340**	£819

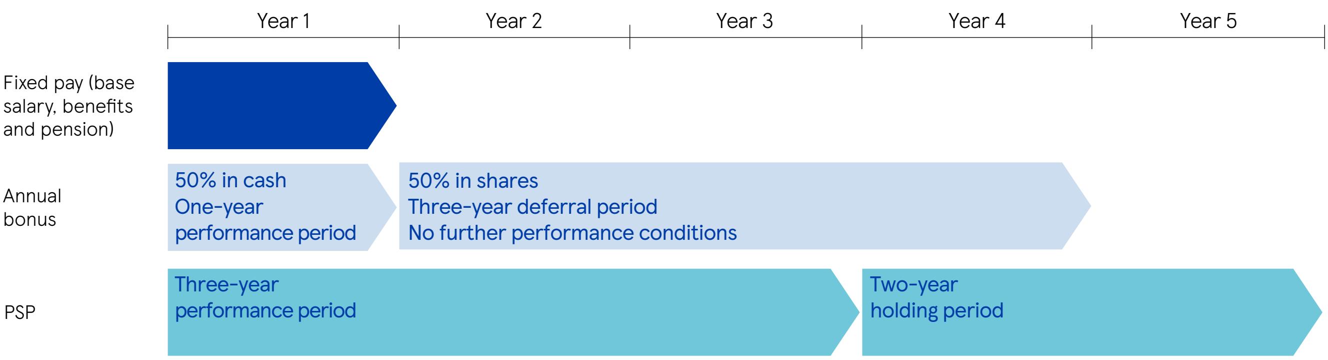
(a) Net number of shares, after deemed statutory deductions of 47%, count towards the shareholding requirement.

Summary of remuneration policy and implementation for 2023/24.

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 tables below set out a summary of the proposed remuneration policy 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.

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 from 1 June. Salaries take account of:

- role, skills, experience and performance;
- 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 proposed will normally be in line with or below the typical level of increase awarded to other colleagues. Increases above those granted to the wider workforce 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.

Where a new Executive Director has been appointed on a below-market rate of pay initially, a series of increases above those granted to the wider workforce may be given over the following few years, subject to individual performance and development in the role.

Implementation in 2023/24

Increases of 3.0% and 4.0% will be applied to the salaries of Ken Murphy and Imran Nawaz, respectively, so that the salaries from 1 June 2023 are:

Ken Murphy: £1,421,786
Imran Nawaz: £759,200

These increases are below those awarded to the wider workforce.

Summary of remuneration policy and implementation for 2023/24 continued

Benefits

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

Operation
Benefits take into account local market practice, typical benefits and the policy for other colleagues. 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. We periodically review the range and value of benefits. There is no pre-determined maximum limit.

Implementation in 2023/24
Normal Company benefit provision. Commuting support for Ken Murphy to cease on 31 March 2023.

See page 97 for further details of benefits provided in 2022/23.

Pension

Purpose and link to strategy
Provides a competitive level of retirement income to help the attraction and retention of talent.

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 2023/24
Cash allowance of 7.5% of base salary.

Annual bonus

Purpose and link to strategy
Incentivises and recognises delivery of the Group's strategic, operational and financial targets. Provides a focus on key financial and operational goals and on the individual's contribution to the Group's performance. Aligns the interests of Executive Directors with shareholders through the 50% deferral of bonus outturn into Tesco shares.

Operation
Maximum award of 250% of base salary. 50% of bonus earned is deferred into Tesco shares for three years subject to continued employment, with the remainder paid out in cash after the end of the financial year.

Dividend equivalents in the form of additional shares are payable on deferred annual bonus awards that vest.

Up to 25% of bonus is paid for threshold performance.

Performance metrics, weightings and stretching targets are set by the Committee at the beginning of the performance period. Performance is measured against financial and non-financial targets. At least 70% of bonus is based on financial performance.

The Committee may apply judgement in making appropriate adjustments to annual bonus outcomes to ensure that they reflect underlying business performance.

Malus and clawback provisions apply.

Implementation in 2023/24
The following maximum opportunities will apply in 2023/24:

- CEO 250% of salary
- CFO 225% of salary

Performance measures (as a percentage of maximum):

- 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 82 for further details of annual bonus outturns for 2022/23 and page 93 for details of malus and clawback provisions.

PSP

Purpose and link to strategy
Incentivises and rewards the achievement of Tesco's strategic, financial and ESG targets. Provides a focus on long-term value creation and alignment with the long-term interests of shareholders and other stakeholders.

Operation
Maximum award of 350% of base salary. Up to 25% of an award may vest for threshold performance.

Performance metrics, weightings and stretching targets are set by the Committee at the beginning of the performance period. Awards are granted annually with vesting dependent on the achievement of financial and non-financial performance conditions over three years. They are also subject to an additional two-year holding period after the vesting date, with shares held in a corporate sponsored nominee account. Dividend equivalents in the form of additional shares are paid on PSP awards that vest.

The Committee may adjust the formulaic vesting outcome either up or down to ensure that the overall outcome reflects the underlying business performance over the vesting period.

Malus and clawback provisions apply.

Implementation in 2023/24
The following maximum opportunities will apply in 2023/24:

- CEO 275% of base salary
- CFO 250% of base salary

Performance measures (as a percentage of maximum):

- 37.5% adjusted diluted EPS
- 37.5% cumulative Retail free cash flow
- 25% ESG measures

See page 98 for further details of 2020 PSP outturns and page 88 for PSP awards to be granted in 2023. Details of malus and clawback provisions can be found on page 93.

All-colleague share plans

Purpose and link to strategy
To encourage eligible colleagues to build up a shareholding in 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, on identical terms to other UK colleagues.

Implementation in 2023/24
SAYE and BAYE plans will continue to be operated in 2023/24.

Shareholding requirement

Purpose and link to strategy
Ensures alignment between the interests of the Executive Directors and shareholders.

Operation
The Group Chief Executive is required to build and maintain a holding of shares to the value of 400% of salary, and the Chief Financial Officer to 300% of 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 whichever is the lower of their shareholding guideline 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.

You can find details of the outstanding share awards held by Executive Directors on page 99.

Implementation in 2023/24
Shareholding requirement will continue to be operated in 2023/24.

Summary of remuneration policy and implementation for 2023/24 continued

PSP awards to be granted in 2023/24

The table below sets out the financial performance measures and targets for the 2023 PSP award grant:

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted diluted EPS	37.5%	22.2p	33.3p
Cumulative Retail free cash flow	37.5%	£3,869m	£5,803m

In line with our policy, any PSP outcome for Executive Directors will only become available following the end of a two-year holding period such that the total vesting period is five years from the date of grant. Malus and clawback provisions apply to the awards.

ESG measures and targets for the 2023 PSP and the evolution of our ESG targets

Sustainability is central to our purpose and strategy and the implementation of our 2022 remuneration policy links executive pay directly to three of our most material sustainability areas. Our sustainability strategy will evolve over time and, as such, we anticipate that our ESG performance measures will simultaneously evolve to ensure they remain material to the business.

The table below sets out the ESG performance measures and targets for the 2023 PSP award and demonstrates how our PSP targets continue to evolve towards achieving our long-term sustainability commitments. Further details of our sustainability commitments are set out on page 18.

	Carbon reduction	Food waste reduction	Diversity and inclusion
Journey to 2022/23			
Our commitments	Carbon neutrality across our Group operations by 2035 (brought forward from 2050). Net zero across our total emissions footprint by 2050, including our supply chain and products.	Halve food waste in our own operations by 2025.	35% of our top global leaders will be female and 14% will be from an ethnically diverse background by 2025.
2022 PSP stretch targets (to achieve by 2024/25)	60% reduction in Scope 1 and 2 market-based GHG emissions against a 2015/16 baseline.	55% reduction in tonnes of food wasted as a percentage of food handled compared with a baseline year of 2016/17.	40% female and 15% ethnically diverse top global leaders compared with a baseline year of 2021/22.
Progress toward targets at 2022/23 year end	55% reduction.	45% reduction.	29% female and 15% ethnically diverse.
2023 PSP ESG performance measures (to achieve by 2025/26)			
Definition	Reduction in Scope 1 and 2 market-based GHG emissions against a 2015/16 baseline.	Reduction in tonnes of food wasted as a percentage of food handled compared with a baseline year of 2016/17.	Percentage of female and ethnically diverse top global leaders compared to a baseline year of 2021/22.
Weighting	8.3%	8.3%	8.3%
Threshold (25% vesting)	58%	51%	Female – 35%/Ethnicity – 16%
Stretch (100% vesting)	62%	57%	Female – 42%/Ethnicity – 18%

We are applying a higher degree of rigour than ever before with regard to our material 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 most material KPIs are Group-wide and our reporting 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. Further details of our approach to sustainability are detailed on pages 18 to 25.

Board Chair and Non-executive Director fees

The fees for the Chair of the Board 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 2022, following a review of independently sourced data, increases awarded to the wider workforce and the time commitments of the Board Chair and Non-executive Directors, it was agreed to increase the Board Chair's fee and the average total fees paid to Non-executive Directors from 21 August 2022 by 2.6% and 2.8%, respectively. Both increases were below the increases for the wider workforce.

	1 September 2021 to 20 August 2022	From 21 August 2022	Increase
Non-executive Board Chair fee	£687,000	£705,000	2.6%
Non-executive Director fee	£80,500	£82,750	2.7%
Additional fees:			
Senior Independent Director	£28,500	£30,000	5.3%
Chairs of the Audit, Corporate Responsibility and Remuneration Committees	£32,500	£33,000	1.5%
Membership of Audit, Corporate Responsibility, Nominations and Governance, and Remuneration Committees	£15,000	£15,500	3.3%

Wider remuneration at Tesco.

The principles of a fair workplace

To live up to our purpose, our colleagues need to reflect and represent the communities we serve. Tesco aims to be a place where colleagues can get on, as they wish, irrespective of their background. We are proud of our long history of helping colleagues develop their careers in Tesco.

The following principles guide our approach to reward:

Competitive
Setting pay with reference to internal relativity and external market practices

Simple
Helping all colleagues to understand how they are rewarded

Fair
Achieving consistent outcomes through flexible and transparent policies

Sustainable
Aligning reward to business strategy and performance

How we bring our principles to life

Tesco provides colleagues across the Group with a competitive reward package. The Committee has responsibility for reviewing remuneration and related policies for colleagues throughout the Group. This ensures we take into account the reward, incentives and conditions available to colleagues when considering the remuneration of Executive Directors and senior management.

In Tesco's UK business in 2022/23, colleagues received a reward and benefits package in line with the elements set out in the table below. The purpose of each element is the same for all colleagues, creating a consistent cascade throughout the organisation.

		WL1-3	
	Executive Directors, Executive Committee and WL4-5	Other colleagues	Hourly-paid colleagues in stores
Base salary	Base salary supports the recruitment and retention of colleagues of the calibre, capability and experience needed to perform their roles. Base salary provides fixed remuneration and reflects the size, scope and complexity of individual role responsibilities.		
Benefits	A market-competitive level of benefits for colleagues, enhancing the reward package and providing other reasons to work at Tesco, such as discount in store.		
Pension	The opportunity to save for retirement, with the employing company matching employee contributions.		
All-colleague share plans	The opportunity to purchase shares in Tesco.		
Annual bonus	The opportunity for colleagues to receive an annual bonus for delivering against business and individual goals. The opportunity gives colleagues a balance between fixed and variable pay related to market practice based on role. At senior levels, a proportion of any bonus is deferred into Tesco shares to provide additional alignment with shareholders' experience.		Our pay approach aims to provide regular and predictable earnings through competitive base pay for our hourly-paid store colleagues. We agreed with our unions in 2019 that hourly-paid colleagues in stores would not receive an annual bonus, replacing it with a higher base rate of pay. In distribution, colleagues who have transferred to the new 2022 contract no longer receive an annual bonus, replaced with enhanced rates of pay.
Performance Share Plan	Colleagues with responsibility for long-term Group performance are incentivised to achieve Tesco's strategy and create sustainable shareholder value. Measures and targets for long-term incentive plans are consistent for all participants and measured over a three-year period. A two-year holding period after the vesting date also applies at Executive Director level.		

Wider remuneration at Tesco continued

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 2023 Every Voice Matters colleague survey, 63% 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 85% feel they can be themselves at Tesco, without fear of judgement. 66% of colleagues feel Tesco supports them with their financial 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.

Colleague engagement

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 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 the CCPs on page 63.

During the year, the Committee reviewed the pay, policies, incentives and demographics of the wider workforce across the Group and the findings from the Every Voice Matters colleague survey. During 2022 a Group-wide review of benefits was undertaken to determine what colleagues value most in their reward package and where improvement can be made.

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 management remuneration.

Understanding workforce arrangements

The Committee believes it is important to understand how colleague pay and other key colleague metrics operate throughout the Group. The Committee therefore receives regular updates throughout the year on these metrics via the wider workforce dashboard, which sets out a broad range of information, including:

- a summary of colleague demographics;
- results from our Every Voice Matters survey, including satisfaction with reward;
- colleague pay positioning split by location;
- a summary of UK store colleague hourly pay versus comparators, the National Minimum Wage and National Living Wage;
- salary budgets by business;
- incentive outcomes by business; and
- CEO pay ratio and gender pay gap over multiple years.

The Committee is therefore well positioned to take this context into account when setting the pay of Executive Directors.

Caring for our colleagues – wider colleague reward interventions

Our fantastic team of colleagues is at the heart of Tesco. Last year we reached an agreement with USDAW for a substantial increase in UK base pay – by 5.8% to £10.10 for hourly-paid colleagues in our stores and customer fulfilment centres (CFCs) effective July 2022. We also announced a one-off thank you payment of 1.25% of annual earnings to hourly-paid store, CFC and customer-engagement centre colleagues in the UK.

This year the cost-of-living challenges faced by our customers and colleagues alike have been very much front of mind. Tesco is proud to have worked relentlessly to keep the cost of the weekly shop as affordable as possible for our customers, but we are also mindful of the need to ensure our colleagues' wellbeing and to recognise their tremendous efforts.

Therefore, we made further increases in the hourly rate for UK store colleagues to £10.30 in November 2022 and have recently announced a further increase to £11.02 effective from April 2023 as set out in the illustration opposite. We have also provided investments in colleague pay and benefits in our other UK businesses, ROI and Central Europe.

Pay is just one way in which we can support our colleagues and we have provided further cost-of-living support through our enhanced benefits package, including offering greater in store discounts to colleagues and wider financial wellbeing support.

The illustration below sets out an overview of the recent reward-based interventions we have implemented to support our UK store colleagues, focusing on our lowest-paid populations and the types of reward that can be most valuable to our colleagues. We believe that the actions we have taken over the past three years recognise the contribution our colleagues make to our business and demonstrate our commitment to making Tesco a great place to work.

December 2020
10% bonus paid to hourly-paid colleagues

September 2021
Increase in the hourly rate for colleagues from £9.30 to £9.55.

Increase in night premium payments from £2.21 to £2.30

April 2022
Increase of £500 in annual colleague discount allowance to £1,500

November 2022
Increase in the hourly rate for colleagues from £10.10 to £10.30

Improvement to the free food offer made in colleague rooms

Ability for UK colleagues to get up to 25% of their contractual pay early as an advance

April 2023
Increase in the hourly rate for colleagues from £10.30 to £11.02

2020/21 and 2021/22 | **2022/23** | **2023/24**

March 2020
10% bonus for hourly-paid colleagues paid in April, May and June 2020

June 2021
2% end-of-year recognition bonus paid to hourly-paid colleagues

May 2022
End-of-year recognition bonus of 1.25% paid to hourly-paid colleagues

July 2022
Increase in the hourly rate for colleagues from £9.55 to £10.10

December 2022
20% colleague discount offered for seven days

Change in remuneration of colleagues and Directors

The table below shows the percentage change in the annual remuneration of Directors and the average UK colleague over the past four 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 (% change)				Bonus (% change)[a]			
	2022/23	2021/22	2020/21	2019/20	2022/23	2021/22	2020/21	2019/20	2022/23	2021/22	2020/21	2019/20
Executive Directors												
Ken Murphy	1.7%	0%	–	–	170.5%	18.9%	–	–	(14.8)%	100%	–	–
Imran Nawaz[b]	3.7%	–	–	–	162.2%	–	–	–	(8.3)%	–	–	–
Non-executive Directors												
John Allan	1.3%	0%	1.5%	3.4%	112.5%	14.3%	(46.2)%	62.5%	–	–	–	–
Melissa Bethell	3.2%	2.2%	2.2%	172.7%	100%	100%	(100)%	100%	–	–	–	–
Bertrand Bodson[b]	2.5%	–	–	–	(62.5)%	–	–	–	–	–	–	–
Thierry Garnier[b]	2.3%	–	–	–	150%	–	–	–	–	–	–	–
Stewart Gilliland	2.8%	2.8%	5.0%	42.3%	100%	0%	(50.0)%	300%	–	–	–	–
Byron Grote[c]	12.3%	12.3%	3.0%	3.9%	100%	100%	(100)%	100%	–	–	–	–
Alison Platt[c]	13.8%	2.8%	5.0%	17.4%	100%	100%	(100)%	0%	–	–	–	–
Lindsey Pownall[c]	9.2%	9.2%	1.9%	2.9%	300%	100%	(87.5)%	(20.0)%	–	–	–	–
Caroline Silver[d]	–	–	–	–	–	–	–	–	–	–	–	–
Karen Whitworth[b]	3.0%	–	–	–	(100)%	–	–	–	–	–	–	–
Former Directors												
Steve Golsby[b]	6.7%	8.1%	2.5%	22.2%	100%	0%	(100)%	30.8%	–	–	–	–
Simon Patterson[b]	1.6%	2.2%	2.2%	4.7%	(100)%	100%	(100)%	100%	–	–	–	–
Colleagues												
Average UK colleague	8.6%	3.3%	6.8%	3.0%	0%	0%	0%	0%	N/A	N/A	N/A	(100)%

(a) We agreed jointly with our unions in 2019 that hourly-paid colleagues in stores would no longer receive an annual bonus, replacing it with a higher rate of base pay.
(b) For those Directors appointed in 2021/22 (Bertrand Bodson, Thierry Garnier, Imran Nawaz and Karen Whitworth) and those who stood down in 2022/23 (Steve Golsby and Simon Patterson), salary/fees, benefits and bonus (as appropriate) have been pro rated for the purposes of comparison.
(c) On 17 June 2022 Alison Platt was appointed as Chair of the Remuneration Committee. On 25 June 2021, Byron Grote was appointed Senior Independent Director and Lindsey Pownall joined the Remuneration Committee.
(d) Caroline Silver joined the Board on 1 October 2022.

Context of executive pay.

Provision 40 disclosures

In developing our 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 Remuneration arrangements should be transparent and promote effective engagement with shareholders and the wider workforce	– 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. – Performance requirements are clearly disclosed and transparent and we provide detailed disclosures of the relevant performance assessments and outcomes for our stakeholders to consider. These bring clarity to all stakeholders on the relationship between the successful implementation of our purpose and strategy and how our leadership is rewarded. – The Board has designated Non-executive Directors to host Colleague Contribution Panels (CCPs) comprising elected colleagues from across the Group to engage on various topics to ensure internal clarity on remuneration. You can find further details on how the Board engages with stakeholders on page 63.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	– The Company operates an approach to remuneration that is simple to understand and familiar to stakeholders: – fixed element: base salary, benefits and pension; – short-term element: an annual performance-related bonus with both financial and non-financial measures. Half is paid in cash and the other half in Tesco shares deferred for three years; and – long-term element: PSP awards vest after three years on achievement of stretching performance criteria and are subject to a further two-year holding period. – We explain our approach to remuneration clearly and simply, with no complex structures required to operate the plans.
Predictability The range of possible values of rewards should be identified and explained when the policy is approved	– Our remuneration policy contains details of maximum opportunity levels for each component of pay, allowing possible reward outcomes to be easily quantified. – Details are set out in the Directors' remuneration report clearly showing potential performance and reward outcomes. – The Committee reviews potential performance outcomes regularly so there are no surprises when performance is assessed at the end of the year.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	– Our annual bonus and PSP plans provide clear alignment between incentive outcomes and the achievement of Tesco's strategy, with stretching performance conditions set to achieve commensurate reward for commensurate performance. – Performance is assessed on a broad basis, including a combination of financial, non-financial and ESG measures. This ensures there is no undue focus on a single measure to the detriment of stakeholders. – The use of annual bonus deferral, PSP post-vesting holding periods and our 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 Remuneration arrangements should ensure the identification and mitigation of reputational and other risks from excessive rewards and behavioural risks that can arise from target-based incentive plans	– Variable pay outcomes align with Tesco's purpose, values and strategy, including ESG goals and the long-term interests of shareholders and other stakeholders. – The Committee has appropriate discretions to override formulaic outturns if circumstances dictate. – The Committee has also satisfied itself that the remuneration arrangements do not encourage risk-taking or behaviours that are incompatible or inconsistent with these factors. – Regular interactions with the Audit Committee and Corporate Responsibility Committee ensure relevant risk factors are considered when setting or assessing performance targets. – The Committee has the discretion to apply malus and clawback in certain circumstances, including in the event of any behavioural risks.
Alignment to culture Incentive schemes should drive behaviours that are consistent with the Company's purpose, values and strategy	– The Board reviews and adopts the Long Term Plan (LTP) annually, so providing a focus on the long-term sustainability of the Group. – The Committee reviews the measures and targets of the annual bonus and PSP each year to ensure measures and targets are aligned to the LTP, are appropriately challenging, support the Group's culture and strategy and create value for stakeholders. – To ensure our incentive schemes drive behaviours that are consistent with our purpose, values and strategy, we aim to: – understand the remuneration of the wider workforce; – ensure pay decisions are aligned across the Group; and – engage with our stakeholders, including our colleagues.

Approach to target setting

In determining the range of targets for each measure for the annual bonus and 2022 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 53% 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 drivers 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 strategic drivers. This ensures a clear line of sight and alignment of interests between executives and shareholders 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.

2022/23

Early February 2022

The Committee considered the wider context and how the annual bonus and PSP targets were tracking against forecast performance

Late February 2022

The Board agreed the budget for the year

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 incentive structures
- the budget and LTP
- the strategic plan
- analysts' consensus
- the wider economic environment

April 2022

The Committee determined the measures, weightings, targets and ranges for the annual bonus and PSP for the forthcoming year and the outcomes of the prior year's annual bonus and 2019 PSP

October 2022

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 accordance 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 (e.g. 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.

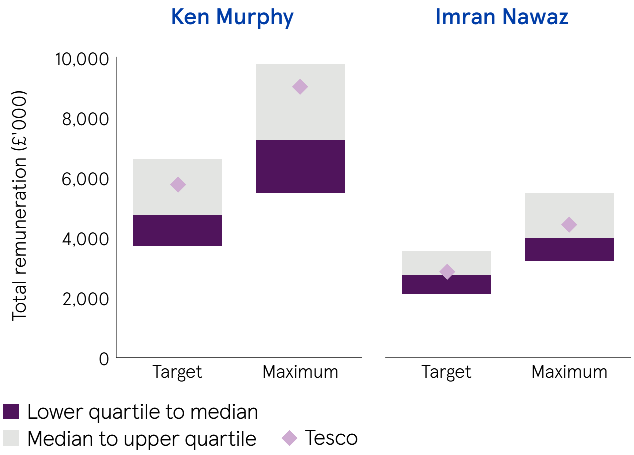
Under malus, deferred share awards and unvested PSP awards can be reduced (including down to zero) or be made subject to additional conditions. Clawback allows for the repayment of previously paid-up cash bonuses for a period of three years and PSP awards for a period of two years after the vesting date.

Context of executive pay continued

Comparator groups for remuneration

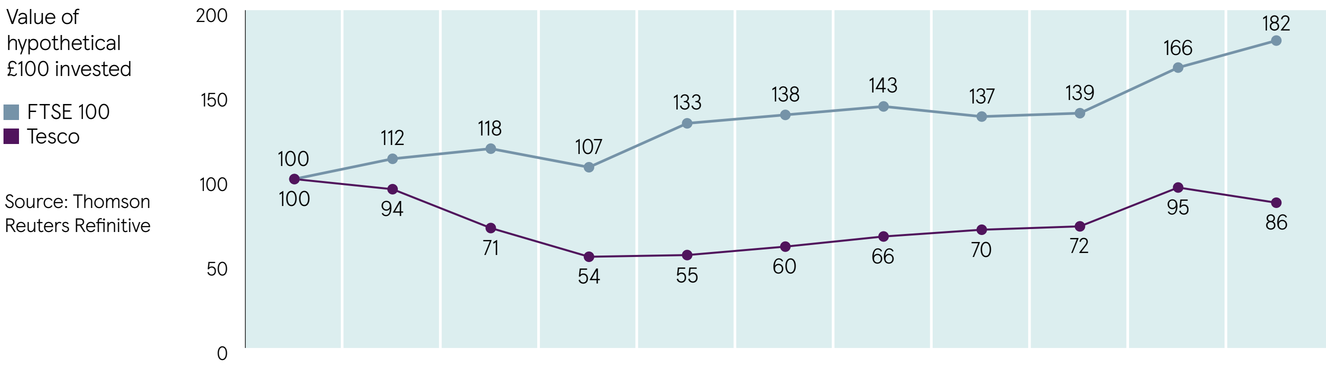
When setting the remuneration of Executive Directors, one of the factors the Committee considers is the relevant markets for the Executive Directors; it believes this is the FTSE 50. When reviewing the Group Chief Executive's remuneration, the Committee also references remuneration of a group of leading international companies whose selection is based on their size and complexity.

The following chart 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 is similar to the information the Committee uses as a reference when setting executives' remuneration, which enables it to ensure remuneration levels are consistent with the approved remuneration policy.



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:

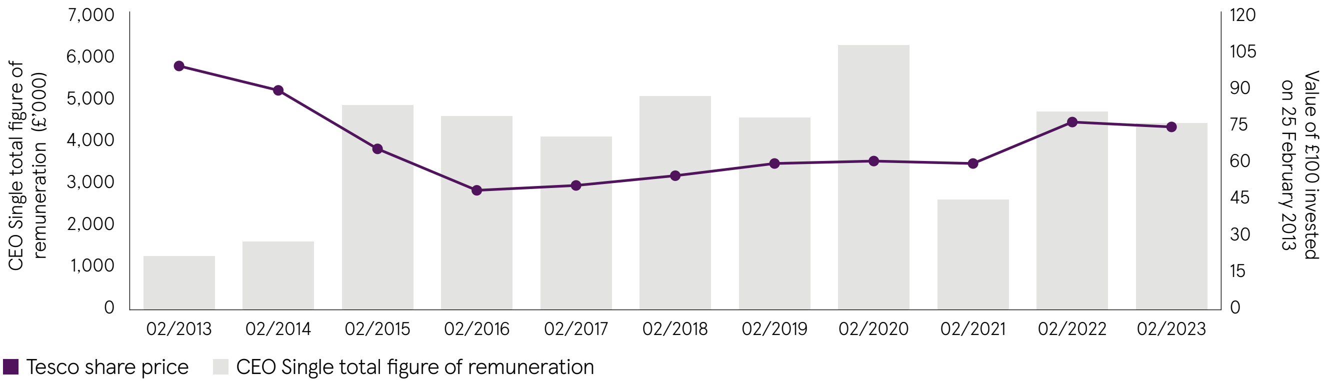


		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	**2022/23**
Group Chief Executive Single total figure of remuneration (£'000)	Ken Murphy	–	–	–	–	–	–	–	992	4,745	**4,443**
	Sir Dave Lewis[b]	–	4,133	4,632	4,147	5,113	4,600	6,328	1,650	–	**–**
	Philip Clarke[a]	1,634	764	–	–	–	–	–	–	–	**–**
Annual bonus outturn (% of maximum award)		0%	0%	96%	76%	73%	52.5%	75.9%	0%	95%	**79.1%**
PSP vest (% of maximum award)		0%	0%	–	–	30%	28.8%	48.8%	23.1%	–	**–**

(a) Philip Clarke stepped down as Group Chief Executive on 1 September 2014 and was succeeded by Sir Dave Lewis on the same date.
(b) Sir Dave Lewis stepped down as Group Chief Executive on 30 September 2020 and was succeeded by Ken Murphy on 1 October 2020.

Group Chief Executive remuneration compared to Tesco's share price movement

The graph below sets out the Group Chief Executive's Single total figure of remuneration (STFR) compared to Tesco's share price, rebased to £100 at 25 February 2013.



(a) Where there has been a change in Group Chief Executive in the year, we have included the remuneration of both Group Chief Executives. This impacts the years ending February 2015 and February 2021.

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 254,000 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 STFR of the Group Chief Executive for 2022/23 and the lower, median and upper-quartile pay of our UK colleagues. We also show for comparison the pay ratios for the four preceding years.

The total full-time equivalent (FTE) pay and benefits for the relevant colleagues is based on the period from 6 February 2022 to 4 February 2023. 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.

Total pay ratio

	2018/19	2019/20	2020/21	2021/22	**2022/23**
Ratio of CEO's STFR					
25th percentile	247:1	355:1	136:1	251:1	**231:1**
50th percentile	226:1	305:1	118:1	224:1	**197:1**
75th percentile	209:1	279:1	116:1	216:1	**182:1**

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.

	2022/23
Group Chief Executive's base salary	£1,372,781
Group Chief Executive's total pay and benefits	£4,442,692
UK colleagues' salary	
Colleague at 25th percentile	£18,771
Colleague at 50th percentile	£20,163
Colleague at 75th percentile	£22,663
UK colleagues' total pay and benefits	
Colleague at 25th percentile	£19,196
Colleague at 50th percentile	£22,533
Colleague at 75th percentile	£24,374

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 employees at each percentile before selecting the employee who was most representative.

Context of executive pay continued

In the case of the Group Chief Executive, his total remuneration comprises a significant proportion of variable pay. The Single total figure therefore varies considerably depending on the level of performance against the measures driving the annual bonus and PSP. In 2022/23, the annual bonus paid out at 79.1% of maximum compared with 95% in 2021/22, which has resulted in a fall in the Group Chief Executive's pay ratio numbers this year. Since 2014, the median pay ratio has fluctuated, increasing and decreasing in alternate years in line with variable pay outcomes.

As we set out on pages 89 and 91, 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 pay

For our 2021/22 report both our median and mean GPGs have increased slightly as we adapted to the post COVID-19 environment. Our median GPG has increased to 6.9%, less than half the UK national average of 14.9%. Our median bonus gap has increased to 30.5%.

Our GPG is attributable to two key factors. The first is having a higher number of male colleagues in our more senior roles. We are committed to increasing the percentage of female colleagues in such roles to ensure our leadership team truly reflects our customer base and wider colleague population. We will continue to drive female representation across all roles to close the gap. The other factor is that we have more male colleagues than female colleagues who work shifts that pay premiums on Sundays, nights and bank holidays across our stores and distribution centres. If we remove premium payments from the calculation, our median pay gap reduces significantly, to 2.7%.

We have included a stretching diversity and inclusion measure in the PSP for 2023 to ensure we continue to build a workplace where everyone is welcome and our workforce represents the communities we serve.

See our Everyone's Welcome Report for more information at www.tescoplc.com/media/759669/tesco-everyones-welcome-report-2022

Relative importance of spend on pay

The chart 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 125.

	2021/22 £m	**2022/23 £m**	% change
Executive Directors' remuneration	12.1	7.5	(38.2)
Dividends	704	858	21.9
Total income taxes charge	510	247	(51.6)
Colleague costs	7,456	7,656	2.7

For every £1 we spent on Executive Directors' remuneration in 2022/23, £33 was payable in tax and £1,021 was spent on colleague costs. In addition, £114 was made in dividend payments to shareholders for every £1 spent on Executive Directors' remuneration.

Remuneration report.

Single total figure of remuneration – Executive Directors (audited)

The following table provides a summary Single total figure of remuneration (STFR) for 2022/23 and 2021/22 for the Executive Directors.

	Ken Murphy		Imran Nawaz[a]	
	2022/23 £'000	2021/22 £'000	**2022/23 £'000**	2021/22 £'000
Fixed pay				
Salary	**1,373**	1,350	**723**	581
Benefits[b]	**238**	88	**129**	41
Pension	**102**	101	**54**	44
Total fixed pay	**1,713**	1,539	**906**	666
Variable pay				
Annual bonus (cash and deferred shares)[c]	**2,730**	3,206	**1,365**	1,241
PSP[d]	**–**	–	**–**	–
Total variable pay	**2,730**	3,206	**1,365**	1,241
Total fixed and variable pay	**4,443**	4,745	**2,271**	1,907
Compensation for forfeited income[e]	**–**	–	**765**	3,506
Total remuneration	**4,443**	4,745	**3,036**	5,413

(a) Imran Nawaz joined the Board as Chief Financial Officer on 1 May 2021.
(b) Benefits include family level private medical insurance, life assurance, a car or cash allowance and a driver. The overall level of benefits will depend on the cost of providing individual items and the individual's circumstances. Benefits for Ken Murphy also include commuting support of £102,400, which includes the grossed-up cost of UK tax paid by the Company on his behalf. Benefits for Imran Nawaz include the UK tax payable in respect of a car and driver, which he received in lieu of a car allowance. This benefit was £118,000 which includes the grossed-up cost of a proportion of UK tax paid by the Company on his behalf, on a transitional basis.
(c) The annual bonus is paid 50% in cash and 50% in shares deferred for three years subject to continued employment. See page 82 for further details of the 2022/23 bonus outturn.
(d) Neither Ken Murphy nor Imran Nawaz was granted a 2020 PSP award as this preceded their joining dates.
(e) Compensation for forfeited income determined by the value of a buyout award granted to Imran Nawaz amounting to £765,000 (including £88,500 relating to share price appreciation). The amount relates to compensation for the forfeiture of a 2019 PSP award granted to Imran Nawaz by his previous employer, Tate & Lyle PLC, details of which are set out on page 90 of the 2022 annual report. This award vested on 1 June 2022 at a vesting level of 42% of maximum. Details of the performance conditions and outturns of the award are set out in the Tate & Lyle PLC 2022 annual report.
(f) The total aggregate remuneration paid to Directors in 2022/23 was £9.3m (2021/22: £13.9m).

2022/23 benefits (audited)

	Car and driver (£'000)	Medical insurance and wellness programme (£'000)	Life assurance (£'000)	Colleague discount (£'000)	Commuting support (£'000)	**Total (£'000)**
Ken Murphy	121.0	3.7	9.1	1.5	102.4[a]	**237.7**
Imran Nawaz	118.4	4.4	4.8	1.5	–	**129.1**

(a) Commuting support for Ken Murphy ceased on 31 March 2023.

2022/23 annual bonus outcomes (audited)

The annual bonus is determined by financial measures and individual performance, including objectives, set at the start of the performance period, which are designed to support the achievement of certain strategic outcomes. The 2022/23 annual bonus outcome is 79.1% of maximum for Ken Murphy and 83.1% for Imran Nawaz. As set out in the Committee Chair's letter, the Committee is satisfied that the formulaic annual bonus outcomes are appropriate and reflect performance over the performance period. We provide a breakdown of the overall outcome and details of the outturn of the financial measures on page 82. You can see the achievement against individual objectives overleaf.

