

## Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
<b>Customer<sup>†</sup></b> <b>S Strategic</b> <p>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.</p> <p><b>Oversight:</b> Executive Committee, Audit Committee, Board.</p> 	<p>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.</p> 	<ul style="list-style-type: none"> <li>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.</li> <li>Our product ranges, propositions and Clubcard benefits are designed to provide our customers with the flexibility to achieve balance between value and quality.</li> <li>We have a consistent approach to building impactful customer propositions by offering high-quality and competitive value while improving the customer experience.</li> <li>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.</li> <li>Our well-established product development and quality management processes ensure the needs of our customer are central to our decision making.</li> <li>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.</li> </ul>
<b>Tesco Bank</b> <b>F Finance</b> <b>C Compliance</b> <p>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.</p> <p><b>Oversight:</b> Tesco Bank board, Executive Committee, Audit Committee, Board.</p> 	<p>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.</p> 	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
<b>Competition and markets<sup>†</sup></b> <b>S Strategic</b> <p>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.</p> <p><b>Oversight:</b> Executive Committee, Audit Committee, Board.</p> 	<p>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.</p> 	<ul style="list-style-type: none"> <li>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.</li> <li>Our Executive Committee and operational management regularly review markets, trading opportunities, competitor strategy and activity