Remuneration report continued

2022/23 achievement of individual objectives

Ken Murphy

Objective	Key performance indicators	Summary of performance
Execute Year 1 of strategic milestones across the Group	– Additional profit and sales generated by the strategic drivers – Delivery of Group market share and NPS ambitions	– Overall, strategic drivers contributing positively to financial results – NPS rank aspirations delivered in most markets
Develop proposal on longer-term strategic opportunities	– Develop proposal and milestone plan for implementation	– Delivered successful Long Term Plan process, which was approved by the Board
Lead the delivery of Group-wide ESG commitments	– Climate: define roadmap for own operations net zero by 2035, including investment analysis – Health: improve health measure to at least 59.5% – Food waste: reduce food waste by 46% from baseline	– Developed and communicated Group planet plan, including investment analysis to 2025 – Health measure increased to 60% – Food waste reduced by 45%

Imran Nawaz

Objective	Key performance indicators	Summary of performance
Deliver Save to invest Group-wide	– Delivery of Year 1 £518m savings target – Develop plans to deliver Year 2 targets aligned to Long Term Plan	– Accelerated plans to offset cost inflation, saved in excess of £550m in 2022/23 – Plans in place to deliver next year's target aligned to the Long Term Plan ambition
Execute Year 1 of finance change plan	– Delivery of Year 1 finance change roadmap and defined plans for Year 2 – Delivery of finance of the future 2022/23 Save to invest targets	– 90% of Year 1 projects delivered with roadmap and plans in place to deliver Year 2 – Overdelivered finance head office Save to invest plans
Lead the delivery of Group-wide ESG commitments, focusing in Year 1 on climate (Scope 1 and 2)	– Develop finance plan for own operations net zero by 2035 – Secure power supply for electrification of the estate to allow decarbonisation with forecast to achieve over 82% – Execute carbon reduction plan (at least 12.5%) including reuse, recycle and refurbish plus sustainable building materials and methodologies	– Investment analysis for Group climate requirements prepared to 2025 – 92.7% of secure power supply achieved (based on future electricity requirements) – Embodied carbon reduction, associated with new space, general maintenance and engineering schemes, achieved through lower carbon asphalt/concrete and shelving reuse

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 19%, both out of a maximum of 20%.

2020 PSP vesting in 2023 (audited)

The outcomes of the 2020 PSP awards are shown on page 83. As set out in the Committee 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. The awards will vest in June 2023. Neither Ken Murphy nor Imran Nawaz was granted awards as these preceded their joining dates.

2022 PSP grant (audited)

The following table summarises the PSP awards made to Executive Directors on 24 June 2022:

Executive Director	Type of award	% of base salary awarded	Number of shares granted	Value at award date	End of performance period	Vesting date	Market price on grant[a]
Ken Murphy	Conditional award	275%	1,521,455	£3,796,030	22/02/2025	24/06/2025	249.5p
Imran Nawaz	Conditional award	250%	731,462	£1,824,998	22/02/2025	24/06/2025	249.5p

(a) Based on five-day average share price.

The performance measures and targets for the 2022 PSP are:

	Weighting	Threshold (25% payout)	Stretch (100% payout)
Adjusted diluted EPS	37.5%	21.8p	32.8p
Cumulative free cash flow	37.5%	£3.8bn	£5.8bn
ESG measures			
– Carbon reduction	8.3%	56%	60%
– Food waste reduction	8.3%	48%	55%
– Diversity and inclusion (gender/ethnicity)	8.3%	32%/13%	40%/15%

The award incorporates 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 page 207, 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 EPS impact of share buybacks since targets were set	Targets were set with no buybacks assumed	2021 PSP 2020 PSP	(0.7)p (0.7)p
Cumulative free cash flow	Removing any impact from the 2022 change in Retail free cash flow definition (refer to page 211 within the Glossary for a full reconciliation)	The Retail free cash flow definition was changed after targets were set	2021 PSP 2020 PSP	£(42)m £(42)m

Adjustments to targets

The Committee considered adjustments to targets resulting from material events that were not anticipated at the time the targets were set. Adjustments were made to ensure PSP targets and outcomes are assessed on a like-for-like basis and events do not make the targets any easier or harder to achieve. The table below summarises the adjustments made, rationale, affected awards and the impact on the measure:

Performance measure	Adjustment	Rationale	Awards	Impact
Adjusted diluted EPS	Reflecting the sale of the Asia business and treatment of Poland as a discontinued operation	Material events that were not anticipated at the time targets were set	2020 PSP	0.7p
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 2020 PSP	£(193)m £(305)m
	Reflecting the sale of the Asia business and treatment of Poland as a discontinued operation	Material events that were not anticipated at the time targets were set	2020 PSP	£(1,066)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 2020 PSP	£(194)m £(194)m

2021 PSP

Cumulative free cash flow	Threshold	Stretch
Original targets	£4,253m	£6,379m
Adjustments	£(387)m	£(387)m
Revised targets	£3,866m	£5,992m

Adjusted diluted EPS	Threshold	Stretch
Original targets	17.3p	26.0p
Adjustments	–	–
Revised targets	17.3p	26.0p

2020 PSP

Cumulative free cash flow	Threshold	Stretch
Original targets	£4,435m	£6,653m
Adjustments	£(1,565)m	£(1,565)m
Revised targets	£2,870m	£5,088m

Adjusted diluted EPS	Threshold	Stretch
Original targets	16.5p	24.7p
Adjustments	0.7p	0.7p
Revised targets	17.2p	25.4p

Executive Directors' interests in share awards (audited)

The table below sets out the Executive Directors' interests in share awards. We set out details of Executive Director shareholding requirements and achievement against these on page 84.

		Unvested PSP awards[a]	Deferred annual bonus awards[b]	Buyout awards	Vested but unexercised share options	SAYE options	Total
Ken Murphy	At 27/02/22	1,832,904	–	–	–	–	1,832,904
	Granted	1,521,455	584,357	–	–	9,890	2,115,702
	Dividend equivalents	119,107	28,803	–	–	–	147,910
	Vested/released	–	–	–	–	–	–
	Lapsed	–	–	–	–	–	–
	Exercised	–	–	–	–	–	–
	At 25/02/23	3,473,466	613,160	–	–	9,890	4,096,516
Imran Nawaz	At 27/02/22	871,194	–	1,001,268	–	–	1,872,462
	Granted	731,462	226,251	–	–	–	957,713
	Dividend equivalents	56,769	11,151	–	–	–	67,920
	Vested/released	–	–	(347,091)	–	–	(347,091)
	Lapsed	–	–	(422,939)	–	–	(422,939)
	Exercised	–	–	–	–	–	–
	At 25/02/23	1,659,425	237,402	231,238	–	–	2,128,065

(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.

Remuneration report continued

2022 deferred bonus award grant (audited)

The following table summarises the deferred bonus awards made to Executive Directors on 12 May 2022 in respect of 50% of the 2021/22 bonus outcome. Awards were made in the form of conditional awards which will vest and be released on 12 May 2025, subject to continuous employment.

Executive Director	Number of shares granted	Value at award date	Vesting date	Market price on grant[a]
Ken Murphy	584,357	£1,603,125	12/05/25	274.3p
Imran Nawaz	226,251	£620,697	12/05/25	274.3p

(a) Based on five-day average share price.

Payments for loss of office (audited)

There were no payments made for loss of office during the year.

Payments to former Directors (audited)

Details of the nil-cost awards released to Sir Dave Lewis and Alan Stewart during 2022/23 following their stepping down from the Board on 30 September 2020 and 30 April 2021, respectively, are set out below. Shares released include dividend equivalent shares and the impact of the share consolidation in February 2021 and time proration in respect of the PSP.

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	13/05/2019	336,028	376,478	13/05/2022	244p	281p	£1,058,656	£139,598
PSP	20/06/2019	1,492,747	770,221	20/06/2022	230p	252p	£1,940,187	£166,522

Alan Stewart

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	13/05/2019	170,740	191,290	13/05/2022	244p	281p	£537,907	£70,930
PSP	20/06/2019	895,648	632,393	20/06/2022	230p	252p	£1,592,998	£136,723

No other payments to former Directors or for loss of office were made in the year.

Executive Directors' service agreements

The Committee carefully considers the 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	Notice period from Company	Notice period from Executive Director
Ken Murphy	1 October 2019	12 months	12 months
Imran Nawaz	6 October 2020	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 2023 AGM.

Funding of equity awards

Where shares are newly issued, the Company complies with the Investment Association dilution guidelines on their issue. 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. Shares purchased in the market may be held by Tesco Employees' Share Scheme Trustees Limited or Tesco International Employee Benefit Trust (together, the Trusts). In such a case, the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 25 February 2023, the Trusts held 56,778,323 shares. Current practice is to use market-purchased shares to satisfy incentive awards.

Dilution from existing awards made over the past 10 years up to 25 February 2023 was as follows:

All-colleague share plans

Executive share plans

Beneficial share ownership (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 26 February and 12 April 2023. 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 27 February 2022	Shares held at 25 February 2023	Value of shareholding (% of base fee)[a]	Met shareholding guideline
John Allan[b]	349,753	394,753	134	✓
Melissa Bethell	37,447	37,447	108	✓
Bertrand Bodson	44,579	58,833	170	✓
Thierry Garnier[c]	15,000	15,000	43	✗
Stewart Gilliland	48,825	51,090	147	✓
Byron Grote[d]	302,703	368,703	>500	✓
Alison Platt	34,893	36,516	105	✓
Lindsey Pownall	55,263	55,263	159	✓
Caroline Silver[c]	–	15,000	43	✗
Karen Whitworth	24,200	52,300	151	✓

(a) The value of Non-executive Directors' shareholdings is based on the three-month average share price to 25 February 2023 of 238.7p.
(b) John Allan also held 398,000 5.5% 2033 Tesco PLC Medium Term Notes.
(c) Thierry Garnier and Caroline Silver have until 30 April 2026 and 1 October 2027 respectively to meet the shareholding guideline.
(d) Byron Grote holds his shares in the form of American Depositary Receipts (ADRs).
(e) Steve Golsby and Simon Patterson held 41,999 shares and 134,545 shares respectively from 27 February 2022 until they stepped down from the Board on 17 June 2022.
(f) The range of the Company's share price for the year was 290p to 199p. The year-end price was 247p (2021/22: 287p).

Single total figure of remuneration – Non-executive Directors (audited)

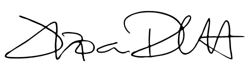
The following table sets out the fees paid to the Non-executive Directors for the year ended 25 February 2023. Non-executive Directors are not paid a pension and do not participate in any of the Company's variable incentive schemes. Steve Golsby and Simon Patterson stood down from the Board on 17 June 2022, so all fees and taxable expenses for these Non-executive Directors ceased on that date.

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 has the £1,500 colleague discount allowance. John Allan 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.

			2022/23			2021/22		
	Committee memberships	Date of appointment	**Fees (£'000)**	**Taxable expenses (£'000)**	**Total (£'000)**	Fees (£'000)	Taxable expenses (£'000)	Total (£'000)
John Allan	C N R	1 March 2015	**696**	**17**	**713**	687	8	695
Melissa Bethell	A	24 September 2018	**97**	**2**	**99**	94	1	95
Bertrand Bodson	C	1 June 2021	**97**	**1**	**98**	71	2	73
Thierry Garnier	R	30 April 2021	**97**	**3**	**100**	79	1	80
Stewart Gilliland	C N	5 March 2018	**112**	**2**	**114**	109	1	110
Byron Grote	A N R	1 May 2015	**174**	**1**	**175**	155	0.5	155.5
Alison Platt	N R	1 April 2016	**124**	**1**	**125**	109	0.5	109.5
Lindsey Pownall	C R	1 April 2016	**130**	**8**	**138**	119	2	121
Caroline Silver	A	1 October 2022	**40**	**0.5**	**40.5**	–	–	–
Karen Whitworth	A C	18 June 2021	**112**	**–**	**112**	77	0.5	77.5
Former Directors								
Steve Golsby	–	–	**44**	**8**	**52**	134	–	134
Simon Patterson	–	–	**29**	**–**	**29**	94	0.5	94.5

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 2023 AGM, except Lindsey Pownall who will step down from the Board at the conclusion of the AGM.

Approved by the Board on 12 April 2023.



Alison Platt
Remuneration Committee Chair

The Directors present their report, together with the audited accounts for the 52 weeks ended 25 February 2023.

Dividends

The profit for the financial year, after taxation, amounts to £753m (2021/22: £1,523m) from continuing operations. The Directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 3.85 pence per share[a] (2021/22: 3.20 pence per share)	284
Proposed final dividend of 7.05 pence per share[b] (2021/22: 7.70 pence per share)	516
Total dividend of 10.90 pence per share for 2022/23[b] (2021/22: 10.90 pence per share)	800

(a) Excludes £2m dividends waived (2021/22: £1m).
(b) Subject to shareholder approval at the 2023 AGM, the final ordinary dividend will be paid on 23 June 2023 to all shareholders on the Register of Members at the close of business on 12 May 2023.

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.

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 payout of around 50% of earnings.

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 184.

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 2022 AGM to replace the existing authority (as granted by shareholders at the AGM held on 25 June 2021) 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 3 May 2022. 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 2022 AGM to replace the existing authority (as granted by shareholders at the AGM held on 25 June 2021) 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 the authority at the forthcoming AGM, within the limits set out in the notice of that meeting and in line with the recommendations of the Pre-Emption Group's Statement of Principles 2015.

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

As previously announced, the Group undertook a share forfeiture programme in 2021/22. The proceeds of the share forfeiture programme generated approximately £5.6m for the Company to use towards good causes. Following a review of the funds by the Corporate Responsibility Committee, a £1m donation was made to FareShare and The Trussell Trust in support of their work throughout the winter period. A further £1.2m is to be used in the UK, Central Europe and the Republic of Ireland towards Tesco Community Grants funding and to provide for additional community activities across the Group. The remaining balance of c.£3.4m will be utilised for community projects, as part of the Golden Grants project, over the next three years.

Share buyback programme

On 13 April 2022, the Company committed to buying back an additional £750m worth of shares by April 2023. The sole purpose of the share buyback programme is to reduce the Company's share capital. During the year, the Company bought back through market purchases on the London Stock Exchange 314,845,336 Ordinary shares with a nominal value of $6^1/_3$ pence each, representing 4.3% of the issued share capital of the Company as at 25 February 2023, for a total consideration of approximately £781m. The Company also cancelled 4,800,000 shares purchased in the previous year, for a total consideration of £14m. For further details see Note 30. All of the Ordinary shares bought back have been cancelled.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

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.

Lindsey Pownall will be stepping down from the Board and will not be seeking re-election at the 2023 AGM. All other Directors are submitting themselves for re-election at the forthcoming AGM and were subject to a formal and rigorous performance evaluation, further details of which can be found on page 61.

Directors and their interests

The biographical details of the current serving Directors are set out on pages 51 to 54. The Directors who served during the year were: John Allan; Melissa Bethell; Bertrand Bodson; Thierry Garnier; Stewart Gilliland; Byron Grote; Ken Murphy; Imran Nawaz; Alison Platt; Lindsey Pownall; Karen Whitworth; Caroline Silver (who joined the Board on 1 October 2022); Steve Golsby and Simon Patterson (who both stood down from the Board on 17 June 2022). 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 77 to 101.

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. 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. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year.

Employment policies

We have continued to focus on ensuring that our employment policies are simple, helpful and trusted, so that our colleagues and managers are able to source the information they need quickly and easily.

We have continued to work with USDAW, our recognised trade union in the UK, to improve our policies so that they address the needs of all our colleagues. These include launching our new performance improvement policy, helping managers and colleagues understand what performance is, how we measure it and the clear and simple process we follow to support colleagues to reach their expected level of performance.

We also launched a new colleague contract in our stores and customer fulfilment centres. Our colleagues will now have a set number of contracted hours which will be scheduled within their availability windows at least three weeks in advance of them working. Colleagues will have a primary department where they will be scheduled to work the majority of their shifts but may be scheduled to work in other areas for some of their working hours. This enables colleagues to be flexible with picking up extra hours and being fully trained across all areas of the store, leading to more interesting and varied jobs.

Our local and national colleague forums continue to give colleagues a voice in how the business is run. Such feedback helps us drive our business forward, as our colleagues are closest to our customers. To supplement these forums, we have also continued our Colleague Contribution Panels. These give our colleagues the opportunity to share their views directly with a Non-executive Director, who then relays them to the Board for discussion and action.

Our equal opportunities, diversity and inclusion policies support 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. This year we recognised menopause-related absence, ensuring this type of absence would not be included within absence review levels. This ensures we are supporting our colleagues during this stage, through friendly and supportive wellbeing conversations.

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. This includes an expectation that our recruitment systems are accessible and managers give full and fair consideration to colleagues who have disabilities during recruitment and subsequently throughout their career with Tesco, including colleagues who may become disabled during their employment, where every endeavour will be made to retain colleagues through workplace adjustments.

We are also a proud Disability Confident Employer (Level 2) offering various activities and programmes to attract, develop and retain talented disabled colleagues. Our colleague network for people with disabilities provides support by connecting them with people who have similar interests and backgrounds and helps them reach their full potential. Through action-oriented colleague learning, we are focused on raising awareness of the importance of inclusion and developing a greater understanding of individual and collective responsibility. Supporting our commitment to change, targeted learning has been created for all colleagues, as well as specific modules for line managers, People and Resourcing teams, and our leadership teams.

Our colleague networks (Armed Forces, Disability, LGBTQ+, Parents & Carers, Race & Ethnicity and Women at Tesco) provide support in creating a diverse and inclusive culture where everyone is welcome.

We actively encourage colleagues to take an interest in the financial performance of our business through bonus plans for specific populations. We also operate two HMRC-approved all-employee share plans to enable all UK colleagues to share in the longer-term success of the business. Colleagues at WL3 and above across all markets and countries are awarded shares through the annual bonus plan, which are deferred at WL4 and above. Colleagues at WL4 and above across all markets and countries are also awarded shares through the Performance Share Plan.

Colleagues in the ROI can also participate in a scheme that is aligned to the UK Save As You Earn scheme, so they too can share in longer-term business success.

Political donations

The Group did not make any political donations (2021/22: £nil) or incur any political expenditure during the year (2021/22: £nil).

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), Mark White. In 2022/23, we continued to engage constructively with Mark White and were delighted for the opportunity to have our Chief Product Officer speak at the Annual GCA Conference in September 2022.

In the reporting year, we have continued to develop and expand our Code compliance programme. This year, we launched our refreshed new starter training module, which was assigned to all our Food buying teams in July 2022 as an addition to the annual micro-learning refresher training campaign that all Product teams completed. We also organised two GSCOP training sessions for the legal team and the relevant sales teams at dunnhumby to ensure there is understanding and awareness of the GSCOP principles which we expect the dunnhumby sales teams to apply. We conducted a deep dive into forensic auditing, assessing our internal process against the GCA's best practice statement on forensic auditing and implementing a small number of process improvements. Due to high inflation caused in part by post-pandemic recovery and the war in the Ukraine, requests for cost price increases (RFCPI) were a sensitive topic throughout the reporting year. We ensured that our RFCPI processes are robust, clear and in line with the GCA's 7 Golden Rules by going to great lengths to embed the process with our buying teams as well as introducing a new module in myProduct to record key data about RFCPIs. Lastly, we were particularly pleased that in the GCA's annual supplier survey for 2022, 97% of our suppliers recognised that we comply 'consistently well' or 'mostly well' with the Code, an improvement of 1%pt over the 2021 survey, ranking us third out of 13 retailers.

In our own Supplier Viewpoint survey, conducted in January 2023, the results continue to reflect the progress we have made with our supplier relationships. Our total Group and UK scores for suppliers rating their satisfaction with Tesco as either 'extremely satisfied' or 'very satisfied' exceeded our targets. Compared with the same period last year, our Group satisfaction score was 86.6% and our UK satisfaction score was 87%. Both of these scores are not only an increase compared to last year, but our highest scores to date and ahead of targets. Among topics relevant to the Code, our strongest score in Viewpoint continues to be 'Tesco pays promptly (within policy terms)' at 92.8%. 88% of suppliers agreed that 'Tesco treats me fairly'.

Also, in the 2022 independent, industry-wide Advantage survey of retailers, we were pleased to be ranked first for overall performance for the seventh year running.

During the preceding financial year, we provided mandatory annual refresher training for all colleagues involved in buying groceries, including not only the buying teams but also a wider set of colleagues including those working in our Quality and Supply Chain divisions. In total 804 colleagues completed GSCOP annual refresher training, with the majority being trained via role-based, microlearning scenarios. 89% of colleagues said that they found microlearning a better way to learn and retain training than a single longer training module. In addition to refresher training, 245 new starters completed new starter GSCOP training and with the small exception of a couple of colleagues, all of those required to complete the training did so within the 30-day requirement set down by the Code. 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, six Code-related issues were raised by suppliers, down from 13 during 2021/22. In addition, one issue was carried over from 2021/22.

The majority of concerns raised by suppliers related to delisting decisions, but in almost all of these cases the suppliers were not alleging a breach of GSCOP but were instead seeking to have the delisting decision reviewed (or elements of it, such as the number of SKUs to be delisted or the duration of the notice period). One formal dispute (as defined by Part 5, Article 11 of the GSCOP Order) was received during the year.

At the end of the reporting period, we had resolved all but one of the issues that were raised during the preceding year, following further discussion between the buying team and the relevant supplier, or between our Code Compliance Officer and the supplier.

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 (which is publicly available at the website of the FRC at 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 and 47.

Events after the balance sheet date

On 27 February 2023, the Group issued a €500m and a £250m bond, maturing in 2031 and 2035 respectively. There were no other events after the reporting period requiring disclosure.

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.

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 19. We continue to implement initiatives to drive energy efficiency across our operations in support of our net zero ambitions. Examples include:

- Completing LED lighting upgrades: following upgrades in distribution centres and customer fulfilment centres, we have continued to roll out LED lighting across the UK estate improving lighting efficiencies in more than 560 stores, resulting in both front and back of store having LED lighting.
- Continued investment in an enhanced energy monitoring platform: insights from monitoring energy usage and key assets provide opportunities to further optimise energy usage and inform better decisions across our stores portfolio.
- Heating, ventilation and air-conditioning (HVAC): we continue to progress trials for low carbon solutions and drive market changes to support decarbonisation plans.
- Progressing use of Telematics and Hive route planning systems: in our home delivery vans and distribution fleet we continue to use telematics and improved planning systems, to gain best operational efficiencies, improving route plans which reduce mileage and energy requirements.
- Plans to introduce refrigeration units using CO_2 as a refrigerant: over the next 12 months, units will be rolled out into distribution vehicles in the UK.
- Introduced electric LGVs into distribution centres: with plans to roll out more in 2023/24, as well as introducing refrigeration units into vehicles that harness solar power to power these units.

Modern Slavery Act

As per section 54(1) of the Modern Slavery Act 2015, our Modern Slavery Statement is reviewed and approved by the Board on an annual basis and published on our Group website. The statement covers the activities of Tesco PLC and certain UK subsidiaries 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.

In our supply chains and within our own business, our greatest risks of modern slavery exist where there is a reliance on temporary, seasonal, informal and lower-paid labour. Through consultation with external experts and Tesco's in-house team expertise, our enhanced modern slavery strategy details our risk areas based on regions, products, supply chains and known drivers of risk. Based on the above criteria, and established knowledge, we have identified four priority areas: primary sites and end-to-end poultry in Thailand and Malaysia; priority fisheries; UK and Central Europe own-operations; and UK seasonal produce.

Our approach to preventing, identifying and mitigating modern slavery is based on the five factors that we believe are vital to enabling an environment to eradicate modern slavery, which include effective grievance mechanisms and remediation. We have a robust programme for identifying potential or actual modern slavery concerns including regular SEDEX Members Ethical Trade Audits (SMETA), training requirements for all primary suppliers and a network of 40 in-country specialists.

Detailed examples of how we have remediated issues identified can be found within our Modern Slavery Statement and include the reimbursement of identified recruitment fees. Recruitment fees and debt bondage are recognised to have a causal factor in more than 50% of modern slavery cases globally. As such, we are focusing on responsible recruitment as a strategy to mitigate risk at the source. We have implemented specific responsible recruitment policies for suppliers in Thailand and Malaysia, and are working with suppliers in the UK to embed best practice.

More information on our statement can be found on our website at www.tescoplc.com.

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 key controls such as: policies (anti-bribery, gifts and entertainment, conflicts of interest, 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 twice a year with the Audit Committee.

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 38 to 45.

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 employees 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 employees, 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.

Additional disclosures

Other information that is relevant to the Directors' report, and which is incorporated by reference into this report, can be located as follows:

Disclosures required pursuant to the Listing Rules can be found on the following pages:

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. The Strategic report can be found on pages 1 to 47 and includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy.

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 51 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, 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
12 April 2023

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 25 February 2023 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;
- Tesco Bank loan impairment;
- recognition of commercial income;
- Tesco Bank goodwill impairment;
- pension valuation; and
- retail technology environment, including IT security.

Within this report, key audit matters are identified as follows:

! 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 £100m (2021/22: £100m) which was determined on the basis of 4.64% (2021/22: 4.60%) of adjusted profit before tax from continuing operations (including net pension finance income/(cost)) as described further on page 115.

Scoping

Our audit scoping provides full scope and specified scope audit coverage of 97% (2021/22: 96%) of revenue from continuing operations, 93% (2021/22: 98%) of operating profit from continuing operations and 96% (2021/22: 95%) of total assets.

Significant changes in our approach

There are no significant changes in our approach in comparison to prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining confirmation for the financing facilities including nature of facilities, repayment terms and covenants to ensure 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 (which included the impact of global supply chain pressures and recessionary impact on customers' disposal income);
- 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; 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 for 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.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.1 Store impairment review		
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 £16,862m (2021/22: £17,060m) of property, plant and equipment and £5,500m of right of use assets (2021/22: £5,720m) at 25 February 2023. 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. 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 impact of cost of living increases and fluctuations in energy costs and inflation) on forecast cash flows and property fair values where conditions existed at the balance sheet date.	Our audit procedures included obtaining an understanding of relevant controls around the impairment review process. 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 cost-of-living crisis and 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 leveraging 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; – with the involvement of our valuation specialists, calculating an independent range and evaluating management's inputs to their discount rate and 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 cost-of-living crisis and fluctuations in energy prices and inflation; – using analytical techniques to identify unusual trends in data inputs and model outputs, to identify inaccurate data and any modelling errors or 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 cashflows contained within the LTP which are not permissible under IAS 36; and – checking the integrity of the value in use model prepared by the Group, with the assistance of our specialist modelling team.	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 charge is reasonable. We also consider the disclosures, including the sensitivity disclosure in Note 14, to be appropriate.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.1 Store impairment review continued		
The key audit matter relates specifically to the UK trading store portfolio which represents 80% of both the Group's property, plant and equipment and right of use asset balances. Management's impairment review is sensitive to changes in the key assumptions as set out in Note 14. Judgement is required to forecast store cash flows which are derived from the Board approved Long Term Plan (LTP). 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 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 adjustments made to the LTP cashflows to ensure the impairment model cashflows comply with IAS 36; – 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 cashflows derived from the LTP are in accordance with IAS 36. This increases the complexity and level of judgement within the impairment model. As a result of the Group's store impairment review completed during the year, a net impairment charge of £982m (2021/22: £115m) was recognised. 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 74.	In relation to the Group's stores where their value is supported by fair value less costs to dispose, 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 (rather than value in use) 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. Our property valuation specialists have been involved 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 audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.2 Tesco Bank loan impairment		
As disclosed in Note 23 (Loans and advances to customers), the Group held an expected credit loss (ECL) provision in respect of loans and advances to customers of £461m at 25 February 2023 (2021/22: £489m). The ECL on loans and advances to customers charged to the income statement was £61m in the year to 25 February 2023 (2021/22: £30m credit). The increase in the charge compared to the prior year is primarily due to the impact of the worsening macroeconomic outlook in the current year, partially offset by a reduction in post-model adjustments (PMAs), including the release of COVID-19 related PMAs. Loan impairment remains one of the most significant judgements made by management. We consider the most significant areas of judgement within the Group's collective provisioning methodologies, and therefore the key audit matters within loan impairment, to be: – **Macroeconomic scenarios**: ECL provisions are required to be 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 scenario that are incorporated into the ECL model. – **PMAs**: Management has included a customer uncertainty PMA of £22m (2021/22: £75m) and model underestimation and uncertainty PMA of £68m (2021/22: £nil) to capture the potential downside risks and model limitations arising as a result of the continued macroeconomic uncertainty and cost-of-living crisis on the Bank's customers. Other material judgements include the determination of the expected lifetime, the definition of a significant increase in credit risk, the determination of probability of default and exposure at default, the identification of loss events and the determination of loss given default. Given the material 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 through manipulation of this balance. Management's associated accounting policies are detailed in Note 1, including detail about the judgements made in applying accounting policies and critical accounting estimates. The Audit Committee's discussion of this key audit matter is set out on page 74.	We have obtained an understanding of and assessed the relevant controls, including model governance forums, model monitoring and calibration, the determination of PMAs, the review and approval of macroeconomic scenarios, 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. **Macroeconomic scenarios and related model refinements** 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 external sources to assess their reasonableness, considering the forecasts in light of any contradictory information. We also assessed the competence, capabilities 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. We also evaluated whether there was appropriate disclosure regarding the macroeconomic scenarios selected by management, their probability weighting, and the related sensitivities. **PMAs** With support from our credit risk specialists, we challenged the appropriateness of the customer uncertainty and model underestimation risk uncertainty PMAs recorded by management, as well as the completeness of PMAs with reference to our observations in the broader market and understanding of the risk profile of the portfolio. We evaluated the accuracy of the calculation of the PMAs, which included an assessment of the completeness and accuracy of the underlying data used by management in their calculation. We also evaluated whether there was appropriate disclosure regarding the significant PMAs including how they were determined and the range of possible outcomes.	Based on our audit procedures we are satisfied that management's provision is reasonably stated, and is supported by a methodology that is consistently applied and compliant with IFRS 9. We consider the sensitivity disclosures provided in Note 27 (Financial risk management) to the financial statements to be appropriate.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations

5.3 Recognition of commercial income

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
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 receivable 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 marketing campaign has been held. The variety and number of the buying arrangements with suppliers can make it complex to determine the performance conditions associated with the income, 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 through possible manipulation of this income for promotional space and cost price reconciliation agreements. With the exception of the UK retail business, we consider the risk associated with commercial income in all other components of the Group to have reduced in comparison to the prior year, reflecting the changing nature and quantum of the associated commercial income arrangements in these businesses. The Audit Committee's discussion of this key audit matter is set out on page 74.	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 which exhibited characteristics of audit interest, such as those related to promotional space or cost price reconciliations, upon which we completed detailed audit testing; – tested whether amounts recognised were accurate and recorded in the correct period by circularising a sample of suppliers to test 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. Where responses from suppliers were not received, we completed alternative procedures such as agreement to underlying contractual arrangements; – tested the year-end accrual for promotional deals to assess whether performance obligations have been fulfilled where they have been invoiced subsequent to year end; – tested the mechanical accuracy of calculations in respect of relevant arrangements; – held discussions with certain suppliers to further understand relevant arrangements; – held discussions with members of the Group's buying personnel to further understand the buying processes; – tested the completeness of commercial income by evaluating management's review and conclusions related to any commercial income deals that may have been missed 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; – assessed the Group's ongoing compliance with the Groceries Supplier Code of Practice (GSCOP), and additionally, evaluated the reporting and correspondence to the Group's supplier hotline in order to identify any areas where further investigation was required; and – assessed the appropriateness of the disclosures made in relation to commercial income in the Group's financial statements.	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.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.4 Tesco Bank goodwill impairment		
As described in Note 1 (Accounting policies, judgements and estimates) and Note 10 (Goodwill and other intangible assets) of the financial statements, the Group held £4,327m (2021/22: £4,291m) of goodwill, of which £500m relates to Tesco Bank (2021/22: £500m). Under IAS 36 'Impairment of assets', the Group is required to review goodwill 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. Assessing the recoverable amount of the Tesco Bank cash-generating unit requires a high level of judgement in forecasting future cash flows, determining future growth rates and estimating the discount rate to be applied. The key audit matter specifically relates to the following: – the post-tax discount rate that management apply to the cashflows; and – the cashflow forecasts reflected in the long-term plan, in particular whether the assumptions on revenue growth and the future cost base are achievable and reflect the long-term economic outlook and sector trends. Tesco Bank goodwill is sensitive to changes in the key assumptions, in particular the discount rate and long-term plan cash flows, with a 0.3%pt increase in the discount rate, decrease in annual equity cashflows of 4.3% or decrease in long-term growth rate of 0.4%pt reducing the year-end headroom of £51m to £nil, as noted in Note 14. As management have continued to execute and deliver against Tesco Bank's strategy, the uncertainty associated with achieving the planned cash flows associated with its value in use is reduced. We have therefore reduced the risk level associated with the Tesco Bank goodwill impairment from the prior year. The Audit Committee's discussion of this key audit matter is set out on page 72.	Our audit procedures included obtaining an understanding of relevant controls in relation to the review and approval of the discount rate and Tesco Bank's cash flow forecasts used in the model. We have also performed a series of specific audit procedures to address the key audit matter which included the following: Discount rate **Use of specialists**: We involved our valuation specialists in testing the discount rate used in calculating the recoverable amount. We calculated an independent range of acceptable discount rates and challenged management's inputs to their own calculation. Cashflow forecasts **Forecasting accuracy**: We assessed management's forecasting accuracy based on the historical forecasts and actuals. **Key assumptions**: We have agreed the underlying cashflow forecasts to the latest Board approved long-term plan LTP and challenged the achievability of the revenue growth and cost reduction assumptions in the outer years of the cash flow forecasts. This included consideration of management's specific initiatives for delivering growth and whether forecast margins are in line with historical margins and what is observed in the wider market. **Use of independent market expectations**: We performed a comparison of the Bank's forecast earnings multiple with those of other competitors within the banking sector to assess the overall reasonableness of the forecasts. Disclosure We also evaluated whether there was appropriate disclosure regarding the discount rate and other key assumptions, including the sensitivity disclosure.	Based on our audit procedures we are satisfied that the assumptions in the Tesco Bank goodwill impairment model are reasonable and supportable based on available evidence, both internal and external, and that no impairment was required. We also consider the disclosures, including the sensitivity disclosure in Note 14, to be appropriate.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.5 Pension valuation		
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 25 February 2023, the Group recorded a net retirement benefit deficit before deferred tax of £394m (2021/22: net retirement benefit surplus before deferred tax of £2,847m), comprising plan assets of £13,025m (2021/22: £22,390m) and plan liabilities of £13,416m (2021/22: £19,543m). The net retirement deficit of £394m (2021/22: surplus of £2,847m) before deferred tax comprises schemes in surplus of £6m (2021/22: £3,150m) and schemes in deficit of £400m (2021/22: £303m). 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 and valuation experts. The Audit Committee's discussion of this key audit matter is set out on page 74.	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 other assumptions used by management in determining the value of pension liabilities, particularly focusing on inflation and mortality. 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 adjustment made by management to the Continuous Mortality Investigation (CMI) 2021 mortality tables to apply a weighting factor to reflect its assessment of the potential COVID-19 mortality impact, with reference to advice the Group has received from its actuaries. Additionally, we have considered the competence, capabilities and objectivity of the actuaries and valuation experts engaged by management to perform valuations of the relevant plans.	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 within our reasonable range.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
5.6 Retail technology environment, including IT security		
Since 2015/16 we have reported deficiencies in certain IT controls within the retail IT systems, which could have an adverse impact on the Group's controls and financial reporting systems. Management has implemented a remediation plan on control deficiencies related to Application User Access Management and Privileged Access Management, progress against which is monitored. IT remediation is a complex, multi-year project involving management judgement 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. We consider the level of risk associated with this key audit matter has reduced from the prior year due to the continued progress made during the current year in remediating the historical IT control deficiencies identified. The Audit Committee's discussion of this key audit matter is set out on page 73.	We have continued to challenge and assess changes to the IT environment through the testing of remediated controls and concluding on the sufficiency and appropriateness of management's changes. During the year we have 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. Consistent with previous years we did not plan to take a control-reliant audit approach in the retail business due to the weaknesses in the IT environment. We have obtained an understanding of relevant manual controls which relate to identified deficiencies and consistent with the prior year we 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.	Although management's remediation plan is designed to address the historic deficiencies identified, given the complexity of the underlying systems the plan is a multi-year programme and not yet complete. Based on our audit procedures we have continued to see progress in management's remediation plan, in particular regarding user access management. Further remediation work is ongoing.

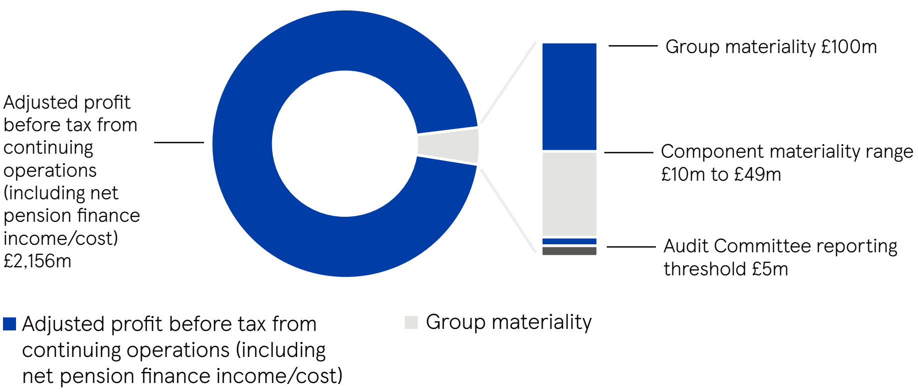
6. Our application of materiality

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	£100m (2021/22: £100m)	£75m (2021/22: £75m)
Basis for determining materiality	4.64% (2021/22: 4.60%) of adjusted profit before tax (including net pension finance income/(cost)) of £2,156m (2021/22: £2,175m).	Materiality represents less than 1% (2021/22: less than 1%) of net assets.
Rationale for the benchmark applied	We have determined materiality based on 4.64% of adjusted profit before tax from continuing 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 0.15% (2021/22: 0.16%) of the Group's revenue from continuing operations and 0.8% (2021/22: 0.6%) 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 £10m and £49m (2021/22: £9m 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% (2021/22: 65%) of Group materiality	65% (2021/22: 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 2022/23. 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 £5m (2021/22: £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.

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 shared 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.

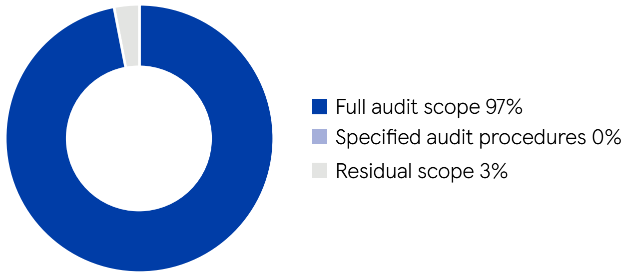
Based on our assessment of the Group, we focused our Group audit scope primarily on the audit work on six significant retail locations (UK, Booker, Republic of Ireland, Czech Republic, Hungary and Slovakia) and Tesco Bank. The operations in Czech Republic, Hungary and Slovakia are managed as one combined business. All of these components performed a detailed scoping exercise 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% (2021/22: 96%) of revenue from continuing operations, 93% (2021/22: 98%) of operating profit from continuing operations and 96% (2021/22: 95%) of total assets.

In addition, we have performed analytical review procedures for three other businesses (dunnhumby, Tesco Mobile 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.

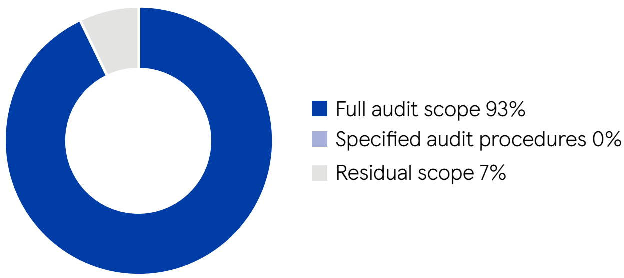
As each of the local finance functions maintains separate financial records, we have engaged component auditors from the Deloitte member firms in the UK, Republic of Ireland and Central Europe to perform procedures at all the wholly-owned components under our direction and supervision. This approach also allows 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 scope contribute the proportions of Group totals shown below.

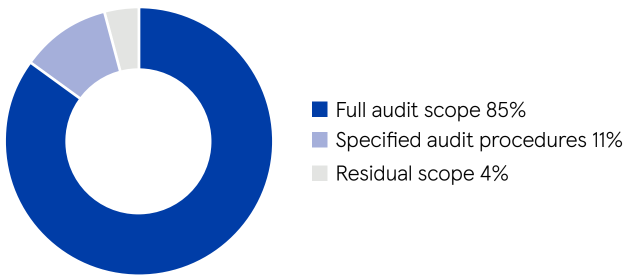
Revenue from continuing operations



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 26 retail stores in the UK to jointly attend inventory counts and to complete store control testing procedures, and 8 (2021/22: 6) distribution centre inventory counts. In 2021/22 the UK audit team visited 48 retail stores to seperately attend either inventory counts or in order to complete store control visits.

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 115 it is not possible to take a controls 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.

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 73, 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, including IT security' 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 20, viability statement on page 46, the principal risks on page 38, and in Note 14 of the financial statements.

We have 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 have 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 they have been included in the Group's forecast financial information. We used this to assess the completeness of the Group's identified risks and to develop audit procedures to respond to these risks, in particular as part of our work in relation to store impairment and long-term viability, as well as considering climate-related risks throughout our risk assessments on each financial statement account balance. Further details of our work in relation to store impairment are set out in the 'Store impairment review' key audit matter in section 5.1 above.

In considering the disclosures presented as part of the Strategic Report, we engaged our climate specialists to assess compliance with the TCFD requirements and the recommendations made by both the Task Force and FRC as set out in their thematic reviews. We have also assessed whether these disclosures reflect our understanding of the Group's approach to climate.

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 shared service centre in Bengaluru. We had a dedicated audit partner focused on overseeing the role of the component audit teams, ensuring 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 other key meetings with management throughout the 2022/23 audit process.

Additionally, the component audit teams attended an all-day planning meeting in July 2022 and a two-day planning update meeting in November 2022 led by the Group audit team and held prior to commencement of our detailed audit work. The purpose of this planning meeting was to ensure a good level of understanding of the Group's businesses, its core strategy and 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.

The Parent Company is located in the United Kingdom and audited directly by the Group audit team.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policies, key drivers for Directors’ remuneration, bonus levels and performance targets;
- the Group’s own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, the Internal Audit function, the Group’s Security function, 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;
- 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 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 and 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 requirements of the United Kingdom’s PRA, FCA and Solvency II 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 external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence, if any, with HMRC and other relevant regulatory bodies; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and 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 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 104;
- 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 76;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 38;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 38; and
- the section describing the work of the Audit Committee set out on page 71.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Group's shareholders on 25 June 2015 to audit the financial statements for the year ending 27 February 2016 and subsequent financial periods. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is eight years, covering the years ending 27 February 2016 to 25 February 2023.

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) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS. We have been engaged to provide assurance on whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS 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

12 April 2023

Group income statement

	Notes	52 weeks ended 25 February 2023 Before adjusting items £m	Adjusting items (Note 4) £m	Total £m	52 weeks ended 26 February 2022 Before adjusting items £m	Adjusting items (Note 4) £m	Total £m
Continuing operations							
Revenue	2	**65,762**	**–**	**65,762**	**61,344**	**–**	**61,344**
Cost of sales		(61,005)	(1,029)	(62,034)	(56,574)	(176)	(56,750)
Impairment (loss)/reversal on financial assets	2	(67)	–	(67)	39	–	39
Gross profit/(loss)		**4,690**	**(1,029)**	**3,661**	**4,809**	**(176)**	**4,633**
Administrative expenses		(2,060)	(76)	(2,136)	(1,984)	(89)	(2,073)
Operating profit/(loss)		**2,630**	**(1,105)**	**1,525**	**2,825**	**(265)**	**2,560**
Share of post-tax profits of joint ventures and associates	13	8	–	8	15	–	15
Finance income	5	85	–	85	9	–	9
Finance costs	5	(647)	29	(618)	(652)	101	(551)
Profit/(loss) before tax		**2,076**	**(1,076)**	**1,000**	**2,197**	**(164)**	**2,033**
Taxation	6	(442)	195	(247)	(502)	(8)	(510)
Profit/(loss) for the year from continuing operations		**1,634**	**(881)**	**753**	**1,695**	**(172)**	**1,523**
Discontinued operations							
Profit/(loss) for the year from discontinued operations	7	–	(9)	(9)	(2)	(38)	(40)
Profit/(loss) for the year		**1,634**	**(890)**	**744**	**1,693**	**(210)**	**1,483**
Attributable to:							
Owners of the parent		1,635	(890)	745	1,691	(210)	1,481
Non-controlling interests		(1)	–	(1)	2	–	2
		1,634	**(890)**	**744**	**1,693**	**(210)**	**1,483**
Earnings/(losses) per share from continuing and discontinued operations							
Basic	9			10.05p			19.34p
Diluted	9			9.96p			19.12p
Earnings/(losses) per share from continuing operations							
Basic	9			10.17p			19.86p
Diluted	9			10.08p			19.64p

The notes on pages 125 to 190 form part of these financial statements.

Group statement of comprehensive income/(loss)

	Notes	52 weeks ended 25 February 2023 £m	52 weeks ended 26 February 2022 £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	4
Remeasurements of defined benefit pension schemes	29	(3,341)	4,075
Net fair value gains on inventory cash flow hedges		54	33
Tax on items that will not be reclassified	6	853	(918)
		(2,432)	**3,194**
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		(43)	(25)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		120	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement		–	66
Gains on cash flow hedges:			
Net fair value gains		17	44
Reclassified and reported in the Group income statement		(61)	(45)
Tax on items that may be reclassified	6	21	(5)
		54	**(4)**
Total other comprehensive income/(loss) for the year		**(2,378)**	**3,190**
Profit/(loss) for the year		744	1,483
Total comprehensive income/(loss) for the year		**(1,634)**	**4,673**
Attributable to:			
Owners of the parent		(1,639)	4,671
Non-controlling interests		5	2
Total comprehensive income/(loss) for the year		**(1,634)**	**4,673**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		(1,630)	4,645
Discontinued operations		(9)	26
		(1,639)	**4,671**

The notes on pages 125 to 190 form part of these financial statements.

Group balance sheet

	Notes	25 February 2023 £m	26 February 2022 £m
Non-current assets			
Goodwill and other intangible assets	10	5,375	5,360
Property, plant and equipment	11	16,862	17,060
Right of use assets	12	5,500	5,720
Investment property		24	22
Investments in joint ventures and associates	13	93	86
Other investments	15	1,339	1,253
Trade and other receivables	17	79	159
Loans and advances to customers	23	3,029	3,141
Reinsurance assets	24	145	184
Derivative financial instruments	26	873	942
Post-employment benefit surplus	29	6	3,150
Deferred tax assets	6	82	85
		33,407	**37,162**
Current assets			
Other investments	15	353	226
Inventories	16	2,510	2,339
Trade and other receivables	17	1,315	1,263
Loans and advances to customers	23	4,052	3,349
Reinsurance assets	24	72	61
Derivative financial instruments	26	57	69
Current tax assets		63	93
Short-term investments	18	1,628	2,076
Cash and cash equivalents	18	2,465	2,345
		12,515	**11,821**
Assets of the disposal group and non-current assets classified as held for sale	7	210	368
		12,725	**12,189**
Current liabilities			
Trade and other payables	19	(9,818)	(9,181)
Borrowings	21	(1,770)	(725)
Lease liabilities	12	(595)	(547)
Insurance contract provisions	24	(570)	(623)
Customer deposits and deposits from banks	25	(4,485)	(4,729)
Derivative financial instruments	26	(99)	(26)
Current tax liabilities		(18)	(11)
Provisions	22	(366)	(283)
		(17,721)	**(16,125)**
Liabilities of the disposal group classified as held for sale	7	(14)	(14)
Net current liabilities		**(5,010)**	**(3,950)**
Non-current liabilities			
Trade and other payables	19	(153)	(53)
Borrowings	21	(5,581)	(6,674)
Lease liabilities	12	(7,132)	(7,411)
Insurance contract provisions	24	(35)	(27)
Customer deposits and deposits from banks	25	(2,265)	(1,650)
Derivative financial instruments	26	(288)	(357)
Post-employment benefit deficit	29	(400)	(303)
Deferred tax liabilities	6	(119)	(910)
Provisions	22	(194)	(183)
		(16,167)	**(17,568)**
Net assets		**12,230**	**15,644**
Equity			
Share capital	30	463	484
Share premium		5,165	5,165
Other reserves	30	3,123	3,079
Retained earnings		3,490	6,932
Equity attributable to owners of the parent		**12,241**	**15,660**
Non-controlling interests		(11)	(16)
Total equity		**12,230**	**15,644**

The notes on pages 125 to 190 form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The financial statements on pages 120 to 190 were approved and authorised for issue by the Directors on 12 April 2023.

Group statement of changes in equity

	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	**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**
Profit/(loss) for the year	**–**	**–**	**–**	**745**	**745**	**(1)**	**744**
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 (Note 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)
Tax relating to components of other comprehensive income (Note 6)	–	–	22	854	876	(2)	874
Total other comprehensive income/(loss)	**–**	**–**	**144**	**(2,528)**	**(2,384)**	**6**	**(2,378)**
Total comprehensive income/(loss)	**–**	**–**	**144**	**(1,783)**	**(1,639)**	**5**	**(1,634)**
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 (Note 30)	–	–	(758)	–	(758)	–	(758)
Own shares cancelled (Note 30)	(21)	–	816	(795)	–	–	–
Own shares purchased for share schemes (Note 30)	–	–	(188)	–	(188)	–	(188)
Share-based payments (Note 28)	–	–	157	(1)	156	–	156
Dividends (Note 8)	–	–	–	(858)	(858)	–	(858)
Tax on items credited to equity (Note 6)	–	–	–	(5)	(5)	–	(5)
Total transactions with owners	**(21)**	**–**	**27**	**(1,659)**	**(1,653)**	**–**	**(1,653)**
At 25 February 2023	**463**	**5,165**	**3,123**	**3,490**	**12,241**	**(11)**	**12,230**

	Share capital £m	Share premium £m	Other reserves (Note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 27 February 2021	**490**	**5,165**	**3,183**	**3,239**	**12,077**	**(18)**	**12,059**
Profit/(loss) for the year	**–**	**–**	**–**	**1,481**	**1,481**	**2**	**1,483**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(39)	–	(39)	–	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	66	–	66	–	66
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(21)	(21)	–	(21)
Remeasurements of defined benefit pension schemes (Note 29)	–	–	–	4,075	4,075	–	4,075
Gains/(losses) on cash flow hedges	–	–	77	–	77	–	77
Cash flow hedges reclassified and reported in the Group income statement	–	–	(45)	–	(45)	–	(45)
Tax relating to components of other comprehensive income (Note 6)	–	–	(22)	(901)	(923)	–	(923)
Total other comprehensive income/(loss)	–	–	**37**	**3,153**	**3,190**	**–**	**3,190**
Total comprehensive income/(loss)	**–**	**–**	**37**	**4,634**	**4,671**	**2**	**4,673**
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	–	30	–	30	–	30
Total inventory cash flow hedge movements	**–**	**–**	**30**	**–**	**30**	**–**	**30**
Transactions with owners							
Own shares purchased for cancellation (Note 30)	–	–	(301)	–	(301)	–	(301)
Own shares cancelled (Note 30)	(6)	–	270	(264)	–	–	–
Own shares purchased for share schemes (Note 30)	–	–	(279)	–	(279)	–	(279)
Share-based payments (Note 28)	–	–	139	12	151	–	151
Dividends (Note 8)	–	–	–	(704)	(704)	–	(704)
Tax on items credited to equity (Note 6)	–	–	–	15	15	–	15
Total transactions with owners	**(6)**	**–**	**(171)**	**(941)**	**(1,118)**	**–**	**(1,118)**
At 26 February 2022	**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**

The notes on pages 125 to 190 form part of these financial statements.

Group cash flow statement

	Notes	52 weeks ended 25 February 2023 £m	52 weeks ended 26 February 2022 £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**1,525**	**2,560**
Operating profit/(loss) of discontinued operations		**(9)**	**(51)**
Depreciation and amortisation		1,700	1,718
(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		(76)	(123)
(Profit)/loss arising from sale of other investments		3	–
(Profit)/loss arising on sale of joint ventures and associates		–	(25)
(Profit)/loss arising on sale of subsidiaries	7	–	23
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	14	982	115
Net remeasurement loss on non-current assets held for sale		23	3
Adjustment for non-cash element of pensions charge		–	7
Other defined benefit pension scheme payments	29	(23)	(19)
Share-based payments	28	59	66
Tesco Bank fair value movements included in operating profit/(loss)		70	(28)
Retail (increase)/decrease in inventories		(147)	(281)
Retail (increase)/decrease in trade and other receivables		(54)	27
Retail increase/(decrease) in trade and other payables		643	743
Retail increase/(decrease) in provisions		75	(65)
Retail (increase)/decrease in working capital		517	424
Tesco Bank (increase)/decrease in loans and advances to customers		(696)	(95)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		60	8
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables		369	47
Tesco Bank increase/(decrease) in provisions		(7)	(22)
Tesco Bank (increase)/decrease in working capital		(274)	(62)
Cash generated from/(used in) operations		**4,497**	**4,608**
Interest paid		(652)	(650)
Corporation tax paid		(123)	(201)
Net cash generated from/(used in) operating activities		**3,722**	**3,757**
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		342	309
Purchase of property, plant and equipment, investment property and other long-term assets		(971)	(949)
Purchase of intangible assets		(279)	(229)
Disposal of subsidiaries, net of cash disposed		–	161
Acquisition of subsidiaries, net of cash acquired		(71)	(48)
Proceeds from sale of joint ventures and associates		–	15
Increase in loans to joint ventures and associates		(1)	(4)
Investments in joint ventures and associates		(10)	(11)
Net (investments in)/proceeds from sale of short-term investments		451	(1,067)
Proceeds from sale of other investments		230	274
Purchase of other investments		(529)	(221)
Dividends received from joint ventures and associates		14	32
Interest received		70	3
Cash inflows from derivative financial instruments		54	–
Cash outflows from derivative financial instruments		(6)	–
Net cash generated from/(used in) investing activities		**(706)**	**(1,735)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	30	(781)	(278)
Own shares purchased for share schemes	28	(86)	(144)
Repayment of capital element of obligations under leases		(593)	(577)
Cash outflows exceeding the incremental increase in assets in a property buyback		(21)	–
Increase in borrowings		–	394
Repayment of borrowings		(709)	(775)
Cash inflows from derivative financial instruments		232	798
Cash outflows from derivative financial instruments		(371)	(921)
Dividends paid to equity owners	8	(859)	(731)
Net cash generated from/(used in) financing activities		**(3,188)**	**(2,234)**
Net increase/(decrease) in cash and cash equivalents		**(172)**	**(212)**
Cash and cash equivalents at the beginning of the year		1,771	1,971
Effect of foreign exchange rate changes		(34)	12
Cash and cash equivalents at the end of the year	18	**1,565**	**1,771**

The notes on pages 125 to 190 form part of these 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 445790). The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, UK.

The main activities of the Company and its subsidiaries (together, the Group) are those of retailing and 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 Group review of performance, 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.

New 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.

IFRS 17 'Insurance contracts' will become effective in the consolidated Group financial statements for the financial year ending 24 February 2024. IFRS 17 will principally impact the Group's subsidiary, Tesco Underwriting Limited (TU), which provides the insurance underwriting service for a number of the Group's general insurance products. The simplified premium allocation approach will be applied to all material insurance groups issued and reinsurance groups purchased subsequent to the acquisition of TU in May 2021. For contract groups issued prior to the acquisition date, the general model will be applied to the associated acquired claims liabilities. The presentation of some of the line items in the balance sheet and income statement may also change as a result of IFRS 17 adoption. The Group will adopt IFRS 17 retrospectively and comparatives will be restated from a transition date of 27 February 2022, with an immaterial transition adjustment to the opening equity balance at that date.

The impact of the following is still under assessment:

- IFRS 16 amendments 'Lease liability in a sale and leaseback', which will become effective in the consolidated Group financial statements for the financial year ending 22 February 2025, 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.

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.

The financial year represents the 52 weeks ended 25 February 2023 (prior financial year 52 weeks ended 26 February 2022). For the UK and the Republic of Ireland (UK & ROI), the results are for the 52 weeks ended 25 February 2023 (prior financial year 52 weeks ended 26 February 2022). For all other operations, the results are for the calendar year ended 28 February 2023 (prior calendar year ended 28 February 2022).

Subsidiaries

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Joint ventures and associates

The Group's share of the results of joint ventures and associates is included in the Group income statement and Group statement of comprehensive income/(loss) using the equity method of accounting. Investments in joint ventures and associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate. Dividends received from joint ventures or associates with nil carrying value are recognised in the Group income statement as part of the Group's share of post-tax profits/(losses) of joint ventures and associates.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

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.

Sale of goods

The sale of goods represents the vast majority of the Group's revenue. For goods sold in store, 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.

Note 1 Accounting policies, judgements and estimates continued

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.

Financial services

Revenue consists of interest, fees and income from the provision of retail banking and insurance.

Interest income on financial assets that are measured at amortised cost 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, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. Interest income is calculated on the gross carrying amount of a financial asset unless the financial asset is impaired, in which case interest income is calculated on the amortised cost, after allowance for expected credit losses (ECLs).

The majority of the fees in respect of services (credit card interchange fees, late payment and ATM revenue) 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.

Refer to the Insurance section below for insurance revenue.

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.

Amounts due relating to commercial income are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued commercial income is recognised within accrued income when commercial income earned has not been invoiced at the reporting date.

Finance income

Finance income, excluding income arising from financial services, 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 finance costs, excluding those arising from financial services, in the period in which they occur. For Tesco Bank, finance cost on financial liabilities is determined using the effective interest rate method and is recognised in cost of sales.

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 entity 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 the acquired 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 entity (i.e. a bargain purchase), the difference is credited to the Group income statement in the period of acquisition.

At the acquisition date of a subsidiary, goodwill acquired 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. 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.

Where the Group obtains control of a joint venture or associate, the Group's previously held interest in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Group income statement.

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, such as software, acquired customer relationships and pharmacy licences, are measured initially at acquisition cost or costs incurred to develop the asset. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Following initial recognition, 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 and are carried at cost less accumulated impairment losses.

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 (including other intangible assets, property, plant and equipment, right of use assets and investment property) 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.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Group income statement.

Goodwill impairments are not subsequently reversed. Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as a credit to the Group income statement.

Inventories

Inventories comprise goods and development properties held for resale. Inventories are valued at the lower of cost and net realisable value using the weighted average cost basis. Directly attributable costs and incomes (including applicable commercial income) are included in the cost of inventories.

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 stated at the lower of carrying amount and fair value less costs to sell.

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. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

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. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

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. The right of use asset is tested for impairment if there are any indicators of 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. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right of use asset. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Sale and leaseback

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to 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 Group 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 Group income statement from the property buyback.

Note 1 Accounting policies, judgements and estimates continued

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 Group income statement from the property buyback.

In the Group 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 (using the projected unit credit method) 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.

Share-based payments

The fair value of employee share option plans, which are equity-settled, is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the Group income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

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. Tax expense is recognised in the Group income statement except to the extent that it relates to items recognised in the Group statement of comprehensive income/(loss) or directly in the Group statement of changes in equity, in which case it is recognised in the Group statement of comprehensive income/(loss) or directly in the Group statement of changes in equity, respectively.

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. Deferred tax is charged or credited in the Group income statement, except when it relates to items charged or credited directly to the Group statement of changes in equity or the Group statement of comprehensive income/(loss), in which case the deferred tax is also recognised in equity, or other comprehensive income, respectively.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

The consolidated financial statements are presented in Pounds Sterling, which is the ultimate Parent Company's functional currency.

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 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income, or amortised cost. 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. All other financial assets are measured at fair value.

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. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, and are not subsequently reclassified to the Group income statement, including on derecognition. Impairment losses are not recognised separately from other changes in fair value. Dividends are recognised in the Group income statement when the Group's right to receive payment is established.

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. Subsequent to initial recognition, these assets 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 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 'Financial instruments', 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.

No ECL is recognised for loans and advances to banks due to the short-term nature of these balances, the frequency of origination and settlement of balances and taking account of collateral held.

Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated 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. The Group 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 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.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge, the nature of the risks being hedged and the economic relationship between the item being hedged and the hedging instrument, including whether the change in cash flows of the hedged item and hedging instrument are expected to offset each other.

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 hedge accounting until a new macro hedge accounting standard is implemented.

Derivative financial instruments with maturity dates of more than one year from the reporting date are disclosed as non-current.

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 forecasted 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. Any cost of hedging, such as the change in fair value related to forward points and currency basis adjustment, is separately accumulated in the cost of hedging reserve. The ineffective element is recognised immediately in the Group income statement within finance income or costs.

Note 1 Accounting policies, judgements and estimates continued

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 in the hedging reserve and cost of hedging reserve 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. The increase in the provision due to passage of time is recognised as interest expense. Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contract exceed the economic benefits expected to be received under the contract.

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 funding early, often at a lower cost than they could obtain themselves.

Under the arrangements, suppliers may choose to access payment early rather than on the Group's normal payment terms, at a funding cost to the supplier that 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

Prior to the acquisition of TU on 4 May 2021, the Group generated commission from the sale and service of motor and home insurance policies underwritten by TU. Following the acquisition, these amounts represent intercompany transactions which are fully eliminated in the Group income statement. The Group also generated commission from the sale and service of motor and home insurance policies underwritten by a third-party underwriter until August 2021, when the Group brought in-house the writing of home and motor insurance policies which were previously underwritten through its broker panel. Commission was based on commission rates which were independent of the profitability of underlying insurance policies. Similar commission income is also generated from the sale of white label insurance products underwritten by other third-party providers. This commission income is recognised on a net basis as such policies are sold.

In the case of some commission income on insurance policies managed and underwritten by a third party, the Group recognises commission income from policy renewals as such 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.

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.

Insurance income

Gross written premiums comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period, and exclude tax and levies. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Insurance claims

Claims and claims handling expenses are recognised as incurred, based on the estimated cost of settling all liabilities arising on events occurring up to the balance sheet date.

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 arrangements, including quota share, excess of loss and adverse development cover contracts, 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. Amounts recoverable under such contracts are generally recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance) are accounted for as financial instruments.

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 earned portion of reinsurance premiums (insurance premium income ceded to reinsurers) is recognised as reinsurance premium expense. The provision for unearned reinsurance premiums comprises the element of reinsurance premiums relating to services to be received in future years. Amounts recoverable under reinsurance contracts are assessed for impairment at each year-end date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Provision for outstanding claims
The provision for outstanding claims represents the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect 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 and other recoveries are assessed in a manner similar to the claims outstanding and presented separately as assets.

Unearned premium and unexpired risk provision
The provision for unearned premiums comprises the proportion of gross premiums written, which is estimated to be earned in the following or subsequent accounting periods, calculated separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Where the value of expected claims and expenses attributable to unexpired periods of policies in force exceeds the unearned premium provision, a further provision is made, calculated by reference to classes of business which are managed together.

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, that are applied in the preparation of the consolidated Group financial statements are discussed below:

Leases
Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations, and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease where the lessor is a related party (such as leases from joint ventures) and the lessee's incremental borrowing rate for all other leases. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on Tesco bond yields; and an entity-specific adjustment where the entity risk profile is different to that of the Group.

Refer to Note 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 income/(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 207 to 212 for further details on the Group's APMs.

Note 1 Accounting policies, judgements and estimates continued

Key sources of estimation uncertainty

The key assumptions about the future, and other key sources of estimation uncertainty at the reporting period end, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Post-employment benefit obligations

The present value of post-employment benefit obligations is determined on an actuarial basis using various assumptions, including the discount rate, inflation rate and mortality assumptions. Any changes in these assumptions will impact the carrying amount as well as the net pension finance cost/(income). Key assumptions and sensitivities for post-employment benefit obligations are disclosed in Note 29.

Impairment of non-financial assets

The Group evaluates goodwill and 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 27.

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. Commercial income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. 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.

Clubcard points breakage

Clubcard points breakage is the proportion of points that are not expected to be redeemed by customers. Management estimates breakage based on historical experience of customer redemptions, adjusted for any factors which may impact future redemption rates such as scheme changes or expected future trends in customer behaviour. Changes in breakage estimates would change the Clubcard contract liability (deferred revenue) on balance sheet (see Note 19) and the timing of revenue recognised in relation to Clubcard points.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated. The Group does not recognise contingent liabilities but discloses them. Refer to Note 34 for the disclosures.

Note 2 Segmental reporting

The Group's operating segments are determined based on the Group's 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 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 and insurance services through Tesco Bank in the UK (Tesco Bank).

This presentation reflects how the Group's operating performance is reviewed internally by management.

The CODM uses adjusted operating profit, as reviewed at monthly 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 25 February 2023 At constant exchange rates	UK & ROI £m	Central Europe £m	Total Retail at constant exchange £m	Tesco Bank £m	Total at constant exchange £m	Foreign exchange £m	Total at actual exchange £m
Continuing operations							
Revenue	60,214	4,468	64,682	1,106	65,788	(26)	65,762
Less: Fuel sales	(7,877)	(222)	(8,099)	–	(8,099)	(7)	(8,106)
APM: Sales	52,337	4,246	56,583	1,106	57,689	(33)	57,656
Adjusted operating profit	**2,307**	**174**	**2,481**	**143**	**2,624**	**6**	**2,630**
Adjusting items (Note 4)	(1,058)	(33)	(1,091)	(11)	(1,102)	(3)	(1,105)
Operating profit	**1,249**	**141**	**1,390**	**132**	**1,522**	**3**	**1,525**
Adjusted operating margin	**3.8%**	**3.9%**	**3.8%**	**12.9%**	**4.0%**		**4.0%**

52 weeks ended 25 February 2023 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	60,246	4,410	64,656	1,106	65,762
Less: Fuel sales	(7,877)	(229)	(8,106)	–	(8,106)
APM: Sales	52,369	4,181	56,550	1,106	57,656
Adjusted operating profit	**2,307**	**180**	**2,487**	**143**	**2,630**
Adjusting items (Note 4)	(1,058)	(36)	(1,094)	(11)	(1,105)
Operating profit	**1,249**	**144**	**1,393**	**132**	**1,525**
Adjusted operating margin	**3.8%**	**4.1%**	**3.8%**	**12.9%**	**4.0%**
Share of post-tax profits of joint ventures and associates					8
Finance income					85
Finance costs					(618)
Profit before tax					**1,000**

Tesco Bank revenue of £1,106m (2022: £922m) comprises interest and similar revenues of £540m (2022: £473m), fees and commissions revenue of £257m (2022: £210m) and insurance revenue of £309m (2022: £239m). For insurance, refer to Note 24.

52 weeks ended 26 February 2022 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	56,404	4,018	60,422	922	61,344
Less: Fuel sales	(6,420)	(156)	(6,576)	–	(6,576)
APM: Sales	49,984	3,862	53,846	922	54,768
Adjusted operating profit	**2,481**	**168**	**2,649**	**176**	**2,825**
Adjusting items (Note 4)	(290)	25	(265)	–	(265)
Operating profit	**2,191**	**193**	**2,384**	**176**	**2,560**
Adjusted operating margin	**4.4%**	**4.2%**	**4.4%**	**19.1%**	**4.6%**
Share of post-tax profits of joint ventures and associates					15
Finance income					9
Finance costs					(551)
Profit before tax					**2,033**

Note 2 Segmental reporting continued

Balance sheet

The following tables showing segment assets and liabilities exclude those balances that make up 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). With the exception of lease liabilities which have been allocated to each segment, and Tesco Bank net debt, 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.

At 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,715	37	623	–	5,375	–	5,375
Property, plant and equipment and investment property	15,346	1,468	72	–	16,886	–	16,886
Right of use assets	5,057	433	10	–	5,500	–	5,500
Investments in joint ventures and associates	93	–	–	–	93	–	93
Non-current other investments	218	–	1,121	–	1,339	–	1,339
Non-current trade and other receivables[a]	44	2	25	–	71	–	71
Non-current loans and advances to customers	–	–	3,029	–	3,029	–	3,029
Non-current reinsurance assets	–	–	145	–	145	–	145
Post-employment benefit surplus	6	–	–	–	6	–	6
Deferred tax assets	3	22	57	–	82	–	82
Non-current assets[b]	**25,482**	**1,962**	**5,082**	**–**	**32,526**	**–**	**32,526**
Inventories and current trade and other receivables[c]	3,118	358	243	–	3,719	–	3,719
Current loans and advances to customers	–	–	4,052	–	4,052	–	4,052
Current reinsurance assets	–	–	72	–	72	–	72
Current other investments	6	–	347	–	353	–	353
Total trade and other payables	(8,986)	(595)	(390)	–	(9,971)	–	(9,971)
Total customer deposits and deposits from banks	–	–	(6,750)	–	(6,750)	–	(6,750)
Total insurance contract provisions	–	–	(605)	–	(605)	–	(605)
Total provisions	(494)	(36)	(30)	–	(560)	–	(560)
Deferred tax liabilities	(74)	(45)	–	–	(119)	–	(119)
Net current tax	52	(16)	9	–	45	–	45
Post-employment benefit deficit	(400)	–	–	–	(400)	–	(400)
Assets of the disposal group and non-current assets classified as held for sale	25	169	–	–	194	16	210
Net debt (including Tesco Bank)[d]	(7,036)	(553)	151	(2,890)	(10,328)	(14)	(10,342)
Net assets	**11,693**	**1,244**	**2,181**	**(2,890)**	**12,228**	**2**	**12,230**

(a) Excludes non-current loans to joint ventures of £8m (2022: £9m), which form part of net debt.
(b) Excludes derivative financial instruments of £873m (2022: £942m), which form part of net debt.
(c) Excludes net interest and other receivables of £8m (2022: £1m), and current loans to joint ventures of £98m (2022: £96m), both forming part of net debt.
(d) Refer to Note 32. Net debt at 25 February 2023 includes net debt of the disposal group classified as held for sale of £(14)m (2022: £(14)m).

At 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,700	31	629	–	5,360	–	5,360
Property, plant and equipment and investment property	15,552	1,462	68	–	17,082	–	17,082
Right of use assets	5,355	354	11	–	5,720	–	5,720
Investments in joint ventures and associates	85	1	–	–	86	–	86
Non-current other investments	12	–	1,241	–	1,253	–	1,253
Non-current trade and other receivables[a]	91	–	59	–	150	–	150
Non-current loans and advances to customers	–	–	3,141	–	3,141	–	3,141
Non-current reinsurance assets	–	–	184	–	184	–	184
Post-employment benefit surplus	3,150	–	–	–	3,150	–	3,150
Deferred tax assets	2	19	64	–	85	–	85
Non-current assets[b]	**28,947**	**1,867**	**5,397**	**–**	**36,211**	**–**	**36,211**
Inventories and current trade and other receivables[c]	2,981	285	239	–	3,505	–	3,505
Current loans and advances to customers	–	–	3,349	–	3,349	–	3,349
Current reinsurance assets	–	–	61	–	61	–	61
Current other investments	–	–	226	–	226	–	226
Total trade and other payables	(8,343)	(535)	(356)	–	(9,234)	–	(9,234)
Total customer deposits and deposits from banks	–	–	(6,379)	–	(6,379)	–	(6,379)
Total insurance contract provisions	–	–	(650)	–	(650)	–	(650)
Total provisions	(401)	(28)	(37)	–	(466)	–	(466)
Deferred tax liabilities	(869)	(41)	–	–	(910)	–	(910)
Net current tax	90	(11)	3	–	82	–	82
Post-employment benefit deficit	(303)	–	–	–	(303)	–	(303)
Assets of the disposal group and non-current assets classified as held for sale	20	310	–	–	330	38	368
Net debt (including Tesco Bank)[d]	(7,350)	(474)	300	(2,678)	(10,202)	(14)	(10,216)
Net assets	**14,772**	**1,373**	**2,153**	**(2,678)**	**15,620**	**24**	**15,644**

Refer to previous table for footnotes.

Other segment information

52 weeks ended 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[a][b]	1,176	104	14	1,294
Goodwill and other intangible assets[c]	259	12	37	308
Depreciation and amortisation:				
Property, plant and equipment	(788)	(84)	(10)	(882)
Right of use assets	(500)	(37)	(2)	(539)
Investment property	(1)	–	–	(1)
Other intangible assets	(226)	(10)	(42)	(278)
Impairment[d]:				
(Loss) on financial assets	(5)	(1)	(61)	(67)

(a) Includes £248m related to obtaining control of The Tesco Dorney Limited Partnership (2022: £584m related to obtaining control of The Tesco Sarum Limited Partnership). Refer to Note 33 for further details.
(b) Includes £42m (2022: £1m) of property, plant and equipment acquired through business combinations.
(c) Includes £31m (2022: £38m) of goodwill and other intangible assets acquired through business combinations.
(d) Excludes impairment of other non-current assets. Refer to Note 14.

52 weeks ended 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[a][b]	1,485	89	14	1,588
Goodwill and other intangible assets[c]	186	10	71	267
Depreciation and amortisation:				
Property, plant and equipment	(792)	(90)	(11)	(893)
Right of use assets	(500)	(35)	(2)	(537)
Investment property	(1)	–	–	(1)
Other intangible assets	(224)	(11)	(52)	(287)
Impairment[d]:				
(Loss)/reversal on financial assets	10	(1)	30	39

Refer to previous table for footnotes.

Note 2 Segmental reporting continued

Cash flow statement

The following tables provide a split of cash flows between Retail continuing operations, Tesco Bank and Group discontinued operations.

	Retail			Bank			Discontinued operations	Tesco Group
52 weeks ended 25 February 2023	Before adjusting items £m	Adjusting items £m	**Retail Total £m**	Before adjusting items £m	Adjusting items £m	**Tesco Bank Total £m**	Total £m	**Total £m**
Operating profit/(loss)	**2,487**	**(1,094)**	**1,393**	**143**	**(11)**	**132**	**(9)**	**1,516**
Depreciation and amortisation	1,570	76	1,646	54	–	54	–	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
Other defined benefit pension scheme payments	(23)	–	(23)	–	–	–	–	(23)
Share-based payments	64	–	64	(5)	–	(5)	–	59
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	70	–	70	–	70
Cash flows generated from operations excluding working capital	**4,095**	**(113)**	**3,982**	**281**	**(11)**	**270**	**2**	**4,254**
(Increase)/decrease in working capital	468	52	520	(271)	(3)	(274)	(3)	243
Cash generated from/(used in) operations	**4,563**	**(61)**	**4,502**	**10**	**(14)**	**(4)**	**(1)**	**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*	**3,813**	**(61)**	**3,752**	**(16)**	**(14)**	**(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)	(15)	–	(15)	–	(917)
Purchase of intangible assets	(241)	–	(241)	(38)	–	(38)	–	(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*	**(796)**	**295**	**(501)**	**(205)**	**–**	**(205)**	**–**	**(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)	(4)	–	(4)	–	(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*	**(3,076)**	**(1)**	**(3,077)**	**(111)**	**–**	**(111)**	**–**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents	**(59)**	**233**	**174**	**(332)**	**(14)**	**(346)**	**–**	**(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**

* Refer to page 211 for the reconciliation of the APM: Retail free cash flow.

52 weeks ended 26 February 2022	Retail Before adjusting items £m	Retail Adjusting items £m	Retail Total £m	Bank Before adjusting items £m	Bank Adjusting items £m	Tesco Bank Total £m	Discontinued operations Total £m	Tesco Group Total £m
Operating profit/(loss)	**2,649**	**(265)**	**2,384**	**176**	**–**	**176**	**(51)**	**2,509**
Depreciation and amortisation	1,577	76	1,653	65	–	65	–	1,718
ATM net income	(14)	–	(14)	14	–	14	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	5	(128)	(123)	–	–	–	–	(123)
(Profit)/loss arising on sale of joint ventures and associates	–	(15)	(15)	(10)	–	(10)	–	(25)
(Profit)/loss arising on sale of subsidiaries	–	–	–	–	–	–	23	23
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	115	115	–	–	–	–	115
Net remeasurement (gain)/loss on non-current assets held for sale	–	6	6	–	–	–	(3)	3
Adjustment for non-cash element of pensions charge	7	–	7	–	–	–	–	7
Other defined benefit pension scheme payments	(19)	–	(19)	–	–	–	–	(19)
Share-based payments	63	–	63	3	–	3	–	66
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	(28)	–	(28)	–	(28)
Cash flows generated from operations excluding working capital	**4,268**	**(211)**	**4,057**	**220**	**–**	**220**	**(31)**	**4,246**
(Increase)/decrease in working capital	501	(105)	396	(54)	(8)	(62)	28	362
Cash generated from/(used in) operations	**4,769**	**(316)**	**4,453**	**166**	**(8)**	**158**	**(3)**	**4,608**
Interest paid	(644)	–	(644)	(5)	–	(5)	(1)	(650)
Corporation tax paid	(195)	–	(195)	(4)	–	(4)	(2)	(201)
Net cash generated from/(used in) operating activities*	**3,930**	**(316)**	**3,614**	**157**	**(8)**	**149**	**(6)**	**3,757**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	–	308	308	1	–	1	–	309
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	(37)	(43)	(80)	–	–	–	–	(80)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(854)	–	(854)	(14)	–	(14)	(1)	(869)
Purchase of intangible assets	(196)	–	(196)	(33)	–	(33)	–	(229)
Disposal of subsidiaries, net of cash disposed	–	117	117	–	–	–	44	161
Acquisition of subsidiaries, net of cash acquired	–	–	–	(48)	–	(48)	–	(48)
Proceeds from sale of joint ventures and associates	–	15	15	–	–	–	–	15
Increase in loans to joint ventures and associates	(4)	–	(4)	–	–	–	–	(4)
Investments in joint ventures and associates	(11)	–	(11)	–	–	–	–	(11)
Net (investments in)/proceeds from sale of short-term investments	(1,067)	–	(1,067)	–	–	–	–	(1,067)
Proceeds from sale of other investments	2	–	2	272	–	272	–	274
Purchase of other investments	(1)	–	(1)	(220)	–	(220)	–	(221)
Dividends received from joint ventures and associates	22	–	22	10	–	10	–	32
Dividends received from Tesco Bank	87	–	87	(87)	–	(87)	–	–
Interest received	3	–	3	–	–	–	–	3
Net cash generated from/(used in) investing activities*	**(2,056)**	**397**	**(1,659)**	**(119)**	**–**	**(119)**	**43**	**(1,735)**
Own shares purchased for cancellation	(278)	–	(278)	–	–	–	–	(278)
Own shares purchased for share schemes	(144)	–	(144)	–	–	–	–	(144)
Repayment of capital element of obligations under leases	(571)	–	(571)	(4)	–	(4)	(2)	(577)
Increase in borrowings	394	–	394	–	–	–	–	394
Repayment of borrowings	(754)	–	(754)	(21)	–	(21)	–	(775)
Cash inflows from derivative financial instruments	798	–	798	–	–	–	–	798
Cash outflows from derivative financial instruments	(921)	–	(921)	–	–	–	–	(921)
Dividends paid to equity holders	(704)	(27)	(731)	–	–	–	–	(731)
Net cash generated from/(used in) financing activities*	**(2,180)**	**(27)**	**(2,207)**	**(25)**	**–**	**(25)**	**(2)**	**(2,234)**
Net increase/(decrease) in cash and cash equivalents	**(306)**	**54**	**(252)**	**13**	**(8)**	**5**	**35**	**(212)**
Cash and cash equivalents at the beginning of the year								1,971
Effect of foreign exchange rate changes								12
Cash and cash equivalents at the end of the year								**1,771**

Refer to previous table for footnote.

Note 3 Operating expenses

Auditor's remuneration

	52 weeks 2023 £m	52 weeks 2022 £m
Fees payable to the Company's auditor and its associates for the audit of the Company and Group financial statements	3.6	2.8
The audit of the accounts of the Company's subsidiaries	9.7	8.9
Total audit services	**13.3**	**11.7**
Audit-related assurance services	1.2	0.9
Non-audit services	0.2	0.6
Total non-audit services	**1.4**	**1.5**
Total auditor's remuneration	**14.7**	**13.2**

Audit-related assurance services of £1.2m (2022: £0.9m) comprise: review of the Group's interim report £0.5m (2022: £0.5m) and other services £0.7m (2022: £0.4m). In addition to the amounts shown above, the auditor received fees of £0.3m (2022: £0.3m) for the audit of the main Group pension schemes, and fees of £0.3m (2022: £0.2m) 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 76, including how objectivity and independence is safeguarded.

Note 3 Operating expenses continued

Employment costs, including Directors' remuneration

Continuing operations	Notes	52 weeks 2023 £m	52 weeks 2022 £m
Wages and salaries		6,516	6,410
Social security costs		519	493
Post-employment defined benefits	29	24	40
Post-employment defined contributions	29	375	361
Share-based payments expense	28	112	122
Termination benefits		110	40
Total		**7,656**	**7,466**

Post-employment defined contribution charges include £143m (2022: £136m) of salaries paid as pension contributions.

The table below shows the average number of employees by segment during the financial year.

	Average number of employees		Average number of full-time equivalents	
Continuing operations	2023	2022	2023	2022
UK & ROI	309,366	326,218	196,911	204,974
Central Europe	23,971	24,935	21,998	22,895
Tesco Bank	3,589	3,591	3,397	3,354
Total	**336,926**	**354,744**	**222,306**	**231,223**

Note 4 Adjusting items

Group income statement

Refer to Note 1 for further details regarding the assessment of items as adjusting.

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	Share of joint venture and associates profits/(losses) £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	36	55	91	–	–	29	–	120
Net impairment (loss)/reversal of non-current assets[b]	(965)	(17)	(982)	–	–	129	–	(853)
Fair value less cost of disposal movements on assets held for sale	–	(14)	(14)	–	–	1	–	(13)
Restructuring[c]	(107)	(31)	(138)	–	–	26	–	(112)
Disposal of Asia operations[d]	–	2	2	–	–	–	–	2
ATM business rates refund[e]	7	–	7	–	–	(1)	–	6
Release of onerous contract provision[f]	–	5	5	–	–	–	–	5
Amortisation of acquired intangible assets[g]	–	(76)	(76)	–	–	14	–	(62)
Net pension finance income[h]	–	–	–	–	80	(15)	–	65
Fair value remeasurements of financial instruments[h]	–	–	–	–	(51)	12	–	(39)
Total adjusting items from continuing operations	**(1,029)**	**(76)**	**(1,105)**	**–**	**29**	**195**	**–**	**(881)**
Adjusting items relating to discontinued operations[i]	–	–	–	–	–	–	(9)	(9)
Total adjusting items	**(1,029)**	**(76)**	**(1,105)**	**–**	**29**	**195**	**(9)**	**(890)**

(a) The Group disposed of surplus properties that generated a profit before tax of £91m (2022: £128m). £37m relates to the disposal of mall properties in Central Europe and associated store sale and leasebacks (2022: £nil). Refer to Notes 7 and 12 for further details. Taxation includes £63m deferred tax credit on lease simplifications relating to property joint venture structures.
(b) Refer to Note 14 for further details on net impairment (loss)/reversal of non-current assets. Includes £(7)m of impairment relating to the acquisition of The Tesco Dorney Limited Partnership (refer to Note 33).
(c) Provisions relating to operational restructuring changes announced as part of 'Save to invest', a multi-year programme. The total cost of the programme to date is £(182)m. Future cost savings will not be reported within adjusting items.
(d) £4m relates to software licence fee income (2022: £26m) from services provided to CP Group as part of the Transitional Services Agreement relating to the sale of Asia. £(2)m relates to payment of outstanding employer tax liabilities as part of the disposal of Asia. Costs and income in relation to the disposal of Asia have been recognised in adjusting items in previous years.
(e) Ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores. Similar refunds have been recognised through adjusting items in previous years.
(f) Release of onerous contract provisions in ROI that had been charged through adjusting items in previous years.
(g) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(h) Net pension finance income 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.
(i) Refer to Note 7 for explanation of adjusting items relating to discontinued operations.

52 weeks ended 26 February 2022

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	Share of joint venture and associates profits/(losses) £m	**Finance income/ (costs) £m**	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions	1	127	128	–	–	(21)	–	107
Net impairment (loss)/reversal of non-current assets	(140)	25	(115)	–	–	(26)	–	(141)
Fair value less cost of disposal movements on assets held for sale	–	(6)	(6)	–	–	–	–	(6)
Restructuring provisions	(37)	(7)	(44)	–	–	8	–	(36)
Asia licence fee	–	26	26	–	–	(5)	–	21
Litigation costs	–	(193)	(193)	–	–	–	–	(193)
Disposal of China associate	–	15	15	–	–	–	–	15
Amortisation of acquired intangible assets	–	(76)	(76)	–	–	(7)	–	(83)
Net pension finance costs	–	–	–	–	(22)	6	–	(16)
Fair value remeasurements of financial instruments	–	–	–	–	123	(19)	–	104
Release of tax provisions	–	–	–	–	–	56	–	56
Total adjusting items from continuing operations	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**–**	**(172)**
Adjusting items relating to discontinued operations	–	–	–	–	–	–	(38)	(38)
Total adjusting items	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**(38)**	**(210)**

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 2023 £m	52 weeks 2022 £m	**52 weeks 2023 £m**	52 weeks 2022 £m	**52 weeks 2023 £m**	52 weeks 2022 £m
Property transactions[(a)]	–	–	335	308	–	–
Poland sale proceeds and costs	–	–	–	122	–	–
Litigation costs	–	(312)	–	–	–	–
Acquisition of property joint venture	–	–	(40)	(43)	–	–
Booker integration cash payments	–	(18)	–	–	–	–
Settlement of claims for customer redress in Tesco Bank	(4)	(8)	–	–	–	–
Disposal of China associate	–	–	–	15	–	–
ATM business rates refund[(b)]	5	14	–	–	–	–
Special dividend	–	–	–	–	(1)	(27)
Disposal of Asia operations	(2)	–	–	(5)	–	–
Restructuring[(c)]	(74)	–	–	–	–	–
Total continuing operations	**(75)**	**(324)**	**295**	**397**	**(1)**	**(27)**
Cash flows from discontinued operations	–	(1)	–	44	–	–
Total	**(75)**	**(325)**	**295**	**441**	**(1)**	**(27)**

(a) Property transactions include £43m proceeds (2022: £109m) relating to the sale of stores in Poland not included in the sale of the corporate business. £203m proceeds (2022: £nil) relate to the disposal of mall properties in Central Europe and the associated store sale and leasebacks. Refer to Notes 7 and 12 for further details.
(b) Amounts received in the year with respect to the ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores.
(c) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to invest' programme.

Note 5 Finance income and costs

Continuing operations	Notes	**52 weeks 2023 £m**	52 weeks 2022 £m
Finance income			
Interest receivable and similar income		78	4
Interest receivable on other investments		3	–
Finance income receivable on net investment in leases		4	5
Total finance income		**85**	**9**
Finance costs			
GBP MTNs and loans		(160)	(161)
EUR MTNs		(53)	(42)
USD bonds		(18)	(5)
Finance charges payable on lease liabilities		(373)	(405)
Other interest payable		(43)	(39)
Total finance costs before adjusting items		**(647)**	**(652)**
Fair value remeasurements of financial instruments*		(51)	123
Net pension finance income/(cost)	29	80	(22)
Total finance costs		**(618)**	**(551)**
Net finance costs		**(533)**	**(542)**

* Fair value remeasurements of financial instruments included £70m gain (2022: £nil) relating to the repurchase of long-dated bonds.

Note 6 Taxation

Recognised in the Group income statement

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Current tax (credit)/charge		
UK corporation tax	202	201
Overseas tax	78	69
Adjustments in respect of prior years	19	(55)
	299	**215**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(18)	216
Adjustments in respect of prior years	(35)	1
Change in tax rate	1	78
	(52)	**295**
Total income tax (credit)/charge	**247**	**510**

Reconciliation of effective tax charge

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Profit/(loss) before tax	**1,000**	**2,033**
Tax credit/(charge) at 19.0% (2022: 19.0%)	(190)	(386)
Effect of:		
Non-qualifying depreciation*	(5)	(7)
Expenses not deductible	(21)	(57)
Property items taxed on a different basis to accounting entries	33	7
Impairment of non-current assets	(87)	(43)
Banking surcharge tax	(5)	(13)
Differences in overseas taxation rates	11	10
Adjustments in respect of prior years	16	54
Share of losses of joint ventures and associates	2	3
Change in tax rate	(1)	(78)
Total income tax credit/(charge)	**(247)**	**(510)**
Effective tax rate	**24.7%**	**25.1%**

* This figure has been reduced by the tax effect of the super-deduction of £30m (2022: £23m) in respect of tax relief for fixed assets.

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Profit/(loss) before tax	**1,000**	**2,033**
Add: Adjusting items	1,076	164
Adjusted profit before tax	**2,076**	**2,197**
Tax credit/(charge) at 19.0% (2022: 19.0%)	(394)	(417)
Effect of:		
Non-qualifying depreciation(a)	(5)	(7)
Expenses not deductible	(21)	(32)
Property items taxed on a different basis to accounting entries	–	(1)
Banking surcharge tax	(5)	(13)
Differences in overseas taxation rates	10	10
Adjustments in respect of prior years	(3)	(2)
Share of profits of joint ventures and associates	2	3
Change in tax rate(b)	(26)	(43)
Total income tax credit/(charge) before adjusting items	**(442)**	**(502)**
Adjusted effective tax rate	**21.3%**	**22.8%**

(a) This figure has been reduced by the tax effect of the super-deduction of £30m (2022: £23m) in respect of tax relief for fixed assets.
(b) Change in tax rate includes £31m (2022: £19m) in relation to provision of deferred tax at 25% (2022: 25%) on assets qualifying for super-deductions.

Tax on items credited directly to the Group statement of changes in equity

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Current tax credit/(charge) on:		
Share-based payments	6	1
Deferred tax credit/(charge) on:		
Share-based payments	(11)	14
Total tax on items credited/(charged) to the Group statement of changes in equity	**(5)**	**15**

Tax relating to components of the Group statement of comprehensive income/(loss)

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Current tax credit/(charge) on:		
Pensions	124	124
Deferred tax credit/(charge) on:		
Pensions	719	(1,030)
Fair value movement on financial assets at fair value through other comprehensive income	11	5
Fair value movements on cash flow hedges	20	(22)
Total tax on items credited/(charged) to the Group statement of comprehensive income/(loss)	**874**	**(923)**

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	Short-term timing differences £m	Tax losses £m	Financial instruments £m	Total £m
At 27 February 2021	**(125)**	**(98)**	**582**	**31**	**69**	**3**	**42**	**504**
(Charge)/credit to the Group income statement	(227)	(10)	(1)	(6)	(24)	2	(29)	(295)
(Charge)/credit to the Group statement of changes in equity	–	–	–	14	–	–	–	14
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	(1,030)	–	–	–	(17)	(1,047)
Foreign exchange and other movements	–	–	(2)	–	–	1	–	(1)
At 26 February 2022	**(352)**	**(108)**	**(451)**	**39**	**45**	**6**	**(4)**	**(825)**
(Charge)/credit to the Group income statement	(80)	15	(13)	11	14	140	(35)	52
(Charge)/credit to the Group statement of changes in equity	–	–	–	(11)	–	–	–	(11)
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	719	–	–	–	31	750
Foreign exchange and other movements	(2)	(2)	–	–	1	–	–	(3)
At 25 February 2023	**(434)**	**(95)**	**255**	**39**	**60**	**146**	**(8)**	**(37)**

(a) Property-related items include a deferred tax liability on rolled-over gains of £421m (2022: £423m), deferred tax assets on capital losses of £242m (2022: £248m) and deferred tax assets on IFRS 16 balances of £235m (2022: £238m). The remaining balance relates to accelerated tax depreciation.
(b) The deferred tax asset on retirement benefits includes a deferred tax asset of £155m (2022: £275m) arising from a one-off contribution of £2.5bn paid in December 2020 on which tax deductions are spread over 4 years, with the remaining balance related to the pension schemes in deficit. Refer to Note 29 for further details.

The following is the analysis of the deferred tax balances after offset:

	2023 £m	2022 £m
Deferred tax assets	82	85
Deferred tax liabilities	(119)	(910)
	(37)	**(825)**

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:

	2023 £m	2022 £m
Deductible temporary differences	45	47
Tax losses	186	178
	231	**225**

As at 25 February 2023, the Group has unused trading tax losses from continuing operations of £1,177m (2022: £590m) available for offset against future profits. A deferred tax asset has been recognised in respect of £584m (2022: £26m) of such losses, with £571m (2022: £12m) arising in the UK and £13m (2022: £14m) in other jurisdictions. No deferred tax asset has been recognised in respect of the remaining overseas trading tax losses of £593m (2022: £564m) due to the unpredictability of future profit streams, with £552m (2022: £527m) arising in the Netherlands, £34m (2022: £33m) in Germany and £7m (2022: £4m) in other jurisdictions. Capital losses of £95m in ROI (2022: £91m) 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 has not been recognised in respect of deductible temporary differences of £45m (2022: £47m) 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 £4.3bn (2022: £4bn) 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 25 February 2023 is estimated to be £6m (2022: £5m) which relates to taxes payable on repatriation and dividend withholding taxes levied by overseas tax jurisdictions. UK tax legislation relating to company distributions provides for exemption from tax for most repatriated profits, subject to certain exceptions.

Note 6 Taxation continued

Changes in tax law or its interpretation

The Group operates in a number of territories and so the Group's profits are subject to tax in many jurisdictions. The Group monitors income tax developments in these territories which could affect the Group's tax liabilities. The Group notes recent developments in relation to the OECD Inclusive Framework on Base Erosion and Profit Shifting but does not expect it to have a material impact on the Group's tax charge.

Note 7 Discontinued operations and assets classified as held for sale

Assets and liabilities of the disposal group and non-current assets classified as held for sale

	2023 £m	2022 £m
Assets of the disposal group[a]	11	11
Non-current assets classified as held for sale[b]	199	357
Total assets of the disposal group and non-current assets classified as held for sale	**210**	**368**
Liabilities of the disposal group[a]	(14)	(14)
Total net assets of the disposal group and non-current assets classified as held for sale	**196**	**354**

(a) The disposal group as at 25 February 2023, including £(14)m of net debt (2022: £(14)m), relates to residual properties and leases with respect to the Group's operation in Poland. Balances as at 26 February 2022 were also with respect to the Group's operation in Poland.
(b) The assets classified as held for sale consist mainly of properties in the UK, Poland and Central Europe due to be sold within one year. Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.

Assets classified as held for sale

During the year the Group sold 17 malls and one retail park in Central Europe, leasing back 17 stores within those sites. Net proceeds from the sale and leaseback transaction were £203m. As the sale and leaseback proceeds did not exceed the fair value of the stores sold, the proceeds are presented in the 'investing' category in the Group cash flow statement. The profit on disposal was £37m. Refer to Note 4. Refer to Note 12 for details on the leaseback of the stores.

Discontinued operations

Income statement of discontinued operations

	2023	2022		
	Total £m	Poland £m	Other £m	Total £m
Revenue	–	32	–	32
Operating costs	–	(34)	–	(34)
Adjusted operating profit/(loss)	**–**	**(2)**	**–**	**(2)**
Adjusted profit/(loss) after tax	**–**	**(2)**	**–**	**(2)**
Loss on disposal of Poland	–	(23)	–	(23)
Homeplus (Korea) claims settlement[a]	–	–	(33)	(33)
Other adjusting items[b][c]	(9)	3	4	7
Tax on adjusting items	–	–	11	11
Total adjusting items	**(9)**	**(20)**	**(18)**	**(38)**
Total profit/(loss) after tax of discontinued operations	**(9)**	**(22)**	**(18)**	**(40)**

(a) £(33)m in the prior year relates to the claims settlement from Homeplus (Korea) purchasers.
(b) Other adjusting items of £(9)m in the current year includes £(9)m fair value remeasurement of non-current assets classified as held for sale, £(2)m loss on disposal of surplus properties, both relating to Poland and £2m income relating to the disposal of Korea.
(c) Other adjusting items of £7m in the prior year includes £4m reversal of accruals relating to legal costs and £3m fair value remeasurement of non-current assets classified as held for sale.

Cash flow statement

	2023 £m	2022 £m
Net cash flows from operating activities	–	(6)
Net cash flows from investing activities	–	43
Net cash flows from financing activities	–	(2)
Net cash flows from discontinued operations	**–**	**35**

Note 8 Dividends

	2023		2022	
	Pence/share	£m	Pence/share	£m
Paid prior financial year final dividend[a]	7.70	574	5.95	458
Paid interim dividend[b]	3.85	284	3.20	246
Amounts recognised through equity as distributions to owners	**11.55**	**858**	**9.15**	**704**
Paid 2021 special dividend	50.93	1	50.93	27
Dividends paid in the financial year		**859**		**731**
Proposed final dividend at financial year end	**7.05**	**516**	**7.70**	**588**

(a) Excludes £7m prior financial year final dividend waived (2022: £2m) and includes the write-back of unclaimed dividend of £5m (2022: £nil).
(b) Excludes £2m interim dividend waived (2022: £1m).

The proposed final dividend was approved by the Board of Directors on 12 April 2023 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 25 February 2023. It will be paid on 23 June 2023 to shareholders who are on the Register of members at close of business on 12 May 2023.

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 2 June 2023.

The Group has a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with Tesco PLC over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. £nil (2022: £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 25 February 2023 there were 67 million (2022: 88 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 25 February 2023			52 weeks ended 26 February 2022		
	Basic	**Potentially dilutive share options and awards**	**Diluted**	Basic	Potentially dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations*	754	–	754	1,521	–	1,521
Discontinued operations	(9)	–	(9)	(40)	–	(40)
Total	**745**	**–**	**745**	**1,481**	**–**	**1,481**
Weighted average number of shares (millions)	**7,415**	**67**	**7,482**	**7,658**	**88**	**7,746**
Earnings/(losses) per share (pence)						
Continuing operations	10.17	(0.09)	10.08	19.86	(0.22)	19.64
Discontinued operations	(0.12)	–	(0.12)	(0.52)	–	(0.52)
Total	**10.05**	**(0.09)**	**9.96**	**19.34**	**(0.22)**	**19.12**

* Excludes profits/(losses) from non-controlling interests of £(1)m (2022: £2m).

APM: Adjusted diluted earnings/(losses) per share

Continuing operations	Notes	**52 weeks 2023**	52 weeks 2022
Profit/(loss) before tax (£m)		1,000	2,033
Less: Adjusting items (£m)	4	1,076	164
Adjusted profit before tax (£m)		**2,076**	**2,197**
Adjusted profit before tax attributable to the owners of the parent (£m)*		2,077	2,195
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)	6	(442)	(502)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,635**	**1,693**
Basic weighted average number of shares (millions)		7,415	7,658
Adjusted basic earnings per share (pence)		**22.05**	**22.11**
Diluted weighted average number of shares (millions)		7,482	7,746
Adjusted diluted earnings per share (pence)		**21.85**	**21.86**

* Excludes profit/(losses) before tax attributable to non-controlling interests of £(1)m (2022: £2m).

Note 10 Goodwill and other intangible assets

	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

(a) Software includes £455m (2022: £396m) net carrying value of internally generated development costs.
(b) Other intangible assets include pharmacy licences with a net carrying value of £36m (2022: £33m) and various other individually immaterial balances.
(c) Of the £78m (2022: £78m) amortisation of customer relationships and other intangible assets, £76m (2022: £76m) has been included within adjusting items. £75m (2022: £75m) of this balance arises from amortisation of intangible assets recognised upon the Booker acquisition and £1m (2022: £1m) relates to the amortisation of intangible assets recognised upon the acquisition of Best Food Logistics.
(d) Refer to Note 14.

Note 10 Goodwill and other intangible assets continued

	Goodwill £m	Software[(a)] £m	Customer relationships £m	Other intangible assets[(b)] £m	Total £m
Cost					
At 27 February 2021	**4,719**	**1,837**	**718**	**395**	**7,669**
Foreign currency translation	–	1	–	1	2
Additions	–	227	–	2	229
Acquired through business combinations	20	18	–	–	38
Disposals	–	(182)	–	(2)	(184)
At 26 February 2022	**4,739**	**1,901**	**718**	**396**	**7,754**
Accumulated amortisation and impairment losses					
At 27 February 2021	**448**	**1,305**	**224**	**299**	**2,276**
Foreign currency translation	–	2	–	–	2
Amortisation charge for the year[(c)]	–	209	76	2	287
Impairment losses[(d)]	–	17	–	1	18
Reversal of impairment losses[(d)]	–	(7)	–	(1)	(8)
Reclassification	–	(2)	–	2	–
Disposals	–	(180)	–	(1)	(181)
At 26 February 2022	**448**	**1,344**	**300**	**302**	**2,394**

Refer to previous table for footnotes.

Note 11 Property, plant and equipment

	2023			2022		
	Land and buildings £m	**Other[(a)] £m**	**Total £m**	Land and buildings £m	Other[(a)] £m	Total £m
Cost						
Opening balance	**21,977**	**5,649**	**27,626**	**21,653**	**5,743**	**27,396**
Foreign currency translation	204	65	269	(76)	(15)	(91)
Additions[(b)(c)]	591	661	1,252	992	595	1,587
Acquired through business combinations	42	–	42	–	1	1
Reclassification	3	(4)	(1)	(72)	–	(72)
Transfers to assets classified as held for sale	(85)	(5)	(90)	(446)	(17)	(463)
Disposals	(82)	(522)	(604)	(74)	(658)	(732)
Closing balance	**22,650**	**5,844**	**28,494**	**21,977**	**5,649**	**27,626**
Accumulated depreciation and impairment losses						
Opening balance	**6,814**	**3,752**	**10,566**	**6,554**	**3,897**	**10,451**
Foreign currency translation	75	45	120	(25)	(10)	(35)
Depreciation charge for the year	434	448	882	426	467	893
Impairment losses[(d)]	686	141	827	417	89	506
Reversal of impairment losses[(d)]	(168)	(19)	(187)	(324)	(43)	(367)
Reclassification	1	–	1	–	–	–
Transfers to assets classified as held for sale	(32)	(2)	(34)	(163)	(6)	(169)
Disposals	(30)	(513)	(543)	(71)	(642)	(713)
Closing balance	**7,780**	**3,852**	**11,632**	**6,814**	**3,752**	**10,566**
Net carrying value[(e)]	**14,870**	**1,992**	**16,862**	**15,163**	**1,897**	**17,060**
Construction in progress included above[(f)]	**109**	**278**	**387**	**97**	**212**	**309**

(a) Other assets consist of fixtures and fittings with a net carrying value of £1,496m (2022: £1,387m), office equipment with a net carrying value of £201m (2022: £200m) and motor vehicles with a net carrying value of £295m (2022: £310m). Depreciation charge for the year is £(292)m (2022: £(310)m), £(71)m (2022: £(78)m) and £(85)m (2022: £(79)m), respectively.
(b) Includes £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership, which was impaired by £(7)m on acquisition (2022: £584m of land and buildings related to obtaining control of The Tesco Sarum Limited Partnership, which was impaired by £(62)m on acquisition). Refer to Note 33.
(c) Includes £29m (2022: £37m) relating to other property buyback transactions.
(d) Refer to Note 14.
(e) Includes £2,814m (2022: £2,231m) of assets pledged as security for secured bonds (refer to Note 21) and £783m (2022: £914m) of property held as security in favour of the Tesco PLC Pension Scheme (refer to Note 29).
(f) 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 6 October 2022, the Group obtained control of The Tesco Dorney Limited Partnership (2022: The Tesco Sarum Limited Partnership on 17 December 2021), previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest, at which point the associated property leases from the joint venture became intercompany leases. Refer to Note 33 for further details.

Right of use assets

	2023			2022		
	Land and buildings £m	**Other £m**	**Total £m**	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,634**	**86**	**5,720**	**5,866**	**85**	**5,951**
Additions (including sale and leaseback transactions)[a]	378	64	442	544	39	583
Acquired through business combinations	4	–	4	–	–	–
Depreciation charge for the year	(501)	(38)	(539)	(497)	(40)	(537)
Impairment losses[b]	(394)	–	(394)	(195)	–	(195)
Reversal of impairment losses[b]	72	–	72	234	–	234
Derecognition on acquisition of property joint venture[c]	(198)	–	(198)	(243)	–	(243)
Other movements[d]	392	1	393	(75)	2	(73)
Closing balance	**5,387**	**113**	**5,500**	**5,634**	**86**	**5,720**

(a) Includes £70m of land under an external lease related to obtaining control of The Tesco Dorney Limited Partnership. Refer to Note 33.
(b) Refer to Note 14.
(c) Refer to Note 33.
(d) 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:

	2023 £m	2022 £m
Current	595	547
Non-current	7,132	7,411
Total lease liabilities	**7,727**	**7,958**

Maturity analysis – contractual undiscounted lease payments	**2023 £m**	2022 £m
Within one year	944	934
Greater than one year but less than two years	901	911
Greater than two years but less than three years	878	863
Greater than three years but less than four years	856	840
Greater than four years but less than five years	824	820
Greater than five years but less than ten years	3,383	3,407
Greater than ten years but less than fifteen years	2,035	2,223
After fifteen years	1,076	1,517
Total undiscounted lease payments	**10,897**	**11,515**

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 2023 £m**	52 weeks 2022 £m
Interest on lease liabilities	373	405
Variable payment expenses not included in lease liabilities	1	–
Expenses relating to short-term leases	24	26
Expenses relating to leases of low value assets (excluding amounts already included in short-term leases above)	1	1

Sale and leaseback

During the year the Group sold 17 malls and one retail park in Central Europe, leasing back 17 stores within those sites. Refer to Note 7 for details on the net proceeds and profit from the transaction. The stores are being leased back over a 15-year lease term at below-market rentals with options to extend, and the store leases have resulted in lease liability additions of £36m. The sale and leaseback transaction allows the Group to relinquish control over the malls while continuing to operate the stores within those sites.

Amounts recognised in the Group cash flow statement

	52 weeks 2023 £m	52 weeks 2022 £m
Total cash outflow for leases*	966	982

* Includes £6m (2022: £5m) related to Tesco Bank.

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 £9.1bn (2022: £9.5bn).

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% (2022: 75%) of the Group's lease liabilities are subject to inflation-linked rentals, of which 86% (2022: 87%) have inflation caps, with a weighted average cap of 3.4% (2022: 4.1%). A further 16% (2022: 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, 30% (2022: 29%) of the lease liability value was hedged through index-linked swaps (refer to Note 27).

The Group is committed to payments totalling £110m (2022: £54m) in relation to leases that have been signed but have not yet commenced.

Note 12 Leases continued

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 2023 £m**	52 weeks 2022 £m
Finance lease – interest income[(a)]	4	5
Operating lease – rental income[(b)]	90	90

(a) Includes £4m (2022: £4m) of sublease interest income.
(b) Includes £23m (2022: £20m) of sublease rental income.

Finance lease payments receivable

The finance lease receivable (net investment in the lease) included in the Group balance sheet is £36m (2022: £81m). The movement in the year is primarily driven by the derecognition of finance lease receivables following the acquisition of The Tesco Dorney Limited Partnership. Refer to Note 33.

Operating lease payments receivable maturity analysis

	2023 £m	2022 £m
Within one year	61	68
Greater than one year but less than two years	77	87
Greater than two years but less than three years	56	67
Greater than three years but less than four years	40	49
Greater than four years but less than five years	27	33
Greater than five years but less than ten years	49	58
Greater than ten years but less than fifteen years	20	23
After fifteen years	42	49
Total undiscounted operating lease payments receivable	**372**	**434**

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 199 to 203 for a complete list of Group entities.

Subsidiaries

The accounting year ends of the subsidiaries consolidated in these financial statements are on or around 25 February 2023.

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 have financial year ends of 31 December. The management accounts of these entities are used to consolidate the results to 25 February 2023 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 Coral Limited Partnership	Joint venture	Property investment	50%	England	United Kingdom
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 2022 to 25 February 2023. 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. The accounting period end dates of the associates are different from those of the Group as they depend upon the requirements of the parent companies of those entities.

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.

During the current financial year, the Group obtained control of The Tesco Dorney Limited Partnership, which was previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest. Refer to Note 33 for further details.

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	
	2023 £m	2022 £m
Summarised balance sheet		
Non-current assets[(a)]	2,032	2,480
Current assets (excluding cash and cash equivalents)	8	31
Cash and cash equivalents	21	37
Current liabilities[(b)]	(287)	(316)
Non-current liabilities[(b)]	(2,277)	(2,907)
Net liabilities	**(503)**	**(675)**
Summarised income statement		
Revenue	203	232
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 £2,988m (2022: £3,666m).
(b) The current and non-current liabilities of UK property joint ventures largely comprise loan balances of £(2,248)m (2022: £(2,733)m) and derivative swap balances of £(287)m (2022: £(435)m) entered into to hedge the cash flow variability exposures of the joint ventures.
(c) Profit/(loss) after tax includes £65m (2022: £20m) of interest cost.

Note 13 Group entities continued

	UK property joint ventures	
	2023 £m	2022 £m
Reconciliation to carrying amounts:		
Opening balance	–	–
Share of profits/(losses)*	12	20
Dividends received from joint ventures and associates	(12)	(20)
Closing balance	–	–
Group's share in ownership	50%	50%
Group's share of net liabilities	(252)	(338)
Deferred property profits offset against carrying amounts	(60)	(60)
Cumulative unrecognised losses*	168	179
Cumulative unrecognised hedge reserves*	144	219
Carrying amount	–	–

* The share of profit for the year for UK property joint ventures related to £12m (2022: £20m) dividends received from joint ventures with £nil carrying amounts (2022: £nil). £12m of profit (2022: £11m) and £75m of increase (2022: £49m of decrease) in the fair values of derivatives arising from these entities have been included in cumulative unrecognised losses and cumulative unrecognised hedge reserves, respectively.

As at 25 February 2023, the Group had £106m (2022: £105m) 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	
	2023 £m	2022 £m
Aggregate carrying amount of individually immaterial joint ventures	93	86
Group's share of profits/(losses) for the year	(4)	(5)

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

No impairment of goodwill was recognised in the current year (2022: £nil).

The table below summarises 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 recognised immediately prior to classifying an asset or disposal group as held for sale but excludes all impairments post classification as held for sale. There were no impairment losses or reversals in the year (2022: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in Tesco Bank (2022: £nil). All impairment losses and reversals are classified as adjusting items.

	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)**

	UK & ROI		Central Europe		Total		Net
52 weeks ended 26 February 2022	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	(17)	8	(1)	–	(18)	8	(10)
Property, plant and equipment	(496)	319	(10)	48	(506)	367	(139)
Right of use assets	(183)	228	(12)	6	(195)	234	39
Investment property	(6)	1	–	–	(6)	1	(5)
Total impairment (loss)/reversal of other non-current assets	**(702)**	**556**	**(23)**	**54**	**(725)**	**610**	**(115)**
Group income statement							
Cost of sales	(682)	536	(19)	25	(701)	561	(140)
Administrative expenses	(20)	20	(4)	29	(24)	49	25
Total impairment (loss)/reversal from continuing operations	**(702)**	**556**	**(23)**	**54**	**(725)**	**610**	**(115)**

The net impairment loss in UK & ROI includes an impairment loss of £7m in the UK in respect of the Group obtaining control of The Tesco Dorney Limited Partnership (2022: £62m impairment loss in UK & ROI in respect of the Group obtaining control of The Tesco Sarum Limited Partnership). Refer to Note 33 for further details.

The majority of the net impairment charge relates to increased discount rates due to increases in government bond rates as a result of the prevailing macroeconomic uncertainty. See the Key assumptions and sensitivity section of this note for applicable discount rates. Property fair values in the UK have also decreased due to the weakening of the property investment market in the last six months, which has led to increased yields.

The remaining other non-current assets impairment losses and reversals for the Group largely reflect normal fluctuations expected from store-level performance, as well as any specific store closures.

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. The amounts below exclude assets or disposal groups classified as held for sale.

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**

(a) Goodwill of £4,327m (2022: £4,291m) consists of UK £3,793m (2022: £3,788m), ROI £34m (2022: £3m) and Tesco Bank £500m (2022: £500m).
(b) The carrying value of the Group's investments includes Trent Hypermarket Private Limited £55m (2022: £55m).
(c) Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.

At 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Net carrying value				
Other intangible assets	909	31	129	1,069
Property, plant and equipment	15,538	1,454	68	17,060
Right of use assets	5,355	354	11	5,720
Investment property	14	8	–	22
Other non-current assets	**21,816**	**1,847**	**208**	**23,871**
Goodwill[(a)]	3,791	–	500	4,291
Investments in joint ventures and associates[(b)]	85	1	–	86
Net carrying value of non-current assets	**25,692**	**1,848**	**708**	**28,248**
Recoverable amount of impaired other non-current assets for which an impairment loss has been recognised or reversed, supported by:				
Value in use	2,534	78	–	2,612
Fair value less costs of disposal[(c)]	1,456	51	–	1,507
	3,990	**129**	**–**	**4,119**

Refer to previous table for footnotes.

Impairment methodology

Cash-generating units

The Group treats each store as a separate cash-generating unit for impairment testing of other intangible assets, property, plant and equipment, right of use assets and investment property. The Group allocates goodwill to groups of cash-generating units, where each country represents a group of cash-generating units for the Group's retail operations, as this represents the lowest level at which goodwill is monitored by management. Tesco Bank and dunnhumby each represent separate cash-generating units.

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.

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.

Note 14 Impairment of non-current assets continued

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. Additional scenarios take account of the risks presented by a macroeconomic downturn, higher levels of operating costs and climate change, consistent with the viability statement scenarios (see the Longer term viability statement in the Strategic report) as well as an upside scenario. The viability statement scenarios reflect 'severe but plausible' risks which are adjusted for impairment testing in order to reflect management's best estimate of future economic conditions, including any reasonably possible upside to 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 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. Risk-free rates are based on government bond rates in each geographical region and equity risk premia and equity beta are based on forecasts by recognised bodies. The Group uses the capital asset pricing model to calculate the cost of equity.

Tesco Bank goodwill

Tesco Bank value in use is calculated by discounting equity cash flows, defined as the excess above the regulatory requirement. Cash flow projections are based on the Bank's 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 rate is based on inflation and GDP growth forecasts by recognised bodies. The discount rate is the cost of equity of Tesco Bank. Risk-free rates, equity risk premia and 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, infrastructure, 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		Tesco Bank	
	2023 %	2022 %	**2023 %**	2022 %	**2023 %**	2022 %
Pre-tax discount rates	8.6 - 8.8	6.4 – 7.8	7.4	5.4	16.0	13.7
Post-tax discount rates	6.5 - 6.6	4.8 – 5.8	6.5	4.7	12.0	10.8
Long-term growth rates	2.0	1.9	2.0	1.9	1.7	1.6

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	
	2023 %	2022 %	**2023 %**	2022 %
Pre-tax discount rates	7.4 - 8.6	5.4 – 7.8	8.0 - 16.8	5.7 – 11.3
Post-tax discount rates	6.5	4.7 – 5.8	6.3 – 11.1	4.5 – 8.8
Long-term growth rates	2.0	1.9	2.0 – 3.2	2.0 – 3.0

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 extended the reasonably possible movements in the future cash flows and property fair values sensitivities disclosed given the level of volatility seen in these inputs since the previous year end, driven by the wider macroeconomic environment.

(a) Except for Tesco Bank goodwill, neither a reasonably possible increase of 1.0%pt in discount rates, a 10.0% decrease in future cash flows nor a 1.0%pt decrease in long-term growth rates would indicate impairment in any group of cash-generating units to which goodwill has been allocated.

For Tesco Bank, the following table shows the assumptions adopted and the amount by which these assumption values would have to change to make the recoverable amount equal to the carrying value, the headroom sensitivity, and the impact of reasonably possible changes to these assumptions:

Key assumption	Assumption value	Headroom sensitivity	Reasonably possible change	Impact on impairment £m
Post-tax discount rates*	12.0%	Increase of 0.3%pt	Increase of 1.0%pt	(114)
Annual equity cash flows	Variable	Decrease of 4.3%	Decrease of 10.0%	(71)
Long-term growth rates	1.7%	Decrease of 0.4%pt	Decrease of 1.0%pt	(72)

(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	2023 £m
Post-tax discount rates*	Increase of 1.0%pt for each geographic region	Increase	(479)
	Decrease of 1.0%pt for each geographic region	Decrease	434
Future cash flows	Increase of 10.0% for each geographic region	Decrease	279
	Decrease of 10.0% for each geographic region	Increase	(321)
Long-term growth rates	Increase of 1.0%pt for each geographic region	Decrease	273
	Decrease of 1.0%pt for each geographic region	Increase	(267)
Property fair values	Increase of 10.0% for each geographic region	Decrease	205
	Decrease of 10.0% for each geographic region	Increase	(217)

* Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.

Note 15 Other investments

	2023				2022			
	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]	210	–	–	210	–	–	–	–
Investments in debt instruments – Bank	883	–	565	1,448	857	–	585	1,442
Investments in equity instruments – Retail	–	–	14	14	–	–	12	12
Property fund and other investments – Bank[c]	–	20	–	20	–	25	–	25
Other investments	**1,093**	**20**	**579**	**1,692**	**857**	**25**	**597**	**1,479**
Of which:								
Current	303	1	49	353	75	–	151	226
Non-current	790	19	530	1,339	782	25	446	1,253
	1,093	**20**	**579**	**1,692**	**857**	**25**	**597**	**1,479**

(a) The allowances for expected credit losses in the year are immaterial (2022: immaterial). Refer to Note 27.
(b) Includes £210m (2022: £nil) of secured bond assets of which £199m relates to the purchase of debt held in UK property joint ventures.
(c) Includes £19m (2022: £23m) of property fund investments which were recognised following the acquisition of Tesco Underwriting Limited.

Note 16 Inventories

	2023 £m	2022 £m
Goods held for resale	2,507	2,336
Development properties	3	3
	2,510	**2,339**

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 25 February 2023 was £48,822m (52 weeks ended 26 February 2022: £45,136m). Inventory losses and provisions from continuing operations recognised as an expense for the 52 weeks ended 25 February 2023 were £1,220m (52 weeks ended 26 February 2022: £1,002m).

Note 17 Trade and other receivables

	2023 £m	2022 £m
Trade receivables	531	457
Prepayments	133	135
Accrued income[a]	223	211
Other receivables	374	478
Amounts owed by joint ventures and associates (Note 31)[b]	133	141
Total trade and other receivables	**1,394**	**1,422**
Of which:		
Current	1,315	1,263
Non-current	79	159
	1,394	**1,422**

(a) Accrued income includes contract assets of £32m (2022: £51m) primarily relating to commission income on insurance policies managed and underwritten by a third party. The expected credit loss was immaterial as at 25 February 2023 (2022: immaterial).
(b) Expected credit losses on amounts owed by joint ventures and associates are not material.

Note 17 Trade and other receivables continued

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 25 February 2023	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	339	19	16	19	393
Trade and other receivables	**844**	**72**	**23**	**28**	**967**
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)**

At 26 February 2022	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	430	52	4	6	492
Other receivables	442	34	4	19	499
Trade and other receivables	**872**	**86**	**8**	**25**	**991**
Allowance for expected credit losses:					
At the beginning of the year	**(22)**	**(11)**	**(6)**	**(30)**	**(69)**
Decrease in allowance, including recoveries, released to the Group income statement	–	7	1	1	9
Amounts written off	–	–	–	4	4
At the end of the year	**(22)**	**(4)**	**(5)**	**(25)**	**(56)**

Note 18 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and on hand	2,426	2,322
Short-term deposits	39	23
Cash and cash equivalents in the Group balance sheet	**2,465**	**2,345**
Bank overdrafts	(900)	(574)
Cash and cash equivalents in the Group cash flow statement	**1,565**	**1,771**

Short-term investments

	2023 £m	2022 £m
Money market funds, deposits and similar instruments	1,628	2,076

Cash and cash equivalents includes £87m (2022: £84m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 19 Trade and other payables

	2023 £m	2022 £m
Trade payables	6,359	5,641
Other taxation and social security	399	411
Other payables	1,886	1,905
Amounts payable to joint ventures and associates (Note 31)	7	9
Accruals	877	827
Contract liabilities	443	441
Total trade and other payables	**9,971**	**9,234**
Of which:		
Current	9,818	9,181
Non-current	153	53
	9,971	**9,234**

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 £687m (2022: £935m) 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.

	2023 £m	2022 £m
Current assets		
Inventories	(18)	(15)
Trade and other receivables		
Trade/other receivables	67	68
Accrued income	127	124
Current liabilities		
Trade and other payables		
Trade payables	112	112
Accruals	(5)	–

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	2023 £m	2022 £m
Bank loans and overdrafts[(a)]	–	–	928	605
Tesco Bank Senior MREL Notes[(b)]	£145m	Jul 2025	137	244
Secured bonds[(c)]				
5.5457% Secured Bond	£235m	Feb 2029	225	251
6.067% Secured Bond	£200m	Feb 2029	195	194
SONIA + 1.3193% Secured Bond	£50m	Feb 2029	49	48
6.0517% Secured Bond	£266m	Oct 2039	337	568
5.6611% Secured Bond	£289m	Oct 2041	378	579
5.4111% Secured Bond	£187m	Jul 2044	158	–
LPI and RPI-linked bonds[(d)]				
3.322% LPI MTN	£392m	Nov 2025	396	377
1.982% RPI MTN	£346m	Mar 2036	349	312
Sustainability-linked bonds[(e)]				
1.875% MTN	£400m	Nov 2028	398	398
0.375% MTN	€750m	Jul 2029	523	576
Fixed bonds				
5% MTN	£71m	Mar 2023	75	77
1.375% MTN	€750m	Oct 2023	651	634
2.5% MTN	€473m	Jul 2024	424	403
2.5% MTN	£400m	May 2025	378	397
0.875% MTN	€750m	May 2026	663	630
6% MTN	£38m	Dec 2029	43	44
2.75% MTN	£450m	Apr 2030	359	414
5.5% MTN	£67m	Jan 2033	78	79
6.15% USD Bond	$355m	Nov 2037	366	338
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€235m	Apr 2047	213	203
5.2% MTN	£14m	Mar 2057	14	14
			7,351	**7,399**
Of which:				
Current			1,770	725
Non-current			5,581	6,674
			7,351	**7,399**

(a) Bank loans and overdrafts includes £900m (2022: £574m) of bank overdrafts. £895m (2022: £567m) 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 scheduled redemption date is July 2024. During the year there was a partial redemption by Tesco Bank of its issued MREL debt.

(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 amount of assets pledged as security for secured bonds is £802m, £1,065m, £708m and £239m (2022: £818m, £892m, £521m and £nil), respectively. £51m (2022: £50m) 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%. For the RPI-linked bond, refer to Note 27.

(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 26 February 2022	**213**	**44**	**44**	**135**	**30**	**466**
Foreign currency translation	1	1	–	1	1	4
Reclassifications	–	–	10	–	(10)	–
Amount released in the year	(21)	(8)	(3)	(23)	(5)	(60)
Amount provided in the year	37	147	7	91	8	290
Amount utilised in the year	(11)	(78)	(4)	(46)	(4)	(143)
Unwinding of discount	3	–	–	–	–	3
At 25 February 2023	**222**	**106**	**54**	**158**	**20**	**560**

The balances are analysed as follows:

	2023 £m	2022 £m
Current	366	283
Non-current	194	183
	560	**466**

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 3.8% (2022: 1.6%).

Property provisions

Property provisions comprise onerous contracts related to unprofitable stores and vacant properties, decommissioning provisions and remediation works and dilapidations 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 decommissioning and amounts released in the year primarily relate to releases of dilapidation and similar remediation provisions.

The expected undiscounted ageing of property provisions as at 25 February 2023:

	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	38	46	23	17	247	**371**

Restructuring provisions

Restructuring provisions of £106m, primarily relating to expected employee costs, are expected to be fully utilised in the following financial year to 24 February 2024. 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.

This balance consists of various individually immaterial provisions.

Operational insurance provisions

Insurance provisions relate to outstanding liabilities from public and employer's liability and third-party motor claims across the Group's trading operations, separate to the Tesco Underwriting insurance balances in Note 24. Provisions relate to claims arising from incidents reported prior to the reporting date, including an allowance for those currently incurred but not reported. Amounts are measured considering claims history, including claims volume and average cost of claims, with assessment and projection by third-party actuaries. Releases in the year primarily relate to improved estimates of future outflows from revised actuarial valuations. The balance as at the financial year end is expected to be materially utilised within three years from the reporting date.

Other provisions

Other provisions amounts primarily relate to a Tesco Bank expected credit loss provision recognised under IFRS 9 which exceeds the gross carrying amount of the related financial asset, primarily loans to customers. Further information on expected credit losses can be found within Note 27. The remaining balance relates to individually immaterial provisions that do not fall into any of the other categories.

Note 23 Loans and advances to customers

Tesco Bank has loans and advances to customers, split by maturity, as follows:

	2023 £m	2022 £m
Repayable on demand or at short notice	–	2
Within three months	4,151	3,561
Greater than three months but less than one year	178	161
Greater than one year but less than five years	2,667	2,718
After five years	546	537
	7,542	**6,979**
Expected credit loss allowance for loans and advances to customers	(461)	(489)
Loans and advances to customers	**7,081**	**6,490**
Of which:		
Current	4,052	3,349
Non-current	3,029	3,141
	7,081	**6,490**

At 25 February 2023, £2.9bn (2022: £3.0bn) of the credit card portfolio had its beneficial interest assigned to a securitisation special purpose entity, Delamare Cards Receivables Trustee Limited, for use as collateral in securitisation transactions. The total encumbered portion of this portfolio is £1.1bn (2022: £1.2bn).

At 25 February 2023, Delamare Cards MTN Issuer PLC had £1.8bn (2022: £1.8bn) notes in issue in relation to securitisation transactions.

At 25 February 2023, £1.6bn (2022: £1.4bn) of the class A retained credit card-backed notes are held within their single collateral pool.

Fair value hedge adjustments

Fair value hedge adjustments amounting to a liability of £75m (2022: liability of £30m) are in respect of fixed rate personal loans. These adjustments are largely offset by derivatives, which are used to manage interest rate risk and are designated as fair value hedges of loans and advances to customers.

Refer to Note 27 for allowance for expected credit losses disclosures.

Note 24 Insurance

Balances in this note relate to the Group's subsidiary, Tesco Underwriting Limited (TU), part of the Tesco Bank operating segment.

Insurance profit/(loss)

	52 weeks 2023 £m	52 weeks 2022 £m
Gross insurance premium income	**309**	**239**
Insurance premium income ceded to reinsurers	**(139)**	**(105)**
Current year claims paid	(140)	(104)
Change in prior year claims provision	100	52
Additional liabilities arising during the year	(135)	(98)
Insurance claims incurred	**(175)**	**(150)**
Reinsurers' share of claims incurred*	90	62
Net insurance claims	**(85)**	**(88)**
Net insurance profit/(loss)	**85**	**46**

* Includes £20m (2022: £3m) related to reinsurance quota share commission and profit commission.

Insurance contract provisions and reinsurance assets

The following tables show the breakdown of the Group's insurance contract provisions and reinsurance assets:

	2023			2022		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Unearned premiums	174	(73)	101	156	(64)	92
Claims	431	(144)	287	494	(181)	313
Total insurance contract provisions	**605**	**(217)**	**388**	**650**	**(245)**	**405**
Of which:						
Current	570	(72)	498	623	(61)	562
Non-current	35	(145)	(110)	27	(184)	(157)

Note 24 Insurance continued

Gross insurance provisions, unlike reinsurance assets, are classified as current or non-current based on contractual rights to defer settlement for at least 12 months after the reporting period, rather than expected timing of settlement. See Note 27 for the expected cash outflows in relation to these balances.

Analysis of movement in insurance contract provisions	2023 Gross £m	2023 Reinsurance £m	2023 Net £m	2022 Gross £m	2022 Reinsurance £m	2022 Net £m
Opening balance	**650**	**(245)**	**405**	**–**	**–**	**–**
Acquired through business combinations	–	–	–	650	(247)	403
Claims (paid)/recovered through insurers	(259)	108	(151)	(171)	66	(105)
Movement in claims outstanding	196	(71)	125	156	(59)	97
Changes in provisions for unearned premiums	18	(9)	9	15	(5)	10
Closing balance	**605**	**(217)**	**388**	**650**	**(245)**	**405**

Analysis of movement in provision for gross unearned premiums	2023 £m	2022 £m
Opening balance	**156**	**–**
Acquired through business combinations	–	141
Premiums written during the year	327	254
Less: premiums earned during the year	(309)	(239)
Closing balance	**174**	**156**

Analysis of movement in outstanding claims	2023 Gross £m	2023 Salvage and subrogation recoveries £m	2023 Net £m	2022 Gross £m	2022 Salvage and subrogation recoveries £m	2022 Net £m
Opening balance	**494**	**(22)**	**472**	**–**	**–**	**–**
Acquired through business combinations	–	–	–	509	(16)	493
Current period claims	309	(34)	275	213	(20)	193
Change in prior year claims	(113)	13	(100)	(57)	14	(43)
Current year claims paid	(140)	–	(140)	(104)	–	(104)
Prior year claims paid	(119)	–	(119)	(67)	–	(67)
Closing balance	**431**	**(43)**	**388**	**494**	**(22)**	**472**

Funds withheld

Funds withheld of £123m (2022: £115m), included within trade and other payables, represent the balance due to reinsurers arising from Quota Share arrangements, by which a fixed proportion of both premiums and losses are ceded to third-party reinsurers as part of the overall reinsurance protection strategy.

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 separately based on a combination of suitable benchmark assumptions and the observed development to date.

Ogden rate

The majority of claims are not discounted as they are expected to settle within four years or less. For long-term personal injury claims the personal injury discount rate (Ogden rate) is used. For claims provisions in relation to periodic payments orders, a long-term expected investment return is used as the discount rate. This is set by the Ministry of Justice and is used by the courts to calculate lump sum personal injury payments. Reserves are assessed at the current rate of (0.25)%.

Analysis of claims development – gross of reinsurance and net of salvage and subrogation recoveries

	Accident year[(a)(b)]											
Estimate of gross ultimate claim costs	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of accident year	391	349	327	371	304	317	282	220	224	48	41	–
One year later	388	353	343	372	299	297	288	209	204	278	–	–
Two years later	373	379	343	335	269	268	271	184	–	–	–	–
Three years later	383	353	323	325	258	271	235	–	–	–	–	–
Four years later	363	360	311	323	253	259	–	–	–	–	–	–
Five years later	360	347	305	309	251	–	–	–	–	–	–	–
Six years later	361	350	305	304	–	–	–	–	–	–	–	–
Seven years later	360	343	306	–	–	–	–	–	–	–	–	–
Eight years later	360	345	–	–	–	–	–	–	–	–	–	–
Nine years later	360	–	–	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	360	345	306	304	251	259	235	184	204	278	41	2,767
Cumulative payments to date	(349)	(328)	(299)	(291)	(248)	(239)	(204)	(137)	(138)	(162)	(9)	(2,404)
Claims outstanding prior to 2013 accident year	–	–	–	–	–	–	–	–	–	–	–	18
Current gross claims provision	**11**	**17**	**7**	**13**	**3**	**20**	**31**	**47**	**66**	**116**	**32**	**381**
Provision for claims handling costs	–	–	–	–	–	–	–	–	–	–	–	5
Fair value adjustment to claims outstanding provisions as a result of TU acquisition	–	–	–	–	–	–	–	–	–	–	–	2
Total gross claims outstanding provisions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**388**

(a) The information in the above claims development table covers the period from which the earliest material claim arose in TU for which there is still uncertainty about the amount and timing of the claims payments and therefore reflects claims development in respect of claims arising prior to the acquisition of TU in 2021.

(b) TU changed its reporting date from 31 December to 28 February during 2022. However, accident years remained consistent with a calendar year. Consequently, the first development year from 2022 onwards represents only two months of claims development.

Analysis of claims development – net of reinsurance and net of salvage and subrogation recoveries

	Accident year[(a)(b)]											
Estimate of ultimate claim costs	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of accident year	379	336	320	310	276	259	236	144	127	37	32	–
One year later	380	338	327	319	270	259	255	125	119	171	–	–
Two years later	368	349	331	302	252	233	244	109	–	–	–	–
Three years later	371	343	315	292	242	247	222	–	–	–	–	–
Four years later	359	339	306	292	239	236	–	–	–	–	–	–
Five years later	355	338	301	287	239	–	–	–	–	–	–	–
Six years later	356	340	301	287	–	–	–	–	–	–	–	–
Seven years later	355	334	301	–	–	–	–	–	–	–	–	–
Eight years later	353	335	–	–	–	–	–	–	–	–	–	–
Nine years later	350	–	–	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	350	335	301	287	239	236	222	109	119	171	32	2,401
Cumulative payments to date	(347)	(323)	(295)	(280)	(236)	(220)	(197)	(96)	(84)	(94)	(4)	(2,176)
Claims outstanding prior to 2013 accident year	–	–	–	–	–	–	–	–	–	–	–	12
Current net claims provision	**3**	**12**	**6**	**7**	**3**	**16**	**25**	**13**	**35**	**77**	**28**	**237**
Provision for claims handling costs	–	–	–	–	–	–	–	–	–	–	–	5
Fair value adjustment to claims outstanding provisions as a result of TU acquisition	–	–	–	–	–	–	–	–	–	–	–	2
Total net claims	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**244**

Refer to previous table for footnotes.

Note 25 Customer deposits and deposits from banks

	2023 £m	2022 £m
Customer deposits	5,770	5,327
Deposits from banks	980	1,052
	6,750	**6,379**
Of which:		
Current	4,485	4,729
Non-current	2,265	1,650
	6,750	**6,379**

Deposits from banks include balances of £906m (2022: £902m) drawn under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME). Also included are balances of £74m (2022: £150m) which have been sold under sale and repurchase agreements.

Note 26 Financial instruments

The Group recognises the following financial instruments on its balance sheet. The Group's exposure to the risks associated with its financial assets and liabilities is discussed in Note 27.

At 25 February 2023	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	374	–	–	374
Joint ventures and associates loan receivables	31	106	–	–	106
Loans and advances to customers	23	7,081	–	–	7,081
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
		12,586	**1,642**	**579**	**14,807**
Financial liabilities					
Trade payables	19	(6,359)	–	–	(6,359)
Other payables	19	(1,886)	–	–	(1,886)
Accruals	19	(877)	–	–	(877)
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)
		(30,950)	**(387)**	**–**	**(31,337)**

At 26 February 2022	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	2,319	26	–	2,345
Short-term investments*	18	906	1,170	–	2,076
Trade receivables	17	457	–	–	457
Other receivables	17	478	–	–	478
Joint ventures and associates loan receivables	31	105	–	–	105
Loans and advances to customers	23	6,490	–	–	6,490
Other investments	15	857	25	597	1,479
Derivative financial instruments:					
Interest rate swaps		–	55	–	55
Cross-currency swaps		–	223	–	223
Index-linked swaps		–	666	–	666
Foreign currency forward contracts		–	44	–	44
Diesel forward contracts		–	23	–	23
		11,612	**2,232**	**597**	**14,441**
Financial liabilities					
Trade payables	19	(5,641)	–	–	(5,641)
Other payables	19	(1,905)	–	–	(1,905)
Accruals	19	(827)	–	–	(827)
Borrowings	21	(7,399)	–	–	(7,399)
Customer deposits	25	(5,327)	–	–	(5,327)
Deposits from banks	25	(1,052)	–	–	(1,052)
Lease liabilities	12	(7,958)	–	–	(7,958)
Derivative financial instruments:					
Interest rate swaps		–	(273)	–	(273)
Cross-currency swaps		–	(85)	–	(85)
Foreign currency forward contracts		–	(25)	–	(25)
		(30,109)	**(383)**	**–**	**(30,492)**

* Comparatives have been re-presented for reclassification of certain short-term investments from amortised cost to fair value through profit or loss.

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 and at fair value 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.

		2023		2022	
	Level	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets measured at amortised cost					
Loans and advances to customers	3	7,081	7,058	6,490	6,566
Investments in debt instruments at amortised cost[(a)]	1 and 2	1,093	1,097	857	867
Joint ventures and associates loan receivables[(b)]	2	106	111	105	126
Financial liabilities measured at amortised cost					
Borrowings					
Amortised cost[(a)]	1	(5,227)	(5,496)	(5,057)	(5,942)
Bonds in fair value hedge relationships	1	(2,124)	(2,167)	(2,342)	(2,401)
Customer deposits	3	(5,770)	(5,640)	(5,327)	(5,296)

(a) These are principally Level 1 instruments.
(b) Joint ventures and associates loan receivables carrying amounts of £106m (2022: £105m) are presented in the Group balance sheet net of deferred profits of £38m (2022: £38m) historically arising from the sale of property assets to joint ventures.

Note 26 Financial instruments continued

Fair value measurement by level of fair value hierarchy

The following table presents 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 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. For Level 3 assets and liabilities, uncollateralised derivatives are valued as per Level 2 but include certain data sources which are significantly less liquid; unlisted investments are valued based on less observable inputs such as recent funding rounds.

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**

At 26 February 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	585	–	12	597
Short-term investments at fair value through profit or loss*	1,170	–	–	1,170
Cash and cash equivalents at fair value through profit or loss	–	26	–	26
Investments at fair value through profit or loss	–	23	2	25
Derivative financial instruments:				
Interest rate swaps	–	55	–	55
Cross-currency swaps	–	25	198	223
Index-linked swaps	–	115	551	666
Foreign currency forward contracts	–	44	–	44
Diesel forward contracts	–	23	–	23
Total assets	**1,755**	**311**	**763**	**2,829**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(273)	–	(273)
Cross-currency swaps	–	(85)	–	(85)
Foreign currency forward contracts	–	(25)	–	(25)
Total liabilities	**–**	**(383)**	**–**	**(383)**
Net assets/(liabilities)	**1,755**	**(72)**	**763**	**2,446**

* Comparatives have been re-presented for reclassification of certain short-term investments from amortised cost to fair value through profit or loss.

During the financial year, there were no transfers (2022: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

During the financial year, there were £nil (2022: £nil) of transfers from Level 3 to Level 2 and £nil (2022: £nil) transfer from Level 3 to Level 1. There were £18m of transfers of unlisted investments (2022: £nil) and £(223)m of derivative liabilities (2022: derivative assets of £749m) to Level 3 from Level 2 and £nil (2022: £nil) to Level 3 from Level 1.

As part of financial risk management, the Group holds certain uncollateralised derivative financial instruments, including interest rate and inflation swaps, cross-currency swaps and 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. 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 £11m (2022: £18m).

The following table presents the changes in Level 3 instruments:

	2023		2022	
	Uncollateralised derivatives £m	**Unlisted investments £m**	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the year	**749**	**14**	**–**	**11**
Gains/(losses) recognised in finance costs*	(114)	–	–	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	2	–	4
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	6	–	–	–
Additions	–	–	–	1
Disposals	(39)	–	–	(2)
Transfers of assets/(liabilities) into Level 3	(223)	18	749	–
At the end of the year	**379**	**34**	**749**	**14**

* All gains or losses are unrealised.

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 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)**

				Related amounts not offset in the Group balance sheet		
At 26 February 2022	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	1,011	–	1,011	(246)	(18)	747
Trade receivables	526	(69)	457	–	–	457
Total assets	**1,537**	**(69)**	**1,468**	**(246)**	**(18)**	**1,204**
Financial liabilities						
Derivative financial instruments	(383)	–	(383)	246	–	(137)
Trade payables	(5,710)	69	(5,641)	–	–	(5,641)
Repurchases, securities lending and similar agreements	(150)	–	(150)	–	150	–
Total liabilities	**(6,243)**	**69**	**(6,174)**	**246**	**150**	**(5,778)**

For the financial assets and liabilities subject to enforceable master netting arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Note 27 Financial risk management

The 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, including Retail and Tesco Bank, and the management of these risks are set out below and include market risk (foreign exchange, interest rate, inflation and commodity prices), credit risk, liquidity risk, capital risk and insurance risk. Additional information on the management of the financial risks specifically relating to Tesco Bank is also set out on page 170.

Tesco Group
(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 with a minimum (20%) and maximum (80%) hedge level of forecast uncommitted exposure within at least the next 12 months.	Foreign currency forward contracts or purchased currency options, 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 and expenses, assets and liabilities into Pound 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 that 100% of the foreign exchange risk is hedged.	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 Pound Sterling.	The Group's policy is to swap 100% of the foreign currency debt back to Pound Sterling, unless there are appropriate matching foreign currency assets.	Cross-currency swaps, which are designated as fair value 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 164.

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 interest rate risk in total balance sheet debt (including senior unsecured debt, lease liabilities, cash and cash equivalents and investments) to a range of 55%-85% fixed.	Interest rate swap contracts are used to fix interest rates on senior unsecured debt or investments issued at floating rates, creating a fair value hedge; and for senior unsecured debt or investments issued at fixed rates to generate variable interest exposure, creating a cashflow 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:

	2023			2022		
	Fixed £m	**Floating £m**	**Total £m**	Fixed £m	Floating £m	Total £m
Cash and cash equivalents	–	2,465	2,465	–	2,345	2,345
Short-term investments	–	1,628	1,628	–	2,076	2,076
Investments in debt instruments at amortised cost	617	476	1,093	518	339	857
Investments at fair value through other comprehensive income	570	9	579	590	7	597
Investments at fair value through profit or loss	20	–	20	25	–	25
Joint ventures and associates loan receivables	106	–	106	105	–	105
Lease liabilities	(7,727)	–	(7,727)	(7,958)	–	(7,958)
Bank and other borrowings	(6,054)	(1,297)	(7,351)	(6,465)	(934)	(7,399)
Loans and advances to customers	3,314	3,767	7,081	3,293	3,197	6,490
Customer deposits	(5,770)	–	(5,770)	(5,327)	–	(5,327)
Deposits from banks	–	(980)	(980)	–	(1,052)	(1,052)
Derivative effect:						
Interest rate swaps	190	(190)	–	(729)	729	–
Cross-currency swaps	959	(959)	–	895	(895)	–
Index-linked swaps	(346)	346	–	(310)	310	–
Total	**(14,121)**	**5,265**	**(8,856)**	**(15,363)**	**6,122**	**(9,241)**

	2023	2022
Percentage of interest-bearing debt at fixed rate	**75%**	**66%**
Weighted average rate of interest paid on senior unsecured debt, excluding joint ventures and associates	**3.87%**	**2.34%**

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-linked debt, where the principal is indexed to RPI, with an annual maximum increase of 5% and a minimum of 0% is hedged 100% using derivative contracts swapping it to be fixed.

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.

Note 27 Financial risk management continued

Sensitivity analysis

The impact on the financial statements of the Group, including Retail and Tesco Bank, 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 25 February 2023. 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:

	2023		2022	
	Income gain/(loss) £m	**Equity gain/(loss) £m**	Income gain/(loss) £m	Equity gain/(loss) £m
1% increase in interest rates (2022: 1%)	(48)	3	12	4
5% appreciation of the Euro (2022: 10%)	(11)	(79)	(19)	(123)
10% appreciation of the US Dollar (2022: 10%)	34	118	(11)	69
50 basis points parallel upward shift in the forward inflation curve (2022: 100 basis points)	101	–	337	–
10% increase in commodity prices (2022: 10%)*	1	13	1	9

* 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 165.

	2023				2022			
	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	122	2,692	(147)	2,552	53	2,994	(65)	1,386
Cross-currency swaps	–	–	(137)	662	–	–	(85)	630
Cash flow hedges								
Interest rate swaps	–	–	(3)	50	–	–	(11)	50
Index-linked swaps	240	738	–	–	230	683	–	–
Foreign currency forward contracts	30	1,091	(58)	1,352	33	1,264	(8)	435
Diesel forward contracts	4	14	(13)	119	23	65	–	–
Derivatives not in a formal hedge relationship								
Interest rate swaps	1	38	(9)	696	2	86	(197)	58
Cross-currency swaps	211	822	(4)	100	223	845	–	15
Index-linked swaps	311	2,074	–	–	436	2,574	–	–
Foreign currency forward contracts	11	821	(14)	539	11	750	(17)	844
Diesel forward contracts	–	2	(2)	13	–	–	–	–
Total	**930**	**8,292**	**(387)**	**6,083**	**1,011**	**9,261**	**(383)**	**3,418**

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:

	2023			2022		
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	1,366	2,663	553	852	2,296	602
Interest rate swaps – EUR	662	–	–	–	630	–
Cross currency swaps (GBP: EUR)*	–	–	662	–	–	630
Cash flow hedges						
Index-linked swaps	–	392	346	–	373	310
Interest rate swaps	–	–	50	–	–	50
Average net interest rate (pay)/receive						
Fair value hedges						
Interest rate swaps – GBP	(1.78)%	(1.43)%	(3.40)%	0.14%	0.49%	(0.01)%
Interest rate swaps – EUR	(1.81)%	–	–	–	0.82%	–
Cross currency swaps (GBP: EUR)*	–	–	(4.65)%	–	–	(1.17)%
Cash flow hedges						
Index-linked swaps	–	(4.23)%	(4.21)%	–	(4.23)%	(4.21)%
Interest rate swaps	–	–	(4.46)%	–	–	(4.46)%

* Average exchange rate for cross-currency swaps (GBP:EUR) is 1.13 (2022: 1.13).

At 25 February 2023, foreign currency forward contracts, designated as cash flow hedges, equivalent to £2.4bn were outstanding (2022: £1.7bn). These forward contracts are largely in relation to purchases of Euros (notional €0.4bn) (2022: notional €0.7bn) and US Dollars (notional $1.1bn) (2022: notional $0.9bn) with varying maturities up to July 2024.

For the above currencies the rates ranged from Euro/GBP 1.107 to 1.181 (2022: 1.082 to 1.195) and USD/GBP from 1.102 to 1.264 (2022: 1.319 to 1.419).

Forward commodity contracts hedging diesel purchases for own use as at 25 February 2023 had a GBP notional of £148m (2022: £65m) at a rate of £494 to £980 (2022: £267 to £571) per tonne.

The notional and fair values of these contracts is shown in the table above.

The following table sets out the details of the hedged exposures covered by the Group's fair value hedges:

		2023			2022		
	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)	3,384	(30)	(37)
Fixed-rate savings	Customer deposits	(695)	2	1	(1,481)	–	–
Fixed-rate investment securities	Investments in debt instruments at amortised cost	406	(44)	(33)	504	(11)	(22)
Fixed-rate bonds*	Borrowings	(2,605)	198	(141)	(2,796)	40	(101)

* The accumulated amount of fair value adjustments remaining in the Group balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses was £(82)m for fixed-rate bonds (2022: £(101)m).

Note 27 Financial risk management continued

The following table sets out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the hedging reserve for cash flow hedge designations:

	Hedging instrument	2023 Change in value of hedging instrument for calculating hedge ineffectiveness £m	2023 Change in value of hedged item for calculating hedge ineffectiveness £m	2023 Cumulative impact on hedging reserve[(a)] £m	2022 Change in value of hedging instrument for calculating hedge ineffectiveness £m	2022 Change in value of hedged item for calculating hedge ineffectiveness £m	2022 Cumulative impact on hedging reserve[(a)] £m
Interest rate/inflation risk							
Index-linked bonds	Index-linked swaps	9	24	42	72	(72)	90
Borrowings	Interest rate swaps	8	(8)	8	(17)	17	1
Foreign currency risk							
Trade payables	Foreign currency forward contracts	47	(47)	(25)	50	(50)	16
Commodity risk							
Trade payables	Diesel forward contracts	7	(7)	(10)	12	(12)	23
Interest rate/foreign currency risk							
MTNs[(b)]	Cross-currency swaps	–	–	34	–	–	36

(a) Excludes deferred tax.
(b) This is a discontinued hedge.

The following table sets out information regarding the effectiveness of hedging relationships designated by the Group, as well as the impacts on profit or loss and other comprehensive income:

	Line item in Group income statement that includes hedge ineffectiveness	2023 Hedge ineffectiveness recognised in profit or loss £m	2022 Hedge ineffectiveness recognised in profit or loss £m
Fair value hedges – interest rate risk			
Borrowings	Finance income	4	1

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)] £m
At 27 February 2021	**57**	**15**	**36**	**6**	**(24)**	**90**
Net fair value gains/(losses)	26	17	–	(5)	39	77
Amount reclassified to finance income/(cost) in Group income statement	(6)	(33)	(6)	–	–	(45)
Amount reclassified to inventories	–	–	–	18	12	30
Tax	(9)	2	(3)	(4)	(8)	(22)
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**

(a) Net fair value gains/(losses) relates to inventory cash flow hedges of £54m (2022: £33m) and other cash flow hedges of £nil (2022: £1m).
(b) The Group's cost of hedging reserve is £nil (2022: £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[a] £m
At 27 February 2021	**(1,300)**	**1,300**	**(1,012)**
Change in value for calculating ineffectiveness	40	(40)	40
Reclassified to Group income statement[b]	–	–	243
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)**

(a) As at 25 February 2023 the discontinued hedge balance is £(765)m (2022: £(765)m).
(b) In the prior year there was a reclassification to the income statement from the translation reserve of £243m relating to the disposal of the Group's operation in Poland.

Net investment hedge ineffectiveness was £nil (2022: £nil) during the year.

During the current financial year, currency movements increased the net value, after the effects of hedging, of the Group's overseas assets by £120m (2022: decrease by £39m). 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, loans and advances to customers, reinsurance 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, loans and advances to customers and reinsurance 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. Refer to page 171 for information on the expected credit losses of these assets.

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 £27.1bn (2022: £26.8bn).

The net counterparty exposure under derivative contracts is £0.7bn (2022: £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:

	2023 £m	2022 £m
Cash and cash equivalents[a]	2,465	2,345
Short-term investments	1,628	2,076
Trade receivables	531	457
Other receivables	374	478
Joint ventures and associates loan receivables	144	143
Loans and advances to customers	7,081	6,490
Other investments	1,692	1,479
Derivative financial assets:		
Interest rate swaps	123	55
Cross-currency swaps	211	223
Index-linked swaps	551	666
Foreign currency forward contracts	41	44
Diesel forward contracts	4	23
Off balance sheet:		
Loan commitments[b]	12,212	12,363
Maximum exposure to credit risk	**27,057**	**26,842**

(a) Cash balances with central banks of £1.6bn (2022: £1.5bn) are included within cash and cash equivalents.
(b) Loan commitments represents the undrawn amount contractually committed by Tesco Bank.

Note 27 Financial risk management continued

Counterparty credit rating

The table below provides details of financial assets by long-term credit rating of investment-grade rated counterparties:

	2023					2022				
Rating	AAA	AA	A	BBB	Total	AAA	AA	A	BBB	Total
Money market funds, deposits and similar instruments	660	200	468	300	**1,628**	1,170	350	481	75	**2,076**
Investments in debt instruments at amortised cost[(a)]	486	57	339	199	**1,081**	529	92	236	–	**857**
Investments at fair value through other comprehensive income[(b)]	94	84	233	154	**565**	133	95	238	119	**585**
Investments at fair value through profit or loss[(c)]	–	1	–	–	**1**	–	2	–	–	**2**
Derivative financial assets:										
Interest rate swaps	–	121	2	–	**123**	–	45	10	–	**55**
Cross-currency swaps	–	–	186	25	**211**	–	–	221	2	**223**
Index-linked swaps	–	–	120	431	**551**	–	–	115	551	**666**
Foreign currency forward contracts	–	–	31	10	**41**	–	2	36	5	**43**
Diesel forward contracts	–	–	–	4	**4**	–	–	14	10	**24**

(a) Excludes £12m (2022: nil) of investments in debt instruments that do not have a credit rating.
(b) Excludes £14m (2022: £12m) of investments in equity instruments that do not have a credit rating.
(c) Excludes £19m (2022: £23m) of property fund investments that do not have a credit rating.

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 expected credit loss is immaterial.

Expected credit losses

The Group applies either the simplified approach or the three-stage model for expected credit losses, depending on the nature of the financial asset. Refer to Note 1 for further detail.

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 expected credit losses for Retail are immaterial. Gross loans to related parties of £144m (2022: £143m) are presented net of loss allowances of £nil (2022: £nil) and deferred profits of £38m (2022: £38m) on the Group balance sheet. 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.

For details of credit risk relating to reinsurance assets and the expected credit losses on loans and advances to customers and investments held in Tesco Bank, refer to the separate section on Tesco Bank financial risk factors on page 173.

(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, commercial paper, 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 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.

	2023			2022		
	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 £3.8bn was in issue at 25 February 2023 (2022: £3.9bn), plus £0.4bn equivalent of USD-denominated notes issued under Rule 144A documentation (2022: £0.3bn).

Borrowing facilities

The Group has the following undrawn committed facilities available at 25 February 2023, in respect of which all conditions precedent had been met as at that date:

	2023 £m	2022 £m
Expiring in less than one year	38	38
Expiring between one and two years	200	200
Expiring in more than two years	2,500	2,500
Total	**2,738**	**2,738**

During the current financial year, the multicurrency £2.5bn revolving facility was renegotiated and extended for three years, maturing in 2025. The cost of the facility is linked to three ESG targets and includes the use of risk-free rates rather than SONIA. All three targets were met during the financial year ending 25 February 2023, leading to a reduction in the interest rate loan margin.

In addition, Tesco Bank has a separate £200m committed repurchase facility, maturing in 2024.

Both facilities incur commitment fees at market rates and would provide funding at floating rates. There were no withdrawals from the facilities during the year.

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 25 February 2023	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	(4,593)	(935)	(160)	(29)	(119)	–
Deposits from banks	(124)	(142)	(814)	–	–	–
Lease liabilities	(944)	(901)	(878)	(856)	(824)	(6,494)
Trade payables	(6,359)	–	–	–	–	–
Other payables	(1,740)	(31)	(62)	(21)	(2)	(30)
Accruals	(877)	–	–	–	–	–
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	**(16,656)**	**(2,847)**	**(2,985)**	**(1,836)**	**(1,164)**	**(11,102)**
Off balance sheet						
Contractual lending commitments	(12,212)	–	–	–	–	–
Total	**(28,868)**	**(2,847)**	**(2,985)**	**(1,836)**	**(1,164)**	**(11,102)**

At 26 February 2022	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	(625)	(757)	(708)	(896)	(701)	(3,720)
Interest payments on borrowings	(199)	(197)	(179)	(161)	(134)	(999)
Customer deposits	(4,677)	(444)	(160)	(24)	(25)	–
Deposits from banks	(163)	(17)	(115)	(805)	–	–
Lease liabilities	(934)	(911)	(863)	(840)	(820)	(7,147)
Trade payables	(5,641)	–	–	–	–	–
Other payables	(1,863)	(11)	–	(1)	(1)	(29)
Accruals	(827)	–	–	–	–	–
Derivative financial liabilities						
Net settled derivative contracts – receipts	4	9	4	3	–	–
Net settled derivative contracts – payments	(18)	(65)	(148)	(8)	(7)	(10)
Gross settled derivative contracts – receipts*	1,282	3	3	3	3	662
Gross settled derivative contracts – payments*	(1,295)	(21)	(20)	(18)	(17)	(729)
Total on balance sheet	**(14,956)**	**(2,411)**	**(2,186)**	**(2,747)**	**(1,702)**	**(11,972)**
Off balance sheet						
Contractual lending commitments	(12,363)	–	–	–	–	–
Total	**(27,319)**	**(2,411)**	**(2,186)**	**(2,747)**	**(1,702)**	**(11,972)**

* Comparatives have been re-presented on a gross basis and include derivatives of £1,955m which were previously presented net within receipts and payments.

Note 27 Financial risk management continued

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.

(d) 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.	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 payments to shareholders, buying back shares and cancelling them or issuing new shares. During the current financial year, the Group completed 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.	Refer to Note 32 for the value of the 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.

Tesco Bank

Information on the management of the financial risks specifically relating to Tesco Bank, which is additional to the information provided for the Group overall, is set out below:

(a) Capital risk

Description of risk	Management policy
Tesco Bank, including TU, has insufficient capital resources to support its plan and meet minimum capital requirements.	**Tesco Bank** It is Tesco Bank's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, Tesco Bank has regard to the supervisory requirements of the Prudential Regulation Authority (PRA). **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 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 resources

The following table analyses the regulatory capital resources of Tesco Personal Finance Group PLC (TPFG), being the regulated entity at the balance sheet date:

	2023 £m	2022 £m
Common equity tier 1 capital:		
Shareholders' funds and non-controlling interests, net of tier 1 regulatory adjustments	1,548	1,528
Tier 2 capital:		
Qualifying subordinated debt	235	235
Other interests	–	–
Total tier 2 regulatory adjustments	(42)	(42)
Total regulatory capital	**1,741**	**1,721**

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 expected credit losses (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.

Insurance capital

Available capital has remained above the SCR requirement during the period to 25 February 2023 and capital coverage of TU's SCR at the end of February 2023 was 159.0% (2022: 151.0%) (unaudited).

During the year, the Group was compliant with the externally imposed capital requirements.

(b) Liquidity risk

Description of risk	Management policy
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 table below shows information about the timing of cash outflows in relation to insurance claims liabilities, net of salvage and subrogation recoveries, based on current best estimates. The estimated phasing is based on current estimates and the actual timing of future settlement cash flows may differ from that disclosed below:

	2023		2022	
	£m	%	£m	%
Due within one year	101	26	83	18
Due between two and five years	162	42	194	41
Due beyond five years	125	32	195	41
Total outstanding claims, net of salvage and subrogation recoveries	**388**	**100**	**472**	**100**

(c) Credit risk

Description of risk	Management policy
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. Credit risk principally arises from the Bank's retail lending activities but also from the placement of surplus funds with other banks and money market funds, investments in transferable securities and interest rate and foreign exchange derivatives. In addition, credit risk arises from contractual arrangements with third parties where payments and commissions are due to the Bank for short periods of time.	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. The Bank is also exposed to wholesale credit risk primarily through its treasury activities. 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 expected credit loss (ECL) on loans and advances to customers has taken into account a range of macroeconomic scenarios. Reinsurance assets are subject to annual impairment assessment based on the credit ratings of the existing reinsurers which are monitored by TU's Reinsurance Committee.

Note 27 Financial risk management continued

Maximum exposure to credit risk

The table below presents Tesco Bank's maximum exposure to credit risk i.e. total gross exposure, by stages and by class of financial instruments. For financial assets, the balances are based on gross carrying amounts. For loan commitments, the amounts represent the amounts for which Tesco Bank is contractually committed:

At 25 February 2023	Stage 1 £m	Stage 2 Not past due £m	Stage 2 <30 days past due £m	Stage 2 >30 days past due £m	Stage 2 Total £m	Stage 3 £m	Total £m
Loans and advances to customers	5,792	1,559	40	24	1,623	202	7,617
Investments at FVOCI	565	–	–	–	–	–	565
Investments in debt instruments at amortised cost	883	–	–	–	–	–	883
Loan commitments – loans and advances to customers[(a)]	11,508	690	6	–	696	8	12,212
Total gross exposure	**18,748**	**2,249**	**46**	**24**	**2,319**	**210**	**21,277**
Loss allowance							
Loans and advances to customers[(a)]	57	258	19	14	291	113	461
Investments at FVOCI[(b)]	1	–	–	–	–	–	1
Investments in debt instruments at amortised cost	–	–	–	–	–	–	–
Total loss allowance	**58**	**258**	**19**	**14**	**291**	**113**	**462**
Net exposure							
Loans and advances to customers	5,735	1,301	21	10	1,332	89	7,156
Investments at FVOCI	564	–	–	–	–	–	564
Investments in debt instruments at amortised cost	883	–	–	–	–	–	883
Total net exposure	**7,182**	**1,301**	**21**	**10**	**1,332**	**89**	**8,603**
Coverage							
Loans and advances to customers	1%	17%	48%	58%	18%	56%	6%

(a) 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 provisions.
(b) The loss allowance for investments at FVOCI is not recognised in the carrying amount of the investments as the carrying amount is their fair value.

At 26 February 2022	Stage 1 £m	Stage 2 Not past due £m	Stage 2 <30 days past due £m	Stage 2 >30 days past due £m	Stage 2 Total £m	Stage 3 £m	Total £m
Loans and advances to customers	5,973	797	22	16	835	201	7,009
Investments at FVOCI	585	–	–	–	–	–	585
Investments in debt instruments at amortised cost	857	–	–	–	–	–	857
Loan commitments – loans and advances to customers[(a)]	12,029	325	2	1	328	6	12,363
Total gross exposure	**19,444**	**1,122**	**24**	**17**	**1,163**	**207**	**20,814**
Loss allowance							
Loans and advances to customers[(a)]	95	247	9	10	266	128	489
Investments at FVOCI[(b)]	1	–	–	–	–	–	1
Investments in debt instruments at amortised cost	–	–	–	–	–	–	–
Total loss allowance	**96**	**247**	**9**	**10**	**266**	**128**	**490**
Net exposure							
Loans and advances to customers	5,878	550	13	6	569	73	6,520
Investments at FVOCI	584	–	–	–	–	–	584
Investments in debt instruments at amortised cost	857	–	–	–	–	–	857
Total net exposure	**7,319**	**550**	**13**	**6**	**569**	**73**	**7,961**
Coverage							
Loans and advances to customers	2%	31%	41%	63%	32%	64%	7%

Refer to previous table for footnotes.

For reinsurance assets the maximum exposure to credit risk is their carrying amount. Refer to page 176 for the credit rating of the reinsurers.

Expected credit losses (ECL)

The ECL is determined by multiplying together the probability of default (PD), exposure at default (EAD) and loss given default (LGD) for the relevant time period and for each asset category and by discounting back to the balance sheet date. The ECL 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. The key economic variables are based on historical patterns observed over a range of economic cycles.

The tables below present the reconciliations of ECL allowances on loans and advances to customers:

At 25 February 2023	2023 Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure	5,792	1,623	202	7,617
Loan commitments	11,508	696	8	12,212
Total exposure	**17,300**	**2,319**	**210**	**19,829**
Allowance for expected credit losses				
At 26 February 2022	**(95)**	**(266)**	**(128)**	**(489)**
Transfers:				
Transfers from stage 1 to stage 2	21	(21)	–	–
Transfers from stage 2 to stage 1	(20)	20	–	–
Transfers to stage 3	3	21	(24)	–
Transfers from stage 3	(1)	(2)	3	–
Movements recognised in the Group income statement:				
Net remeasurement following transfer of stage	8	(27)	(54)	(73)
New financial assets originated	(25)	(63)	(7)	(95)
Financial assets derecognised during the current financial year	6	5	3	14
Changes in risk parameters and other movements	48	41	(11)	78
Other movements:				
Write-offs and asset disposals	–	2	105	107
Transfers to provisions for liabilities and charges	(2)	(1)	–	(3)
At 25 February 2023	**(57)**	**(291)**	**(113)**	**(461)**
Reconciliation to Group balance sheet				
Gross exposure	5,792	1,623	202	7,617
Allowance for expected credit losses	(57)	(291)	(113)	(461)
	5,735	**1,332**	**89**	**7,156**
Fair value adjustment				(75)
Carrying value at 25 February 2023				**7,081**

At 26 February 2022	2022 Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure	5,973	835	201	7,009
Loan commitments	12,029	328	6	12,363
Total exposure	**18,002**	**1,163**	**207**	**19,372**
Allowance for expected credit losses				
At 27 February 2021	**(131)**	**(341)**	**(153)**	**(625)**
Transfers:				
Transfers from stage 1 to stage 2	19	(19)	–	–
Transfers from stage 2 to stage 1	(45)	45	–	–
Transfers to stage 3	5	38	(43)	–
Transfers from stage 3	(2)	(3)	5	–
Movements recognised in the Group income statement:				
Net remeasurement following transfer of stage	34	(12)	(58)	(36)
New financial assets originated	(21)	(9)	(4)	(34)
Financial assets derecognised during the current financial year	15	16	3	34
Changes in risk parameters and other movements	36	24	(10)	50
Other movements:				
Write-offs and asset disposals	–	2	132	134
Transfers to provisions for liabilities and charges	(5)	(7)	–	(12)
At 26 February 2022	**(95)**	**(266)**	**(128)**	**(489)**
Reconciliation to Group balance sheet				
Gross exposure	5,973	835	201	7,009
Allowance for expected credit losses	(95)	(266)	(128)	(489)
	5,878	**569**	**73**	**6,520**
Fair value adjustment				(30)
Carrying value at 26 February 2022				**6,490**

Note 27 Financial risk management continued

Tesco Bank defines 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%.

At 25 February 2023	12-month PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loans and advances to customers:					
High quality	≤3.02	5,598	742	–	6,340
Satisfactory quality	>3.03 - 11.10	186	610	–	796
Low quality and below standard	≥11.11	8	271	–	279
Credit impaired	100	–	–	202	202
		5,792	**1,623**	**202**	**7,617**

At 26 February 2022	12-month PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loans and advances to customers:					
High quality	≤3.02	5,666	300	–	5,966
Satisfactory quality	>3.03 – 11.10	288	390	–	678
Low quality and below standard	≥11.11	19	145	–	164
Credit impaired	100	–	–	201	201
		5,973	**835**	**201**	**7,009**

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 where:

- the customer makes a declaration of significant financial difficulty;
- the customer or third-party agency communicates that it is probable that the customer will enter bankruptcy or another form of financial restructure such as insolvency or repossession;
- the account has been transferred to recoveries and the relationship is terminated;
- 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. Tesco Bank may write off loans that are still subject to enforcement activity. The outstanding contractual amount of such assets written off was £115m (2022: £110m).

Significant increase 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.

Tesco Bank has commissioned four scenarios from its third-party provider: a Base scenario; an Upside scenario; and two different Downside scenarios. The Base scenario assumes the continuation of war in Ukraine affecting energy prices and inflation, with GDP not expected to return to pre-pandemic levels until Q2 2025. The scenario projects cost-of-living pressures continuing, real disposable income declining and unemployment peaking at 5.7% by Q4 2024. The Upside scenario sees a dissipation in global supply chain disruption and a peak unemployment rate of 4.4% in 2024, while Downside scenario 1 assumes a 7.3% unemployment peak by 2025. Downside scenario 2 postulates spikes in energy prices, higher inflation and further deprecation of Sterling against the US Dollar, with subsequent GDP declines and a 9.6% unemployment peak in 2025. These scenarios are also reviewed to ensure an unbiased estimate of ECL by ensuring the credit loss distribution under a larger number of scenarios is adequately captured using these four scenarios and their respective weightings. The Base, Upside, Downside 1 and Downside 2 scenarios have been assigned weighting of 40%, 30%, 25% and 5% respectively.

The economic scenarios used include the following ranges of key indicators:

As at 25 February 2023 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	3.8%	3.0%	4.7%	5.8%
Gross domestic product[b]	1.0%	1.5%	0.4%	(0.1)%
Unemployment rate	5.2%	4.2%	6.5%	8.4%
Unemployment rate peak in year	5.4%	4.2%	6.8%	8.9%

As at 26 February 2022 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	1.0%	1.2%	0.7%	0.4%
Gross domestic product[b]	1.8%	2.2%	1.5%	1.2%
Unemployment rate	4.1%	3.9%	4.9%	6.3%
Unemployment rate peak in year	4.2%	3.9%	5.1%	6.7%

(a) Simple average.
(b) Annual growth rates.

Key assumptions and sensitivity

The key assumptions to which the Tesco Bank ECL is most sensitive are macroeconomic factors, probability of default (PD), loss given default (LGD), PD threshold (staging) and expected lifetime (revolving credit facilities). 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 Tesco Bank's calculations as at 25 February 2023 and excludes specific management overlays which are discussed further below:

		Impact on the loss allowance	
Key assumption	Reasonably possible change	**2023 £m**	2022 £m
Closing ECL allowance		**461**	**489**
Macroeconomic factors (100% weighted)	Upside scenario	(59)	(27)
	Base scenario	(11)	(13)
	Downside scenario 1	65	31
	Downside scenario 2	161	110
Probability of default	Increase of 10% (2022: 2.5%)	32	6
	Decrease of 10% (2022: 2.5%)	(31)	(6)
Loss given default	Increase of 2.5%	10	7
	Decrease of 2.5%	(10)	(7)
Probability of default threshold (staging)	Increase of 20%	(9)	(9)
	Decrease of 20%	13	13
Expected lifetime (revolving credit facility)	Increase of 1 year	3	11
	Decrease of 1 year	(5)	(10)

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, Tesco Bank has recognised certain specific management overlays, to address the prevailing downside risks and ensure the potential impacts of future stress are adequately provided for, detailed below:

Overlay	Description of adjustment	**2023 £m**	2022 £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	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	22	75
Consumer spending	In respect of the beneficial modelling impact of lower consumer spending through the pandemic	–	113
Emergence of customer defaults	The emergence of defaults will be more aligned with previous economic downturns	–	19
War in Ukraine	Further potential inflationary pressures on cost of living	–	6
Total overlays		**90**	**213**

Forbearance

Tesco Bank could be exposed to unacceptable levels of bad debt and also suffer reputational damage if it did not provide adequate support to customers who are experiencing financial difficulties. 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. These temporary arrangements may be initiated by the customer or Tesco Bank where financial distress would prevent repayment within the original terms and conditions of the contract. The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations.

Tesco Bank has adopted the definition of forbearance in the European Banking Authority's (EBA) final draft Implementing Technical Standards (ITS) of July 2014 and reports all accounts meeting this definition, providing for them appropriately.

Tesco Bank has well defined forbearance policies and processes. A number of forbearance options are made available to customers. These routinely, but not exclusively, include the following:

- arrangements to repay arrears over a period of time, by making payments above the contractual amount, that ensure the loan is repaid within the original repayment term; and
- short-term concessions, where the borrower is allowed to make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis to assist with short-term financial hardship.

	Gross loans and advances subject to forbearance programmes		Forbearance programmes as a proportion of total loans and advances by category		Proportion of forbearance programmes covered by allowance for expected credit losses	
	2023 £m	2022 £m	**2023 %**	2022 %	**2023 %**	2022 %
Credit cards	102	106	3	3	49	51
Loans	30	39	1	1	31	47

(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 of Tesco Bank, 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 agreed risk appetite.

Note 27 Financial risk management continued

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 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, event 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 not 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 their contingency planning. These do not indicate a material impact to the Group's overall financial position and performance.

Note 28 Share-based payments

The table below shows amounts charged to the Group income statement in respect of share-based payments:

	2023 £m	2022 £m
Income statement		
Equity-settled share-based payment charge	101	109
Cash-settled National Insurance contributions	11	13
	112	**122**

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:

	2023 £m	2022 £m
Share-based payment charge included in operating profit/(loss)	**(112)**	**(122)**
Share-based payments non-cash movement	59	66
Increase/(decrease) in trade and other payables*	53	56
Included in Group operating cash flows	**–**	**–**
Cash paid to purchase own shares including related fees and taxes	(134)	(191)
Cash received from employees exercising SAYE options	48	47
Included in Group financing cash flows	**(86)**	**(144)**

* 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:

	2023 £m	2022 £m
(Increase)/decrease in own shares held*	**157**	**139**
Shares delivered to employees	(157)	(139)
Cash received from employees exercising SAYE options	48	47
Share-based payments charge to the income statement	101	109
Movements in shares withheld to settle employee tax	4	–
Other movements	3	(5)
Increase/(decrease) to retained earnings	**(1)**	**12**
Included in the Group statement of changes in equity	**156**	**151**

* Decrease in own shares held is the gross amount of shares that the employees are entitled to receive.

Note 28 Share-based payments continued

Share option, share bonus and incentive schemes

The Company had 10 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.
Discretionary option schemes[b]			
The Executive Incentive Plan (2014)	Selected senior executives	Granted as a proportion of annual bonus following the completion of a required service period, normally exercisable between three and 10 years from the date of grant for nil consideration.	Dependent on the achievement of corporate performance, individual targets and continuous employment.
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.	
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, 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.

(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 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		–		–

* 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 25 February 2023 was 248.40p (2022: 254.05p).

For the 52 weeks ended 26 February 2022

	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 27 February 2021	**166,407,076**	**193.86**	**7,586,269**	**194.35**	**7,217,383**	**–**	**686,755**	**152.58**	**860,757**	**–**
Granted	37,771,601	242.00	1,440,203	260.00	217,095	–	–	–	–	–
Forfeited	(17,812,002)	200.19	(1,212,568)	191.82	–	–	(151,253)	151.93	(68,551)	–
Exercised	(25,881,262)	169.98	(1,012,393)	170.70	(5,421,992)	–	(525,085)	152.78	(250,690)	–
Outstanding at 26 February 2022	**160,485,413**	**208.34**	**6,801,511**	**212.23**	**2,012,486**	**–**	**10,417**	**152.01**	**541,516**	**–**
Exercise price range (pence)		151.00 to 242.00		168.00 to 260.00		–		137.45 to 152.78		–
Weighted average remaining contractual life (years)*		2.68		2.59		4.22		0.49		–
Exercisable at 26 February 2022	**2,014,843**	**189.58**	**78,774**	**189.57**	**2,012,486**	**–**	**2,171**	**149.09**	**541,516**	**–**
Exercise price range (pence)		151.00 to 190.00		168.00 to 190.00		–		137.45 to 152.78		–
Weighted average remaining contractual life (years)*		0.42		0.42		4.22		0.41		–

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.

	2023 SAYE	2022 SAYE
Expected dividend yield (%)	4.96-5.43	4.10-4.17
Expected volatility (%)	22.25-22.53	21.79-21.89
Risk-free interest rate (%)	3.54-3.59	1.38-1.39
Expected life of option (years)	3 or 5	3 or 5
Weighted average fair value of options granted (pence)	46.32	38.52
Probability of forfeiture (%)	7-9	7-10
Share price (pence)	202.35	268.50
Weighted average exercise price (pence)	182.00	242.00

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.

Note 28 Share-based payments continued

The number and weighted average fair value (WAFV) of share bonuses granted during the financial year were:

	2023		2022	
	Number of shares	WAFV pence	Number of shares	WAFV pence
Group Bonus Plan and Deferred Bonus Plan	19,076,406	265.58	10,713,313	232.25
Performance Share Plan and Long Term Incentive Plan	22,817,391	254.91	41,639,089	240.31
Joining award*	–	–	2,336,887	223.35

* Joining award granted during the financial year to Executive Directors under Listing Requirement 9.4.2.

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 £375m (2022: £361m) have been recognised in the Group income statement. This includes £143m (2022: £136m) of salaries paid as pension contributions.

Defined benefit schemes

The Group has a defined benefit pension deficit of £400m (2022: £303m deficit), and a defined benefit pension surplus of £6m (2022: £3,150m), 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 102% of the net Group deficit. In the prior year, the defined benefit pension surplus in the UK represented 103% of the net Group surplus.

United Kingdom

The principal plan 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 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.

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 25 February 2023.

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 (2022: £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.

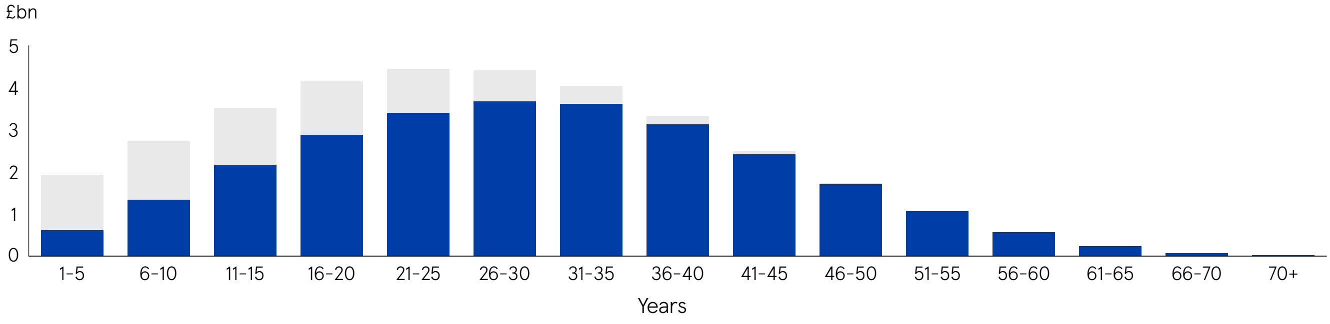
IFRIC 14

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 18 years.

Around 39% 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	77
Current pensioners	23

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 underperform 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. Additionally, changes to future benefits were introduced in June 2012 to reduce the Scheme's exposure to inflation risk by changing the basis for calculating the rate of increase in pensions to CPI (previously RPI).
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.

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:

	2023 %	2022 %
Discount rate	4.9	2.8
Price inflation	3.0	3.3
Rate of increase in deferred pensions*	2.6	2.9
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	2.9	3.1
Benefits accrued after 1 June 2012	2.5	2.8

* 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 0.43% (2022: 0.42%). 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 0.48% lower than RPI (2022: 0.39%).

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 2021, with a long-term improvement rate of 1.25% p.a. and a 10% weighting applied to both 2020 and 2021 data, 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 expectation of life 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.

		2023 Years	2022 Years
Retiring at the balance sheet date at age 65:	Male	20.0	20.8
	Female	22.5	22.4
Retiring at the balance sheet date +25 years at age 65:	Male	21.4	22.1
	Female	24.2	24.1

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	2023 Discount rate £m	2023 Inflation rate £m	2022 Discount rate £m	2022 Inflation rate £m
Impact of 0.1% increase of the assumption	(213)	201	(404)	367
Impact of 0.1% decrease of the assumption	226	(201)	404	(349)
Impact of 1.0% increase of the assumption	(1,921)	2,147	(3,467)	3,889
Impact of 1.0% decrease of the assumption	2,498	(1,783)	4,732	(3,173)

Mortality assumptions – Increase/(decrease) in UK defined benefit obligation	2023 £m	2022 £m
Impact of 1 year increase in longevity	364	697
Impact of 1 year decrease in longevity	(402)	(715)

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 25 February 2023. At the financial year end, the accounting deficit relating to ROI was £nil (2022: £97m).

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 25 February 2023 of £4m (2022: £6m) was determined in accordance with the advice of external actuaries. During the current financial year, £nil (2022: £nil) has been charged to the Group income statement and £nil (2022: £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:

	2023 Quoted £m	2023 Unquoted £m	2023 Total £m	2023 %	2022 Quoted £m	2022 Unquoted £m	2022 Total £m	2022 %
Equities								
UK	32	–	32	–	136	–	136	1
Europe	76	–	76	1	691	–	691	3
Rest of the world	516	–	516	4	3,492	–	3,492	16
	624	**–**	**624**	**5**	**4,319**	**–**	**4,319**	**20**
Bonds								
Government	363	–	363	3	1,394	–	1,394	6
Corporates – investment grade	570	–	570	4	3,376	–	3,376	15
Corporates – non-investment grade	211	–	211	2	1,123	–	1,123	5
	1,144	**–**	**1,144**	**9**	**5,893**	**–**	**5,893**	**26**
Property								
UK	2	1,094	1,096	8	94	1,514	1,608	7
Rest of the world	2	567	569	4	7	550	557	2
	4	**1,661**	**1,665**	**12**	**101**	**2,064**	**2,165**	**9**
Alternative assets								
Hedge funds	–	64	64	–	–	311	311	1
Private equity	–	1,032	1,032	8	–	1,509	1,509	7
Other	162	1,793	1,955	15	218	1,779	1,997	9
	162	**2,889**	**3,051**	**23**	**218**	**3,599**	**3,817**	**17**
LDI portfolio	**8,173**	**(2,491)**	**5,682**	**44**	**5,163**	**(4)**	**5,159**	**23**
Cash	**859**	**–**	**859**	**7**	**1,037**	**–**	**1,037**	**5**
Total fair value of plan assets	**10,966**	**2,059**	**13,025**	**100**	**16,731**	**5,659**	**22,390**	**100**

Quoted assets are those with a quoted price in an active market. Unquoted assets are valued in accordance with IFRS 13, 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, cash and money market funds of the value of £8,376m (2022: £8,986m) and associated repurchase agreements and swaps of £(2,694)m (2022: £(3,827)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 £240m (2022: £244m) relating to property used by the Group. Group property with net carrying value of £783m (2022: £914m) (refer to Note 11) and a value to the Scheme of at least £775m (2022: £775m) is held as security in favour of the Scheme.

Note 29 Post-employment benefits continued

Movement in the Group pension surplus/(deficit) during the financial year

	Fair value of plan assets		Defined benefit obligation		Net defined benefit surplus/(deficit)	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Opening balance	**22,390**	**20,082**	**(19,543)**	**(21,304)**	**2,847**	**(1,222)**
Current service cost	–	–	(24)	(39)	(24)	(39)
Settlement charge[a]	–	–	–	(1)	–	(1)
Finance income/(cost)	607	391	(527)	(413)	80	(22)
Included in the Group income statement	**607**	**391**	**(551)**	**(453)**	**56**	**(62)**
Remeasurement gain/(loss):						
Financial assumptions gain/(loss)	–	–	7,652	1,881	7,652	1,881
Demographic assumptions gain/(loss)	–	–	(228)	21	(228)	21
Experience gain/(loss)	–	–	(1,244)	(212)	(1,244)	(212)
Return on plan assets excluding finance income	(9,518)	2,385	–	–	(9,518)	2,385
Foreign currency translation	15	(9)	(18)	13	(3)	4
Included in the Group statement of comprehensive income/(loss)	**(9,503)**	**2,376**	**6,162**	**1,703**	**(3,341)**	**4,079**
Member contributions	–	2	–	(2)	–	–
Employer contributions	24	33	–	–	24	33
Additional employer contributions	20	16	–	–	20	16
Benefits paid	(513)	(502)	516	505	3	3
Scheme settlement	–	(8)	–	8	–	–
Other movements	**(469)**	**(459)**	**516**	**511**	**47**	**52**
Closing balance	**13,025**	**22,390**	**(13,416)**	**(19,543)**	**(391)**	**2,847**
Withholding tax on surplus[b]					(3)	–
Closing balance, net of withholding tax					**(394)**	**2,847**
Consisting of:						
Schemes in deficit					(400)	(303)
Schemes in surplus[c]					6	3,150
Deferred tax asset/(liability)					100	(726)
Surplus/(deficit) in schemes at the end of the year, net of deferred tax					**(294)**	**2,121**

(a) Settlement charge on Londis Scheme buy-out in 2022.
(b) Recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(c) In 2023, schemes in surplus in the UK are presented on the balance sheet net of a 35% withholding tax.

Note 30 Share capital and other reserves

Share capital

	2023 Ordinary shares of 6 ⅓p each		2022 Ordinary shares of 6 ⅓p each	
	Number	**£m**	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,637,986,531**	**484**	**7,731,707,820**	**490**
Shares cancelled	(319,645,336)	(21)	(93,721,289)	(6)
At the end of the year	**7,318,341,195**	**463**	**7,637,986,531**	**484**

No shares were issued during the current financial year in relation to share options.

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 £nil (2022: £nil) proceeds from sale of untraced shares and £5m (2022: £nil) write-back of unclaimed dividends, which are reflected in share premium and retained earnings, respectively.

As at 25 February 2023, the Directors were authorised, on behalf of the Company, to purchase up to a maximum in aggregate of 762.0 million (2022: 773.2 million) Ordinary shares until the conclusion of the 2023 AGM.

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.

Other reserves

The table below sets out the movements in other reserves:

	Capital redemption reserve £m	Hedging reserve* £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 26 February 2022	**22**	**130**	**202**	**(365)**	**3,090**	**3,079**
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)
Tax relating to components of other comprehensive income (Note 6)	–	22	–	–	–	22
Total other comprehensive income/(loss)	**–**	**24**	**120**	**–**	**–**	**144**
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 (Note 28)	–	–	–	157	–	157
Total transactions with owners	**21**	**–**	**–**	**6**	**–**	**27**
At 25 February 2023	**43**	**27**	**322**	**(359)**	**3,090**	**3,123**

* Movements in cost of hedging reserve is £nil (2022: £nil) and balance at 25 February 2023 is £nil (2022: £nil).

	Capital redemption reserve £m	Hedging reserve* £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 27 February 2021	**16**	**90**	**175**	**(188)**	**3,090**	**3,183**
Other comprehensive income/(loss)						
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(39)	–	–	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	66	–	–	66
Gains/(losses) on cash flow hedges	–	77	–	–	–	77
Cash flow hedges reclassified and reported in the Group income statement	–	(45)	–	–	–	(45)
Tax relating to components of other comprehensive income (Note 6)	–	(22)	–	–	–	(22)
Total other comprehensive income/(loss)	**–**	**10**	**27**	**–**	**–**	**37**
Inventory cash flow hedge movements						
(Gains)/losses transferred to the cost of inventory	–	30	–	–	–	30
Total inventory cash flow hedge movements	**–**	**30**	**–**	**–**	**–**	**30**
Transactions with owners						
Own shares purchased for cancellation	–	–	–	(301)	–	(301)
Own shares cancelled	6	–	–	264	–	270
Own shares purchased for share schemes	–	–	–	(279)	–	(279)
Share-based payments (Note 28)	–	–	–	139	–	139
Total transactions with owners	**6**	**–**	**–**	**(177)**	**–**	**(171)**
At 26 February 2022	**22**	**130**	**202**	**(365)**	**3,090**	**3,079**

Refer to previous table for footnote.

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.

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	2023 £m	2022 £m
Included in the Group statement of changes in equity[a][b]	**(758)**	**(301)**
Payments in relation to prior year financial liabilities	(23)	–
Outstanding amount recognised as financial liabilities[c]	–	23
Included in the Group cash flow statement[d]	**(781)**	**(278)**

(a) 319.6 million (2022: 93.7 million) shares were cancelled, representing 4.4% of the called-up share capital as at 25 February 2023 (2022: 1.2%). This includes 4.8 million shares purchased not yet cancelled as at 26 February 2022 with total consideration of £14m. The total consideration of £795m (2022: £264m), including expenses of £9m (2022: £1m), was charged to retained earnings.
(b) During the financial year, the aggregate nominal value of shares cancelled and transferred to the capital redemption reserve was £21m (2021: £6m).
(c) Shares to be delivered under a share repurchase agreement with an external bank, included in other payables.
(d) 314.8 million (2022: 98.5 million) shares purchased at an average price of £2.48 per share (2022: £2.82).

Note 30 Share capital and other reserves continued

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	2023 £m	2022 £m
Included in the Group statement of changes in equity	**(188)**	**(279)**
Payments in relation to prior year financial liabilities	(50)	–
Outstanding amount recognised as financial liabilities*	55	50
Shares withheld to settle employee tax	49	38
Cash received from employees exercising SAYE options	48	47
Included in the Group cash flow statement	**(86)**	**(144)**

* A financial liability of £55m (2022: £50m) in respect of shares to be delivered under a share repurchase agreement with an external bank is included in other payables.

The number of Ordinary shares held by the Tesco International Employee Benefit Trust at 25 February 2023 was 55.6 million (2022: 49.9 million). This represents 0.76% of called-up share capital at the end of the year (2022: 0.65%).

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 £21m (2022: £6m).

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.

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	
	2023 £m	2022 £m
Sales to related parties	599	501
Purchases from related parties	122	111
Dividends received	14	32
Injection of equity funding	10	11

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	
	2023 £m	2022 £m
Amounts owed to related parties	(7)	(9)
Amounts owed by related parties	27	36
Lease liabilities payable to related parties[a]	(1,950)	(2,335)
Loans to related parties (net of deferred profits)[b]	106	105

(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 £106m (2022: £105m) are presented net of deferred profits of £38m (2022: £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 expected credit loss (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:

	2023 £m	2022 £m
Salaries and short-term benefits	23	21
Pensions and cash in lieu of pensions	1	2
Share-based payments	21	24
Joining costs and loss of office costs	–	2
	45	**49**
Attributable to:		
The Board of Directors (including Non-executive Directors)	13	11
Executive Committee (members not on the Board of Directors)	32	38
	45	**49**

During the year, 7,730,565 (2022: 8,946,423) performance shares and 2,807,091 (2022: 1,178,795) 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, mortgage and personal loan balances		Current and saving deposit accounts	
	Number of key management personnel	£m	Number of key management personnel	£m
At 25 February 2023	**6**	**–**	**6**	**1**
At 26 February 2022	5	–	4	–

Note 32 Analysis of changes in net debt

Net debt, as defined in the Glossary, excludes the net debt of Tesco Bank but includes that of 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.

	2023			2022		
	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts	(6,451)	(375)	(6,076)	(6,825)	(481)	(6,344)
Lease liabilities	(7,727)	(23)	(7,704)	(7,958)	(26)	(7,932)
Net financing derivatives	472	(9)	481	553	(6)	559
Share purchase obligations	(55)	–	(55)	(73)	–	(73)
Liabilities from financing activities	**(13,761)**	**(407)**	**(13,354)**	**(14,303)**	**(513)**	**(13,790)**
Cash and cash equivalents in the balance sheet	2,465	444	2,021	2,345	789	1,556
Overdrafts*	(900)	–	(900)	(574)	–	(574)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,565	444	1,121	1,771	789	982
Short-term investments	1,628	–	1,628	2,076	–	2,076
Joint venture loans	106	–	106	105	–	105
Interest and other receivables	8	–	8	1	–	1
Net operating and investing derivatives	71	114	(43)	75	24	51
Net debt of disposal group	(14)	–	(14)	(14)	–	(14)
Less: Share purchase obligations	55	–	55	73	–	73
Net debt APM			**(10,493)**			**(10,516)**

* 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.

Note 32 Analysis of changes in net debt continued

A reconciliation between movements in Net debt and the Group cash flow statement is presented below:

	2023 £m	2022 £m
Opening Net debt	**(10,516)**	**(11,955)**
Change in liabilities from Group financing activities	2,327	1,359
Less: Change in cash flows arising from share purchase obligations	(886)	(278)
Less: Change in cash flows from Tesco Bank financing activities	(111)	(25)
Change in Net debt from financing activities	**1,330**	**1,056**
Net increase/(decrease) in Retail cash and cash equivalents including overdrafts*	173	(221)
Interest paid on components of Net debt	643	645
Interest received on components of Net debt	(70)	(3)
Net increase/(decrease) in short-term investments	(451)	1,067
Net increase/(decrease) in joint venture loans	1	4
Change in cash flows from operating and investing derivatives	(48)	–
Other changes in Net debt from cash flow activities	**248**	**1,492**
Retail net interest charge on components of Net debt	(558)	(632)
Retail fair value and foreign exchange movements of Net debt	(254)	199
Retail other non-cash movements	(697)	(492)
Acquisitions and disposals	(46)	(184)
Change in Net debt from non-cash movements	**(1,555)**	**(1,109)**
Closing Net debt	**(10,493)**	**(10,516)**

* Net increase/(decrease) in Retail cash and cash equivalents including overdrafts includes £nil (2022: £35m) movement in cash and cash equivalents of discontinued operations and £(1)m (2022: £(4)m) intragroup funding and intercompany transactions.

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 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) 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 £(29)m (2022: £(191)m) cash outflows relating to other cancellable arrangements and £48m (2022: £47m) cash received from employees exercising SAYE options.
(c) Liabilities from Group financing activities are represented to include liabilities from share purchase obligations of £(55)m (2022: £(73)m) and exclude net operating and investing derivatives of £71m (2022: £75m).
(d) Acquisitions and disposals 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. Refer to Note 33.

	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 27 February 2021	**(6,736)**	**(8,402)**	**521**	**–**	**(14,617)**
Cash flows arising from financing activities	381	577	123	278	1,359
Cash flows arising from operating activities:					
Interest paid	202	405	36	–	643
Non-cash movements:					
Fair value gains/(losses)	82	–	(30)	–	52
Foreign exchange	61	14	–	–	75
Interest income/(charge)	(209)	(405)	(33)	–	(647)
Acquisitions and disposals	(606)	355	(64)	–	(315)
Lease additions, terminations, modifications and reassessments	–	(492)	–	–	(492)
Share purchase agreements	–	–	–	(351)	(351)
Discontinued operations	–	(10)	–	–	(10)
At 26 February 2022	**(6,825)**	**(7,958)**	**553**	**(73)**	**(14,303)**

Refer to previous table for footnotes.

Note 33 Acquisitions

Acquisition of property joint venture – The Tesco Dorney Limited Partnership

On 6 October 2022, the Group obtained control of The Tesco Dorney Limited Partnership (the partnership), previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest for £40m. The Group paid £12m stamp duty on the acquisition. The partnership had bond and derivative liabilities, and long-leased four stores and three mixed-use sites anchored by stores which the partnership previously leased to the Group. The Group in turn subleases certain commercial units and residential accommodation to third parties. The acquisition, which has been treated as an asset acquisition, increased the Group's owned and leased property portfolio and borrowings, replacing the Group's associated right of use assets and lease liabilities.

The table below sets out the values to the Group in respect of obtaining control of the partnership:

	Notes	£m
Property, plant and equipment	11	248
Right of use assets	12	70
Cash and cash equivalents		12
Other working capital		(3)
Borrowings	32	(384)
Derivative liabilities	32	(39)
Total assets and liabilities acquired		**(96)**
Consideration paid		40
Stamp duty paid		12
Derecognition of the Group's lease liabilities with the partnership	32	(385)
Derecognition of the Group's right of use assets with the partnership	12	198
Derecognition of the Group's finance lease receivable		39
Total cost*		**(96)**

* The carrying value of the pre-existing joint venture interest was £nil.

The Group recognised the following gains and losses as an adjusting item within cost of sales in the Group income statement. The related tax charge on acquisition of £29m has also been classified as an adjusting item. Refer to Note 4 for further details.

	Notes	£m
Impairment of property, plant and equipment acquired	14	(7)
Total adjusting gain/(loss) within cost of sales		**(7)**
Taxation – adjusting item	4	(29)
Total adjusting gain/(loss) after taxation		**(36)**

Note 34 Commitments and contingencies

Capital commitments

At 25 February 2023, there were commitments for capital expenditure contracted for, but not incurred, of £200m (2022: £193m), 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	Tapesilver Limited	5205362	Tesco Gateshead Property Limited	8312532
Booker Wholesale Holdings Limited	5137980	Tesco Aqua (GP) Limited	5721654	Tesco Maintenance Limited	6003554
Buttoncase Limited	5298861	Tesco Atrato (1LP) Limited	6969529	Tesco Mobile Communications Limited	4780729
Dillons Newsagents Limited	140624	Tesco Atrato (GP) Limited	6969536	Tesco Mobile Services Limited	4780734
Giant Booker Limited	65519	Tesco Blue (3LP) Limited	10127682	Tesco Navona (1LP) Limited	7459436
Launchgrain Limited	5260856	Tesco Brislington Limited	10701640	Tesco Passaic (1LP) Limited	7121667
Makro Holding Limited	4310463	Tesco Bury Limited	3854371	Tesco Property Partner (GP No.2) Limited	5179150
Makro Properties Limited	1273672	Tesco Distribution Holding Limited	3193655	Tesco Property Partner (GP) Limited	4945955
Oakwood Distribution Limited	5721635	Tesco Dorney (1LP) Limited	8255488	Tesco Property Partner (No.1) Limited	4945945
Spen Hill Developments Limited	4827219	Tesco Dorney (GP) Limited	8255493	Tesco Red (GP) Limited	5721630
Spen Hill Management Limited	2460426	Tesco Family Dining Limited	8514605	Tesco Sarum (1LP) Limited	7849948
Spen Hill Properties (Holdings) PLC	2412674	Tesco Food Sourcing Limited	7502096	Tesco Sarum (GP) Limited	7849882
Spen Hill Regeneration Limited	6418300	Tesco Freetime Limited	4345023	Tesco TLB Properties Limited	3159425
T & S Stores Limited	1228935	Tesco Fuchsia (3LP) Limited	10127851		

Tesco PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 25 February 2023 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 25 February 2023, Tesco Bank had contractual lending commitments totalling £12.2bn (2022: £12.4bn). 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 work of equal value 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 42,000 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 work of equal value. 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 second and third stages are an equal value assessment and the consideration of TSL's material factor defences (non-discriminatory reasons for differentials in pay terms) to any claims which succeed at the equal value assessment stage. Completion of these two stages is a lengthy process and likely to take many years with hearings and appeals a part of that process. A final date is impossible to predict with any certainty and any final decision may be delayed further by any final 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

On 27 February, the Group issued a €500m and a £250m bond, maturing 2031 and 2035 respectively. There were no other events after the reporting period requiring disclosure.

Tesco PLC – Parent Company balance sheet

	Notes	25 February 2023 £m	26 February 2022 £m
Non-current assets			
Investments	6	16,970	17,013
Receivables	7	234	261
Derivative financial instruments	11	935	1,069
		18,139	**18,343**
Current assets			
Receivables	7	860	518
Cash on hand		103	29
Derivative financial instruments	11	2	–
		965	**547**
Current liabilities			
Payables	8	(244)	(763)
Borrowings	10	(141)	(50)
		(385)	**(813)**
Net current assets/(liabilities)		**580**	**(266)**
Non-current liabilities			
Payables	8	(2,132)	(1,831)
Borrowings	10	(1,450)	(1,433)
Derivative financial instruments	11	(5)	(86)
Deferred tax liabilities	9	(19)	(32)
		(3,606)	**(3,382)**
Net assets		**15,113**	**14,695**
Equity			
Share capital	14	463	484
Share premium		5,165	5,165
Other reserves	14	2,793	2,804
Retained earnings (including profit/(loss) for the financial year of £2,064m (2022: £31m))		6,692	6,242
Total equity		**15,113**	**14,695**

The notes on pages 193 to 198 form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The Parent Company financial statements on pages 191 to 198 were approved and authorised for issue by the Directors on 12 April 2023.

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 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 (Note 9)	–	–	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**

	Share capital (Note 14) £m	Share premium £m	Other reserves (Note 14) £m	Retained earnings £m	Total equity £m
At 27 February 2021	**490**	**5,165**	**2,972**	**7,130**	**15,757**
Profit/(loss) for the year	–	–	–	31	31
Other comprehensive income/(loss)					
Gains/(losses) on cash flow hedges	–	–	31	–	31
Cash flow hedges reclassified and reported in the Company income statement	–	–	(18)	–	(18)
Tax relating to components of other comprehensive income	–	–	(10)	–	(10)
Total other comprehensive income/(loss)	**–**	**–**	**3**	**–**	**3**
Total comprehensive income/(loss)	**–**	**–**	**3**	**31**	**34**
Transactions with owners					
Own shares purchased for cancellation	–	–	(301)	–	(301)
Own shares cancelled	(6)	–	270	(264)	–
Own shares purchased for share schemes	–	–	(279)	–	(279)
Share-based payments	–	–	139	49	188
Dividends	–	–	–	(704)	(704)
Total transactions with owners	**(6)**	**–**	**(171)**	**(919)**	**(1,096)**
At 26 February 2022	**484**	**5,165**	**2,804**	**6,242**	**14,695**

The Company has considered the profits available for distribution to shareholders. At 25 February 2023, the Company had retained earnings of £6.7bn (2022: £6.2bn), of which the unrealised profit elements are £1.7bn (2022: £1.7bn) of share-based payment reserves and £0.7bn (2022: £0.7bn) of dividends received from subsidiary undertakings not yet settled by qualifying consideration. After deducting the cost of its own shares held in trust of £0.4bn (2022: £0.4bn), the Company had profits available for distribution of £3.9bn (2022: £3.4bn).

The notes on pages 193 to 198 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 25 February 2023 were approved by the Board of Directors on 12 April 2023 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 25 February 2023 (prior financial year 52 weeks to 26 February 2022).

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 and related party transactions. The Company has also taken advantage of the exemption in relation to 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 Group 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 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 gives 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. In order to qualify for hedge accounting, the Company is required to document from inception, the relationship between the item being hedged and the hedging instrument.

Note 2 Accounting policies continued

The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments with maturity dates of more than one year from the reporting date are disclosed as non-current.

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 forecasted 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 and accumulated in the hedging reserve. Any cost of hedging, such as the change in fair value related to forward points and currency basis adjustment is separately accumulated in the cost of 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. Any element of the remeasurement criteria of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the Company income statement within finance income or costs.

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 forecasted 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

The tax expense included in the Company 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. Tax expense is recognised in the Company income statement except to the extent that it relates to items recognised in the Company statement of comprehensive income or directly in the Company statement of changes in equity, in which case it is recognised in the Company statement of comprehensive income or directly in the Company statement of changes in equity, respectively.

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. Deferred tax is charged or credited in the Company income statement, except when it relates to items charged or credited directly to equity or other comprehensive income/(loss), in which case the deferred tax is also recognised in equity, or other comprehensive income/(loss), respectively.

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 or significant estimates.

New standards and amendments effective for the current financial year

New standards, interpretations and amendments effective in the current financial year have not had a material impact on the Company.

Note 3 Auditor remuneration

Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in Note 3 to the Group financial statements.

Note 4 Dividends

For details of dividends see Note 8 to the Group financial statements.

Note 5 Employment costs, including Directors' remuneration

	Notes	2023 £m	2022 £m
Wages and salaries		12	13
Social security costs		2	2
Pension costs	13	1	1
Share-based payments expense	12	9	3
Total		**24**	**19**

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 (2022: 13).

The Schedule 5 requirements of SI 2008/410 for Directors' remuneration are included within the Directors' remuneration report on pages 77 to 101.

Note 6 Investments

	2023 £m
Cost	
At 26 February 2022	**17,926**
Capital contributions	96
Return of capital contributions	(139)
At 25 February 2023	**17,883**
Accumulated impairment losses	
At 26 February 2022 and at 25 February 2023	**(913)**
Net carrying value	
At 25 February 2023	**16,970**
At 26 February 2022	17,013

There were no impairments or disposals in the current financial year.

The list of the Company's subsidiary undertakings and joint ventures is shown on pages 199 to 203.

Note 7 Receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings*	1,072	760
Other receivables	22	19
Total receivables	**1,094**	**779**
Of which:		
Current	860	518
Non-current	234	261
	1,094	**779**

* Amounts owed by Group undertakings are interest-bearing, with interest rates ranging from 4.4% to 6.0% and with maturities up to and including March 2025.

The expected credit loss on receivables is immaterial (2022: immaterial).

Note 8 Payables

	2023 £m	2022 £m
Amounts owed to Group undertakings*	2,302	2,487
Other payables	71	105
Taxation and social security	3	2
Total payables	**2,376**	**2,594**
Of which:		
Current	244	763
Non-current	2,132	1,831
	2,376	**2,594**

* Amounts owed to Group undertakings are interest-bearing, with interest rates ranging from 2.7% to 5.2% and with maturities up to and including February 2051.

Note 9 Taxation

The deferred tax liability recognised by the Company, and the movements thereon, during the current financial year are as follows:

	Financial instruments £m
At 26 February 2022	**(32)**
Movement in other comprehensive income for the year	13
At 25 February 2023	**(19)**

Note 10 Borrowings

	Par value	Maturity	2023 £m	2022 £m
Bank loans and overdrafts			43	25
LPI and RPI-linked bonds*				
3.322% LPI MTN	£392m	Nov 2025	396	377
1.982% RPI MTN	£346m	Mar 2036	349	312
Other borrowings				
5% MTN	£71m	Mar 2023	75	77
6% MTN	£38m	Dec 2029	43	44
5.5% MTN	£67m	Jan 2033	78	79
6.15% USD Bond	$355m	Nov 2037	366	338
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€235m	Apr 2047	213	203
5.2% MTN	£14m	Mar 2057	14	14
			1,591	**1,483**
Of which:				
Current			141	50
Non-current			1,450	1,433
			1,591	**1,483**

* 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 of the Group financial statements.

Note 11 Derivative financial instruments

	2023				2022			
	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	–	–	5	65	–	–
Cash flow hedges								
Index-linked swaps	235	738	–	–	231	683	–	–
Derivatives not in a formal hedge relationship								
Cross-currency swaps	170	404	(5)	100	197	447	–	15
Index-linked swaps	530	3,089	–	–	636	3,089	–	–
Interest rate swaps and similar instruments	–	–	–	–	–	–	(86)	1
Total	**937**	**4,296**	**(5)**	**100**	**1,069**	**4,284**	**(86)**	**16**

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 of the Group financial statements.

Share option schemes

The number of options and weighted average exercise price (WAEP) of share option schemes relating to the Company employees are:

For the 52 weeks ended 25 February 2023

	Savings-related Share Option Scheme		Nil cost share options	
	Options	WAEP	Options	WAEP
Outstanding at 26 February 2022	**–**	**–**	**–**	**–**
Granted	9,890	182.00	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 25 February 2023	**9,890**	**182.00**	**–**	**–**
Exercise price range (pence)	–	–	–	–
Weighted average remaining contractual life (years)	–	3.52	–	–
Exercisable at 25 February 2023	**–**	**–**	**–**	**–**
Exercise price range (pence)		–		–
Weighted average remaining contractual life (years)		–		–

For the 52 weeks ended 26 February 2023

	Savings-related Share Option Scheme		Nil cost share options	
	Options	WAEP	Options	WAEP
Outstanding at 27 February 2021	**9,574**	**188.00**	**3,140,804**	**–**
Granted	–	–	82,736	–
Forfeited	(1,596)	188.00	–	–
Exercised	(7,978)	188.00	(3,223,540)	–
Outstanding at 26 February 2022	**–**	**–**	**–**	**–**
Exercise price range (pence)	–	–	–	–
Weighted average remaining contractual life (years)	–	–	–	–
Exercisable at 26 February 2022	**–**	**–**	**–**	**–**
Exercise price range (pence)		–		–
Weighted average remaining contractual life (years)		–		–

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 of the Group financial statements.

The number and weighted average fair value (WAFV) of share bonuses granted during the financial year were:

	2023		2022	
	Number of shares	**WAFV pence**	Number of shares	WAFV pence
Group Bonus Plan	810,608	274.10	–	–
Performance Share Plan	2,252,917	255.40	2,672,421	222.47
Joining award*	–	–	2,336,887	223.35

* Joining award granted during the prior financial year to Executive Directors under Listing Requirement 9.4.2.

Note 13 Pensions

The total cost of participation in the Tesco Retirement Savings Plan (a defined contribution scheme) to the Company was £1m (2022: £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 of the Group financial statements.

Other reserves

The table below sets out the movements in other reserves:

	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 (Note 9)	–	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 14 Called-up share capital and reserves continued

	Capital redemption reserve £m	Hedging reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 27 February 2021	**16**	**94**	**(188)**	**3,050**	**2,972**
Other comprehensive income/(loss)					
Gains/(losses) on cash flow hedges	–	31	–	–	31
Cash flow hedges reclassified and reported in the Company income statement	–	(18)	–	–	(18)
Tax relating to components of other comprehensive income	–	(10)	–	–	(10)
Total other comprehensive income/(loss)	**–**	**3**	**–**	**–**	**3**
Transactions with owners					
Own shares purchased for cancellation	–	–	(301)	–	(301)
Own shares cancelled	6	–	264	–	270
Own shares purchased for share schemes	–	–	(279)	–	(279)
Share-based payments	–	–	139	–	139
Total transactions with owners	**6**	**–**	**(177)**	**–**	**(171)**
At 26 February 2022	**22**	**97**	**(365)**	**3,050**	**2,804**

Note 15 Contingent liabilities and guarantees

Contingent liabilities

Refer to Note 34 of the Group financial statements.

Guarantees

The Company has entered into financial guarantee contracts to guarantee indebtedness held on the balance sheets of Group undertakings amounting to £3.4bn (2022: £3.5bn). The Company has also guaranteed derivative agreements of Group undertakings, of which those in a net liability position at the reporting date total £0.2bn (2022: £0.1bn).

In addition, the Company has guaranteed the rental payments of certain Group undertakings relating to a portfolio of retail stores, distribution centres and mixed-use retail developments amounting to £5.1bn (2022: £5.6bn).

The Company has also guaranteed £0.9bn (2022: £0.9bn) drawn by Tesco Bank under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME).

The likelihood of the above items being called upon is considered remote.

Note 16 Events after the reporting period

On 27 February 2023, a subsidiary of the Company issued a €500m and a £250m bond, maturing 2031 and 2035 respectively, which have been guaranteed by the Company. There were no other events after the reporting period requiring disclosure.

Related undertakings of the Tesco Group

In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, registered office address and the percentage of share class owned as at 26 February 2023 are 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
Ritter-Courivaud Limited	8	GBP0.10 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
Tesco (Overseas) Limited†	1	GBP1.00 Ordinary	100
Tesco Aqua (FinCo2) Limited	1	GBP1.00 Ordinary	100
Tesco Aqua (GP) Limited	1	GBP0.0001 A Ordinary	100
		GBP0.0001 B Ordinary	100
Tesco Aqua (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Aqua (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Aqua (Nominee Holdco) 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 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

Subsidiary undertakings incorporated in the United Kingdom continued

Name of undertaking	Registered address	Class of share held	% held by Group
Tesco Blue (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Brislington Limited	1	GBP1.00 Ordinary	100
Tesco Corporate Treasury Services PLC[†]	1	GBP1.00 Ordinary	100
Tesco Bury 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	100
		GBP1.00 B Ordinary	100
Tesco Dorney (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
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
		GBP1.00 Preference	100
Tesco International Services Limited[†]	1	GBP1.00 Ordinary	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	100
		GBP1.00 Ordinary B	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	100
		GBP1.00 Ordinary B	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	100
		GBP0.10 B Ordinary	100
		GBP0.10 C Ordinary	100
Tesco Personal Finance PLC	6	GBP0.10 Ordinary	100
Tesco Property (Nominees) Limited	11	GBP1.00 Ordinary	100
Tesco Property (Nominees) (No.1) Limited	11	GBP1.00 Ordinary	100
Tesco Property (Nominees) (No.2) Limited	11	GBP1.00 Ordinary	100
Tesco Property Finance 1 Holdco Limited	1	GBP1.00 Ordinary	100
Tesco Property Finance 1 PLC	1	GBP1.00 Ordinary	100
		GBP0.25 Ordinary[(e)]	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.3) Limited	1	GBP1.00 Ordinary	100
Tesco Property (Nominees) (No.4) 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	100
		GBP1.00 B Ordinary	100
Tesco Property Partner (GP No.2) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Property Partner (No.1) Limited[†]	1	GBP1.00 Ordinary	100
Tesco Property (Sparta Nominees) Limited	1	GBP1.00 Ordinary	100
Tesco Red (GP) Limited	1	GBP0.00001 Ordinary A	100
		GBP0.00001 Ordinary B	100
Tesco Red (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Red (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Red (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (GP) Limited	1	GBP1.00 Ordinary A	100
		GBP1.00 Ordinary B	100
Tesco Sarum (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Seacroft Ltd	1	GBP1.00 Ordinary	100
Tesco Secretaries Limited	1	GBP1.00 Ordinary	100
Tesco Services Limited	1	GBP1.00 Ordinary	100
Tesco Stores Limited	1	GBP1.00 Ordinary	100
		GBP1.00 A Preference	100
		GBP1.00 B Preference	100
Tesco TLB Properties Limited	1	GBP0.0000001 A Ordinary	100
		GBP0.0000001 B Ordinary	100
Tesco Underwriting Limited	31	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
The Big Food Group Limited	8	GBP0.10 Ordinary	100
The Teesport Limited Partnership	1	Limited Partnership	100
The Tesco Aqua 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 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 Property (No.2) Limited Partnership	33	Limited Partnership	100
The Tesco Red 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[(f)]	1	GBP1.00 Ordinary	100
WBD (Chesterfield Management) Limited	78	GBP1.00 Ordinary	100
Weymouth Avenue (Dorchester) Limited	1	GBP1.00 Ordinary	100
Waterside General Partner Limited	13	GBP1.00 Ordinary	100

International subsidiary undertakings

Name of undertaking	Registered address	Class of share held	% held by Group
Arena (Jersey) Management Limited†	33	GBP1.00 Ordinary	100
Cheshunt Holdings Guernsey Limited	27	GBP1.00 Ordinary	100
dunnhumby Korea Limited	66	KRW5,000 Ordinary	100
dunnhumby (Malaysia) Sdn Bhd	10	MYR1.00 Ordinary	100
dunnhumby (Thailand) Limited	73	THB100 Ordinary	100
dunnhumby Australia Pty Ltd	65	AUD1.00 Ordinary	100
dunnhumby Brasil Consultoria Ltda	16	BRL1.00 Ordinary	100
dunnhumby Canada Limited	59	CAD1.00 Ordinary	100
dunnhumby Chile SpA	48	CLP500,000 Ordinary	100
dunnhumby Colombia S.A.S.	74	COP0.1582528881 Ordinary	100
dunnhumby Consulting Services India Private Limited	60	INR1.00 Ordinary	100
dunnhumby Czech s.r.o.	7	CZK200,000 Basic Business Share	100
dunnhumby Denmark ApS	57	DKK1.00 Ordinary	100
dunnhumby Finland Oy	30	EUR25 Ordinary	100
dunnhumby France SAS	80	EUR2.00 Ordinary	100
dunnhumby Germany GmbH	14	EUR1.00 Ordinary	100
dunnhumby Hungary Kft	32	Registered capital HUF1.00	100
dunnhumby Inc.	35	No par value Common stock	100
dunnhumby Information Technology Consulting (Shanghai) Company Limited	62	USD1.00 Ordinary	100
dunnhumby Ireland Limited	67	EUR1.00 Ordinary	100
dunnhumby IT Services India Private Limited	36	INR 10.00 Ordinary	100
dunnhumby Italia Srl.	37	EUR100,000 Quota	100
dunnhumby Japan K.K.	38	JPY10,000 Ordinary	100
dunnhumby México S. de R.L. de C.V.	69	MXN1,500 Common	100
dunnhumby Netherlands B.V.	70	EUR100 Ordinary	100
dunnhumby New Zealand	64	NZD1.00 Ordinary	100
dunnhumby Norge A.S.	56	NOK100 Ordinary	50
dunnhumby Poland sp. z o.o.	42	PLN50 Ordinary	100
dunnhumby Singapore Pte Ltd	19	SGD1.00 Ordinary	100
dunnhumby SARL	61	EUR100 Ordinary	100
dunnhumby Serviços de Promoção Digital Ltda	16	BRL1.00 Ordinary	100
dunnhumby Slovakia s.r.o.	58	EUR5,000 Ordinary	100
dunnhumby Spain S.L.	50	EUR1.00 Ordinary	100
dunnhumby South Africa (Pty) Ltd	43	No par value Ordinary	100
dunnhumby Ventures LLC	44	–	–
Edson Properties Limited	24	EUR1.00 Ordinary	100
ELH Insurance Limited	71	GBP1.00 Ordinary	100
Fiora Hypermarket Limited	26	INR10 Equity	100
		INR10 10% Non-Convertible Redeemable Preference	100
		INR10 0.10% Non-Convertible Redeemable Preference	100
Fiora Online Limited	26	NR10 Equity	75
Gresham Properties Limited	77	EUR1.00 Ordinary	100
Joyce's Supermarkets (Oranmore) ULC	79	EUR1.00 Ordinary	100
Monread Developments Limited	24	EUR0.001 Ordinary	100
Nabola Development Limited	24	EUR1.25 A Ordinary	100
		EUR1.25 B Ordinary	100
Opal Jewel sp. z o.o.	75	PLN50 Ordinary	100
Shopping Mall Eden s.r.o.	7	CZK100,000 Ordinary	100
Tesco Akadémia Képzési és Fejlesztési Korátolt Felelősségű Társaság	32	HUF1.00 Business Share	100
Tesco Bengaluru Private Limited	41	INR10.00 Ordinary	100
Tesco Capital No. 1 Limited†	28	GBP0.50 A Ordinary	100
		GBP0.50 B Ordinary	100
		GBP0.01 Preference	100
		Guaranteed Cumulative Fixed Rate Preference	100
		GBP0.01 Preferred Ordinary	100

Name of undertaking	Registered address	Class of share held	% held by Group
Tesco Sourcing Chile SpA	22	CLP482.69 Ordinary	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.	68	EUR1.00 Ordinary	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.	58	EUR1.00 Ordinary	100
Tesco International Franchising s.r.o.	58	EUR1.00 Ordinary	100
Tesco International Sourcing Limited	20	HKD10 Ordinary	100
Tesco Ireland Holdings Limited	24	EUR 0.00008 Ordinary	100
Tesco Ireland Limited	24	EUR1.25 Ordinary	100
Tesco Ireland Pension Trustees Limited	24	EUR1.25 Ordinary	100
Tesco Joint Buying Service (Shanghai) Co., Limited	76	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.	58	EUR33,193.918875 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
Alfred Preedy & Sons Limited[g]	9	GBP1.00 Deferred	100
		GBP1.00 Ordinary	100
Buttoncable Limited[h]	9	GBP1.00 Ordinary	100
Comar Limited†[i]	9	GBP1.00 Ordinary	100
dunnhumby Holding Limited	9	GBP1.00 Ordinary	100
Paper Chain (East Anglia) Limited	9	USD0.001 Ordinary	100
Reefknot Technology Limited	9	GBP1.00 Ordinary	100
Stewarts Supermarkets Limited†	9	GBP1.00 Ordinary	100
Tesco Aqua (3LP) Limited	9	GBP1.00 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 (No.2) Limited	1	GBP0.000000660039866 Ordinary	100
Tesco Red (3LP) Limited[i]	9	GBP1.00 Ordinary	100
Tesco TLB Finance Limited[i]	9	GBP1.00 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
dunnhumby Advertising (Shanghai) Co., Ltd[j]	23	EUR130,000 Registered Capital	100
Dunnhumby Bilgisayar Bilişim Teknolojileri ve Danışmanlık Hizmetleri Limited Company[k] (Tasfiye Halinde Dunnhumby Bilgisayar Bilişim Teknolojileri ve Danışmanlık Hizmetleri Limited Şirketi)	18	TRY25,000 Ordinary	100
Patrick C. Joyce Supermarket (headford) ULC	77	EUR1.25 Ordinary	100
Sociomantic Labs Internet Services Limited Company[k] (Tasfiye Halinde Sociomantic Labs İnternet Hizmetleri Limited Şirketi)	51	TRY25.00 Ordinary	100
Sociomantic Labs Private Limited	46	INR10 Ordinary	100
Tesco Capital No.2 Limited	17	GBP0.01 Floating Rate Redeemable Preference	100
		GBP1.00 Ordinary	100
WSC Properties Limited	24	EUR0.0000005 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
Shire Park Limited	15	GBP1.00 Ordinary	48.57
Tesco Coral (GP) Limited*	1	GBP1.00 A Ordinary	100
Tesco Coral (Nominee) Limited	1	GBP1.00 Ordinary	100
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
The Tesco Coral Limited Partnership	1	Limited Partnership	50.05

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	26	INR10 Ordinary INR5.00 Compulsorily Convertible Preference	49 49
Booker Satnam Wholesale Limited	54	INR1.00 Ordinary	49
China Wisdom dunnhumby Limited	53	CNY264,000.01 Ordinary	50
China Wisdom dunnhumby (Shanghai) Limited	63	CNY1.00 Ordinary	50
dunnhumby Mitsui Bussan Customer Science Co., Ltd	55	JPY50,000 Ordinary	50
Merrion Shopping Centre Ltd	24	EUR0.012697 Ordinary	51.87
Tesco Mobile ČR s.r.o.	7	CZK100,000 Ordinary	50
Tesco Mobile Slovakia s.r.o.	72	EUR1.00 Ordinary	50
THPL Support Services Limited	26	INR100 Equity	50
Trent Hypermarket Private Limited	26	INR10.00 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 incorporated on 31/03/2023.
(g) Company was dissolved on 08/03/2023.
(h) Company was dissolved on 05/04/2023.
(i) Company was dissolved on 09/03/2023.
(j) Company was dissolved on 17/03/2023.
(k) Company was put into liquidation on 24/02/2021.

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 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB
14 Ritterstraße 6, 10969 Berlin, Germany
15 Riverside House, 3 Place Farm, Wheathampstead, St. Albans, AL4 8SB, United Kingdom
16 Avenida Brigadeiro Luis Antônio, no. 3530, 3rd Floor, CJ 31 and 32, Jardim Paulista, 01402-001 São Paulo, Brazil
17 c/o Ernst & Young LLP, Castle Street, St Helier, JE1 1EY, Jersey
18 Yeni Havaalan Caddesi, No. 40 Cigli, Izmir, 35610 Turkey
19 c/o GT Law LLC, 3 Church Street #15-02, Samsung Hub, Singapore 049483, Singapore
20 31st Floor AIA Kowloon Tower, Landmark East, 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 Eco City Centro, 901-12 office, 9 / F 1788 West Nanjing Road, Jingan District, Shanghai, People's Republic of China
24 Gresham House, Marine Road, Dun Laoghaire, Co. Dublin, Ireland
25 II38, Budapest, Váci út, 187, Hungary
26 Taj Building, 2nd Floor, 210, Dr D.N. Road, Fort, Mumbai, 400001, 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 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB
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, 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, 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 Providencia, Ciudad de Santiago, 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 Istiklal Caddesi Beyoglu Is Merkezi No: 187/5 Galatasaray, Istanbul, Turkey
52 Centre de Commerces et de, Loisirs, Cite Europe, 62231 Coquelles, France
53 Suite 1106-8, 11/F Tai Yau Building, No 181 Johnston Road, Wanchai, Hong Kong
54 Unit 607, 6th floor, Trade Centre, Bandra Kurla Complex, Bandra East, Mumbai, 400051, Maharashtra, India
55 Kojimachiterrace 4F, Kojimachi 3-1, Chiyoda-ku, Tokyo, Japan
56 6th floor, Tordenskioldsgate 8-10, Oslo, Norway
57 c/o Coop Danmark, Roskildevej 65, 2620 Albertslund, Denmark
58 Cesta na Senec 2, Bratislava, 821 04, Slovakia
59 1400-340 Albert Street, Ottawa, Ontario K1R 0A5, Canada
60 4th Floor, Tower B, Paras Twin Towers, DLF Golf Course Road, Sector 54, Gurgaon, Haryana-HR, 122002, India
61 48 rue Cambon, 75001, Paris, France
62 Room 1001, Enterprise Development Tower, Unit 01 - 10th Floor, No 398, Jiangsu Road, Changning District, Shanghai 200050, People's Republic of China
63 Room 2393, 2/F, No.3 Xuanhua Road, Changning District, Shangha, People's Republic of China
64 RSM New Zealand, Level 2, 60 Highbrook Drive, East Tamaki, Auckland, 2013, New Zealand
65 C/O RSM Australia Pty Ltd, Level 21, 55 Collins Street, Melbourne, VIC 3000, Australia
66 (Gran Seoul, Cheongjin-dong) 7F, 33, Jong-ro, Jongno-gu (07326), South Korea
67 Floor 3, 2 Harbour Square, Crofton Road, Dun Laoghaire, Dublin A96D6R0, Ireland
68 Veterná 7310/40, 917 01 Trnava, Slovakia
69 Artemio Del Valle Arizpe 16 Piso 2 COL. Del Valle C.P. 03100 Benito Juarez Ciudad De Mexico, Mexico
70 Regus Amsterdam Sloterdijk Teleport Towers, Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
71 Dorey Court, Admiral Park, St. Peter Port, GY1 4AT, Guernsey
72 Einsteinova 24, Bratislava 851 01, Slovakia
73 No 319 Chamchuri Square Building, 24th Floor, Office no. 24116, Phayathai road, Pathumwan sub district, Pathumwan District, Bangkok 10330, Thailand
74 Calle CR 48 NO 32B SUR 139 OF 909 P 9, Envigado, Antioquia, Colombia
75 ul. Gorczewska 216, 01-460 Warsaw, Poland
76 Unit 01, 02, 06, 07, 08, 09, Floor 17, No. 610 Xujiahui Road, Huangpu District, Shanghai, People's Republic of China
77 Gresham House, Marine Road, Dun Laoghaire, Dublin A96 HX70
78 Barratt House Cartwright Way Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF, United Kingdom
79 Church Road, Headford, 0000 Galway, Ireland
80 Spaces les Halles - Spaces 40 rue du Louvre 75001, Paris, France

One-year like-for-like sales performance (exc. VAT, exc. fuel)

	Like-for-like sales Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**1.5%**	**3.9%**	**5.2%**	**8.1%**	**2.7%**	**6.7%**	**4.7%**
UK	(1.5)%	2.8%	4.3%	7.6%	0.7%	6.0%	3.3%
ROI	(2.4)%	2.4%	5.3%	7.8%	(0.1)%	6.6%	3.3%
Booker	19.4%	9.3%	9.3%	11.1%	13.9%	10.2%	12.0%
Central Europe	**9.0%**	**11.8%**	**12.3%**	**8.5%**	**10.4%**	**10.3%**	**10.4%**
Total Retail	**2.0%**	**4.5%**	**5.7%**	**8.2%**	**3.2%**	**6.9%**	**5.1%**

Three-year like-for-like sales performance (exc. VAT, exc. fuel)

	Like-for-like sales Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**9.7%**	**13.3%**	**13.7%**	**17.3%**	**11.5%**	**15.5%**	**13.5%**
UK	8.1%	11.6%	11.9%	16.3%	9.9%	14.1%	12.0%
ROI	10.1%	14.3%	14.3%	20.1%	12.1%	17.3%	14.7%
Booker	19.6%	22.3%	24.0%	23.1%	21.0%	23.6%	22.2%
Central Europe	**11.3%**	**10.6%**	**16.9%**	**14.2%**	**11.0%**	**15.5%**	**13.2%**
Total Retail	**9.9%**	**13.1%**	**13.9%**	**17.1%**	**11.5%**	**15.5%**	**13.5%**

Total sales performance (exc. VAT, exc. fuel)

	Actual rates			Constant rates		
	H1 2022/23	H2 2022/23	FY 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**2.6%**	**7.0%**	**4.8%**	**2.6%**	**6.8%**	**4.7%**
UK	0.6%	6.0%	3.3%	0.6%	6.0%	3.3%
ROI	(0.6)%	13.2%	6.3%	1.0%	9.7%	5.4%
Booker	13.8%	10.2%	12.0%	13.8%	10.2%	12.0%
Central Europe	**5.9%**	**10.7%**	**8.3%**	**9.5%**	**10.4%**	**10.0%**
Total Retail	**2.8%**	**7.2%**	**5.0%**	**3.1%**	**7.1%**	**5.1%**
Tesco Bank	**24.6%**	**16.0%**	**20.1%**	**24.6%**	**16.0%**	**20.1%**
Total Group	**3.1%**	**7.4%**	**5.3%**	**3.5%**	**7.2%**	**5.3%**

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	48,917	48,917	1.0	1.0
ROI	3,077	2,645	1.2	1.1
Booker	8,684	8,684	1.0	1.0
Czech Republic	45,603	1,601	28.5	26.8
Hungary	668,601	1,451	460.8	430.4
Slovakia	1,580	1,358	1.2	1.1

UK sales area by size of store

	25 February 2023			26 February 2022		
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	2,605	5.6	14.6%	2,556	5.5	14.2%
3,001-20,000	276	2.9	7.6%	281	3.0	7.8%
20,001-40,000	286	8.2	21.2%	286	8.3	21.4%
40,001-60,000	182	8.8	22.8%	182	8.8	22.7%
60,001-80,000	119	8.4	21.6%	120	8.4	21.7%
80,001-100,000	45	3.7	9.6%	45	3.7	9.6%
Over 100,000	8	1.0	2.6%	8	1.0	2.6%
Total*	**3,521**	**38.6**	**100.0%**	**3,478**	**38.7**	**100.0%**

* Excludes Booker and franchise stores.

Group space summary

Actual Group space – store numbers[a]

	2021/22 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	2022/23 year end	Repurposing/ extensions[c]
Large[d]	798	2	(1)	1	799	6
Convenience	1,966	50	(18)	32	1,998	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,770**	**52**	**(19)**	**33**	**2,803**	**6**
One Stop[e]	695	18	(1)	17	712	–
Booker	192	–	(1)	(1)	191	–
Jack's	13	–	(7)	(7)	6	(6)
UK[e]	3,670	70	(28)	42	3,712	–
ROI[f]	152	14	–	14	166	1
UK & ROI[e]	**3,822**	**84**	**(28)**	**56**	**3,878**	**1**
Czech Republic[e]	185	4	(2)	2	187	8
Hungary	198	–	(1)	(1)	197	13
Slovakia[e]	154	3	–	3	157	14
Central Europe[e]	**537**	**7**	**(3)**	**4**	**541**	**35**
Group[e]	**4,359**	**91**	**(31)**	**60**	**4,419**	**36**
UK (One Stop)	252	53	(14)	39	291	–
Czech Republic	126	4	(6)	(2)	124	–
Slovakia	15	12	(2)	10	25	–
Franchise stores	**393**	**69**	**(22)**	**47**	**440**	**–**
Total Group	**4,752**	**160**	**(53)**	**107**	**4,859**	**36**

Actual Group space – '000 sq. ft.[a]

	2021/22 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	**2022/23 year end**
Large[d]	31,402	26	(65)	64	25	31,427
Convenience	5,287	129	(72)	–	57	5,344
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,405**	**155**	**(137)**	**64**	**82**	**37,487**
One Stop[e]	1,134	37	(2)	–	35	1,169
Booker	8,210	–	(29)	–	(29)	8,181
Jack's	128	–	(65)	(63)	(128)	–
UK[e]	46,877	192	(233)	1	(40)	46,837
ROI[f]	3,344	126	–	8	134	3,478
UK & ROI[e]	**50,221**	**318**	**(233)**	**9**	**94**	**50,315**
Czech Republic[e]	4,248	46	(22)	(126)	(102)	4,146
Hungary	5,927	–	(3)	(254)	(257)	5,670
Slovakia[e]	3,143	31	–	(27)	4	3,147
Central Europe[e]	**13,318**	**77**	**(25)**	**(407)**	**(355)**	**12,963**
Group[e]	**63,539**	**395**	**(258)**	**(398)**	**(261)**	**63,278**
UK (One Stop)	367	71	(18)	–	53	420
Czech Republic	115	3	(4)	–	(1)	114
Slovakia	13	11	(1)	–	10	23
Franchise stores	**495**	**85**	**(23)**	**–**	**62**	**557**
Total Group	**64,034**	**480**	**(281)**	**(398)**	**(199)**	**63,835**

(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) Six Jack's stores converted to Large stores; reflected within repurposing/extensions.
(e) Excludes franchise stores.
(f) Openings include 10 stores as a result of the acquisition of Joyce's stores, one of which we will sell as a condition of the clearance of the transaction.

Group space forecast to 24 February 2024 – '000 sq. ft.[a]

	2022/23 year end	Openings	Closures/ disposals	Repurposing/ extensions	Net gain/ (reduction)	2023/24 year end
Large	31,427	36	(15)	–	21	31,448
Convenience	5,344	196	(21)	–	175	5,519
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,487**	**232**	**(36)**	**–**	**196**	**37,683**
One Stop[b]	1,169	68	(9)	–	59	1,228
Booker	8,181	–	–	–	–	8,181
UK[b]	46,837	300	(45)	–	255	47,092
ROI	3,478	51	(17)	–	34	3,512
UK & ROI[b]	**50,315**	**351**	**(62)**	**–**	**289**	**50,604**
Czech Republic[b]	4,146	20	(13)	(80)	(73)	4,073
Hungary	5,670	–	–	(305)	(305)	5,365
Slovakia[b]	3,147	59	–	(27)	32	3,179
Central Europe[b]	**12,963**	**79**	**(13)**	**(412)**	**(346)**	**12,617**
Group[b]	**63,278**	**430**	**(75)**	**(412)**	**(57)**	**63,221**
UK (One Stop)	420	161	(16)	–	145	565
Czech Republic	114	3	(3)	–	–	114
Slovakia	23	10	–	–	10	33
Franchise stores	**557**	**174**	**(19)**	**–**	**155**	**712**
Total Group	**63,835**	**604**	**(94)**	**(412)**	**98**	**63,933**

(a) Continuing operations.
(b) Excludes franchise stores.

Tesco Bank income statement

	2023[a] £m	2022[a] £m
Revenue		
Interest receivable and similar income	540	473
Fees and commissions receivable	257	210
Gross insurance premium income	309	239
	1,106	**922**
Direct costs		
Interest payable	(99)	(42)
Fees and commissions payable	(10)	(20)
Insurance premium income ceded to reinsurers	(139)	(105)
Insurance claims incurred	(175)	(150)
Reinsurers' share of claims incurred	90	62
	(333)	**(255)**
Other income/(expenses)	(5)	15
Gross profit	**768**	**682**
Other expenses		
Staff costs	(218)	(210)
Premises and equipment	(70)	(68)
Other administrative expenses	(222)	(193)
Depreciation and amortisation	(54)	(65)
Impairment (loss)/reversal on financial assets	(61)	30
Adjusted operating profit	**143**	**176**
Adjusting items[b]	(11)	–
Operating profit/(loss)	**132**	**176**
Finance income/(costs): movements on derivatives and hedge accounting	2	2
Finance income/(costs): interest	(8)	(4)
Finance income/(costs): leases	(2)	(2)
Share of profit/(loss) of joint venture	–	3
Profit/(loss) for the year	**124**	**175**

(a) These results are for the 12 months ended 28 February 2023 and the previous period represents the 12 months ended 28 February 2022.
(b) Adjusting items of £(11)m in 2023 (2022: £nil) 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.

Changes to APMs

The Adjusted diluted earnings per share (adjusted for share consolidation) APM was previously provided to aid year-on-year comparability in the event of a share consolidation. The APM is no longer relevant for the 2022/23 financial year so has been removed.

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	– Like-for-like 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 and Tesco Bank 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. 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 potentially 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.
Net interest margin	No direct equivalent	– Ratio N/A	– Net interest margin is calculated by dividing Tesco Bank annualised net interest income, less annualised lease interest expense, by average interest-bearing assets. – It is a measure of the gross profitability of Tesco Bank's lending operations.
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.

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 but includes that of the discontinued operations to reflect the net debt obligations of the Retail business. – Net debt comprises bank and other borrowings, lease liabilities, net derivative financial instruments, joint venture loans, and net interest receivables/payables, offset by cash and cash equivalents and short-term investments. – 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 income/costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements) 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 – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations and buybacks of properties (typically stores), as well as additions relating to decommissioning provisions and similar items. – Property buybacks are variable in timing, with the number and value of buybacks dependent on opportunities that arise within any given financial year. Excluding property buybacks 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 and investing activities for the Retail business, the market purchase of shares net of proceeds from shares issued in relation to share schemes and repayment of obligations under leases, excluding the effects of Tesco Bank's cash flows. The following items are excluded: investing cash flows that increase/decrease items within Net debt; proceeds from the sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale; cash utilised to buy back property; proceeds from the sale of subsidiaries; cash utilised in business acquisitions; cash used for investment in joint ventures, associates and unlisted equity investments; and adjusting cash items in operating cash activities. – By adjusting for these factors, which can have unpredictable timings or amounts, or can be driven by external events or non-operational business decisions (such as acquisitions and disposals of properties as opportunities arise), the 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

	Notes	APM 2023 £m	APM 2022 £m
Operating profit	2	**1,525**	**2,560**
Less: Adjusting items	2	1,105	265
Adjusted operating profit	2	**2,630**	**2,825**
Less: Tesco Bank adjusted operating profit	2	(143)	(176)
Retail adjusted operating profit	2	**2,487**	**2,649**
Add: Retail depreciation and amortisation before adjusting items	2	1,570	1,577
Retail EBITDA		**4,057**	**4,226**

Net interest margin

	Notes	APM 2023 £m	APM 2022 £m
Tesco Bank revenue	2	**1,106**	**922**
Less: Tesco Bank revenue from fees and commissions receivable	2	(257)	(210)
Less: Tesco Bank revenue from gross insurance premium income	2	(309)	(239)
Tesco Bank interest expense within operating profit		(99)	(42)
Tesco Bank interest expense within finance income/(costs)		(8)	(4)
Net interest income		**433**	**427**
Average interest earning assets		**8,835**	**8,505**
Net interest margin (%)		**4.9%**	**5.0%**

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 32.

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 2023 £m	APM 2022 £m
Net debt	32	10,493	10,516
Retail EBITDA		4,057	4,226
Net debt/EBITDA ratio		**2.6**	**2.5**
Net debt	32	10,493	10,516
Add: Defined benefit pension deficit, net of deferred tax	29	300	242
Total indebtedness		**10,793**	**10,758**
Retail EBITDA		**4,057**	**4,226**
Total indebtedness ratio		**2.7**	**2.5**

Fixed charge cover

	Notes	APM 2023 £m	APM 2022 £m
Net finance costs	5	533	542
Less: Net pension finance income/(costs)	5	80	(22)
Less: Fair value remeasurements of financial instruments	5	(51)	123
Adjusted total finance costs		**562**	**643**
Less: Finance charges payable on lease liabilities	5	(373)	(405)
Adjusted total finance costs, excluding capitalised interest and finance charges payable on lease liabilities		**189**	**238**
Add: Total lease liability payments	12	966	977
Less: Discontinued operations total lease liability payments		–	(2)
		1,155	1,213
Retail EBITDA		**4,057**	**4,226**
Fixed charge cover (ratio)		**3.5**	**3.5**

Capex

	Notes	APM 2023 £m	APM 2022 £m
Property, plant and equipment additions[(a)]	11	**1,252**	**1,587**
Other intangible asset additions[(a)]	10	**277**	**229**
Less: Additions from obtaining control of property joint venture[(b)]	11	(248)	(584)
Less: Additions from other property buybacks	11	(29)	(37)
Less: Additions relating to decommissioning provisions and similar items		(17)	(94)
Capex		**1,235**	**1,101**

(a) Excluding amounts acquired through business combinations.
(b) Acquisition of The Tesco Dorney Limited Partnership in 2023 and The Tesco Sarum Limited Partnership in 2022.

APMs: Reconciliation of cash flow measures

	Notes	APM 2023 £m	APM 2022 £m
Cash generated from/(used in) operating activities	2	**3,722**	**3,757**
Cash generated from/(used in) investing activities	2	**(706)**	**(1,735)**
Less: Cash generated from/(used in) operating activities in Tesco Bank	2	30	(149)
Less: Cash generated from/(used in) operating activities in discontinued operations	2	–	6
Less: Cash generated from/(used in) investing activities in Tesco Bank	2	205	119
Less: Cash generated from/(used in) investing activities in discontinued operations	2	–	(43)
	2	**3,251**	**1,955**
Own shares purchased in relation to share schemes	2	(86)	(144)
Retail repayments of capital element of obligations under leases	2	(589)	(571)
Exclude/add back:			
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	(341)	(308)
Retail purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	2	54	80
Retail disposal of subsidiaries, net of cash disposed	2	–	(117)
Retail acquisition of businesses, net of cash acquired	2	66	–
Retail investments in/(proceeds from sale of) joint ventures and associates	2	10	(4)
Retail adjusting net cash (generated from)/used in operating activities	2	61	316
Retail increase in loans to joint ventures and associates	2	1	4
Retail net investments in/(proceeds from sale of) other investments	2	205	(1)
Retail net investments in/(proceeds from sale of) short-term investments	2	(451)	1,067
Retail cash inflows from derivative financial instruments within investing activities	2	(54)	–
Retail cash outflows from derivative financial instruments within investing activities	2	6	–
Retail free cash flow	2	**2,133**	**2,277**

The following table reconciles the Retail free cash flow APM to that previously presented:

	Notes	APM 2023 £m	APM 2022 £m
Retail free cash flow	2	**2,133**	**2,277**
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	341	308
Retail purchase of property, plant and equipment and investment property – property buybacks	2	(54)	(80)
Retail cash outflows exceeding the incremental increase in assets in a property buyback	2	(21)	–
Retail disposal of subsidiaries, net of cash disposed	2	–	117
Retail acquisition of businesses, net of cash acquired	2	(66)	–
Retail (investments in)/proceeds from sale of joint ventures and associates	2	(10)	4
Retail (investments in)/proceeds from sale of other investments	2	(205)	1
Retail adjusting net cash (generated from)/used in operating activities	2	(61)	(316)
Memo: Retail free cash flow including cash flows from non-major corporate acquisitions and disposals, cash flows from the sale or buyback of properties, and Retail adjusting cash flows from operating activities	2	**2,057**	**2,311**

Other

CPI
Consumer price index.

Capital employed
This is calculated as net assets less net debt less net assets of the disposal group and non-current assets classified as held for sale.

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 and 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.

Return
Profit before adjusting items and interest, after tax (applied at effective rate of tax).

Return on capital employed (ROCE)
Return divided by the average of opening and closing 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. For financial years prior to 2023, these statistics 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, with years prior to 2020 not restated.

Refer to the Glossary for a full list of APMs and their definitions.

	2019	2020[a][b]	2021	2022	**2023**
Financial statistics (£m)					
Sales					
UK & ROI	44,883	45,752	48,848	49,984	52,369
Central Europe	6,030	3,968	3,862	3,862	4,181
Asia	4,873	–	–	–	–
Tesco Bank	1,097	1,068	735	922	1,106
Group sales[c]	**56,883**	**50,788**	**53,445**	**54,768**	**57,656**
Revenue					
UK & ROI	51,643	52,898	53,170	56,404	60,246
Central Europe	6,298	4,125	3,982	4,018	4,410
Asia	4,873	–	–	–	–
Tesco Bank	1,097	1,068	735	922	1,106
Group revenue	**63,911**	**58,091**	**57,887**	**61,344**	**65,762**
Adjusted operating profit/(loss)[c]					
UK & ROI	1,868	2,202	1,839	2,481	2,307
Central Europe	221	176	124	168	180
Asia	319	–	–	–	–
Tesco Bank	199	193	(175)	176	143
Group adjusted operating profit/(loss)[c]	**2,607**	**2,571**	**1,788**	**2,825**	**2,630**
Adjusted operating margin	**4.1%**	**4.4%**	**3.1%**	**4.6%**	**4.0%**
Operating profit/(loss)					
UK & ROI	1,949	1,923	1,890	2,191	1,249
Central Europe	279	209	127	193	144
Asia	252	–	–	–	–
Tesco Bank	169	74	(470)	176	132
Group operating profit/(loss)	**2,649**	**2,206**	**1,547**	**2,560**	**1,525**
Share of post-tax profits/(losses) of joint ventures and associates	32	(8)	26	15	8
Net finance costs	(1,064)	(1,170)	(937)	(542)	(533)
Profit/(loss) before tax	**1,617**	**1,028**	**636**	**2,033**	**1,000**
Taxation	(347)	(290)	(104)	(510)	(247)
Profit/(loss) for the year from continuing operations	**1,270**	**738**	**532**	**1,523**	**753**
Discontinued operations	–	235	5,426	(40)	(9)
Profit/(loss) for the year	1,270	973	5,958	1,483	744
Attributable to:					
Owners of the parent	1,272	971	5,954	1,481	745
Non-controlling interests	(2)	2	4	2	(1)
Adjusted profit before tax[c]	**1,806**	**1,869**	**1,134**	**2,197**	**2,076**
Other financial statistics					
Diluted earnings/(losses) per share – continuing operations	13.04p	7.54p	5.58p	19.64p	10.08p
Adjusted diluted earnings per share (adjusted for share consolidation)[e]	14.01p	18.98p	11.58p	21.86p	21.85p
Dividend per share[d]	5.77p	9.15p	9.15p	10.90p	10.90p
Cash generated from retail operating activities (£m)	3,637	3,580	321	3,614	3,752
Retail free cash flow (£m)Δ	889	1,493	1,340	2,277	2,133
Return on capital employed (ROCE)[c]	7.9%	6.1%	5.4%	7.8%	8.6%
Total shareholder return[c]	10.2%	5.2%	2.6%	32.4%	(10.5)%
Net debt (£m)[c]	13,204	12,298	11,955	10,516	10,493
Pension deficit, net of deferred tax – Group (£m)	2,338	2,573	1,004	242	300
Total indebtedness (£m)[c]	**15,542**	**14,871**	**12,959**	**10,758**	**10,793**
Enterprise value (£m)[c]	35,024	34,676	29,336	32,403	28,562
Group retail statistics					
Number of stores[f]	6,993	4,613	4,673	4,752	4,859
Total sales area ('000 sq. ft.)[f]	91,298	63,971	63,980	64,034	63,835
Average employees	464,505	354,451	367,321	354,744	336,926
Average FTE employees	321,490	243,031	242,911	231,223	222,306
UK & ROI retail statistics					
Number of stores[f]	3,961	3,968	4,008	4,074	4,169
Total sales area ('000 sq. ft.)[f]	50,521	50,401	50,443	50,588	50,735
Average FTE employees	223,542	210,771	214,470	204,974	196,911
Revenue (exc. fuel) (per FTE – £)	200,781	217,070	227,761	243,855	265,953
Weekly revenue (exc. fuel) (per sq. ft. – £)	18.65	17.11	18.63	19.03	19.88

Δ See APM reconciliations in Glossary section on pages 210 to 211.
(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. Years prior to 2020 have not been restated.
(c) See Glossary for definitions.
(d) Dividend per share relating to the interim and proposed final dividend.
(e) The share base used in Adjusted diluted earnings per share 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 earning per share (adjusted for share consolidation) is presented on a basis other than in accordance with IAS 33.
(f) Including franchise stores.

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 at www.shareview.co.uk. Some benefits of having a Shareview portfolio include:

- receiving the latest shareholder communications electronically;
- voting online for the resolutions at the AGM and any other shareholder meetings;
- managing all your shareholdings in one place;
- buying and selling shares instantly online with the share dealing service; and
- easily updating your contact details.

For more information and to register for this service, please visit www.shareview.co.uk. Registration can be completed in just four easy steps and you will need your Shareholder Reference Number.

E-comms

We encourage our shareholders to accept all shareholder communications and documents electronically, in place of receiving traditional paper copies by post. This helps us to reduce our environmental impact and costs, which aligns with our strategic priorities. If you would like to sign up to receive all future shareholder communications electronically, please register with Shareview by visiting www.shareview.co.uk. Once you have signed up, you will receive an email to let you know when shareholder documents become available on our website, including our annual financial results, notices of shareholder meetings and other shareholder documents.

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. Your shares are held in the name of Equiniti Corporate Nominees Limited and held on your behalf on a private register. Holding your shares electronically removes the need to hold paper share certificates, making dealing quicker and more secure. You will also receive preferential dealing rates through the TSA.

The TSA is a sponsored nominee service operated for Tesco by Equiniti Financial Services Limited, authorised and regulated by the FCA. 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.

For further information or to join the TSA, please contact Equiniti.

Annual General Meeting (AGM)

The 2023 AGM is scheduled to be held on Friday, 16 June 2023 at 11.30am in the Heart building on our Welwyn Garden City campus. A copy of the Notice of Meeting can be found on our website at www.tescoplc.com/AGM2023.

Dividend

An interim dividend of 3.85 pence per Ordinary share was paid on 25 November 2022. Shareholders will be asked to approve a final dividend of 7.05 pence per Ordinary share for the year ended 25 February 2023 at this year's AGM. If approved, this will be paid on 23 June 2023 to all shareholders on the Register of Members at the close of business on 12 May 2023.

As a responsible business, Tesco is committed to reducing its carbon footprint across all business activities. As previously announced, we will no longer be paying dividends by cheque. To continue to receive dividends, you will need to provide your bank or building society account details to Equiniti, so that dividend payments and any other money payable to you in connection with your shares can be made by direct payment.

You may also choose to have your dividends reinvested in further Tesco shares through our DRIP (terms and conditions apply).

For more information or to change your dividend payment instructions contact Equiniti or register online at www.shareview.co.uk.

Share buyback programme

On 13 April 2022, Tesco PLC announced the continuation of the ongoing share buyback programme, committing to a further £750m in shares to be repurchased by no later than April 2023. This tranche completed in February 2023.

The Company intends to buy back a further £750m worth of shares by no later than April 2024. This will be carried out by the Company using the authority to purchase its own shares as approved by shareholders.

The sole purpose of these share purchases is to reduce the Company's share capital and therefore ordinary shares purchased under the buyback will be cancelled.

Share dealing service

Equiniti offers telephone, postal and internet 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. You will need your Shareholder Reference Number as shown on your share certificate.

For further information please visit www.shareview.co.uk/dealing or call 0345 603 7037, lines open between 8.00am and 4.30pm, Monday to Friday (excluding UK public holidays).

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 be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Always check that any firm contacting you about potential investment opportunities is authorised by the FCA. You can find out more about protecting yourself from investment scams by visiting the FCA's website at www.fca.org.uk/consumers, or by calling the FCA's consumer helpline on 0800 111 6768.

Financial calendar 2023/24

February 2023 › June 2023 › October 2023 › January 2024 › February 2024

25 February 2023
Financial year end 2022/23

16 June 2023
AGM and Q1 trading statement

23 June 2023
Proposed payment date for final dividend

4 October 2023
Interim results announcement

11 January 2024
Q3 and Christmas trading statement

24 February 2024
Financial year end 2023/24

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
Telephone (US): +1 800 990 1135
Telephone (outside US): +1 651 453 2128
Website: www.adr.com

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 25 February 2023 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
Schroders plc	4.99
Silchester International Investors LLP	4.98
Fidelity International (FIL Limited)	3.04

(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 25 February 2023, the Company had 7,318,341,195 shares in issue (26 February 2022: 7,637,986,531) and 218,685 registered holders of Ordinary shares (27 February 2021: 227,285). Shareholdings are analysed below:

Range of shareholding	Number of holdings	% of issued share capital
1 – 500	144,880	0.23%
501 – 1,000	19,701	0.20%
1,001 – 5,000	37,773	1.21%
Over 5,001	16,331	98.36%
Total	**218,685**	**100%**

Breakdown of holders with over 5,000 shares

Range of shareholding	Number of holdings	% of issued share capital
5,001 – 10,000	8,734	0.84%
10,001 – 50,000	6,210	1.57%
50,001 – 100,000	351	0.33%
100,001 – 500,000	444	1.40%
500,001 – 1,000,000	163	1.55%
1,000,001 – 5,000,000	243	7.62%
5,000,001+	186	85.05%
Total	**16,331**	**98.36%**

Category of shareholders

	Number of holdings	% of total registered holders	Number of Ordinary shares	% of issued share capital
Private	216,641	99.07%	395,587,963	5.41%
Institutional and corporate	2,044	0.93%	6,922,753,232	94.59%

Useful contacts

Tesco PLC registered office:

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

Investor Relations

Investor Relations Department
Tesco House
Shire Park
Kestrel Way
Welwyn Garden City
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Calls are charged at national rates.
Calls from a mobile device may incur network extras.

Website: www.equiniti.co.uk

Group Company Secretary

Robert Welch

Corporate brokers

Barclays Bank PLC
Citigroup Global Markets Limited

Independent auditors

Deloitte LLP

General queries

Switchboard: +44 (0) 1992 632 222
Website: www.tescoplc.com

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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.

Printed in the UK by Pureprint Group, a CarbonNeutral® Company with FSC® certification.

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Parsons Media Limited

Designed and produced by Black Sun Global.
www.blacksunplc.com

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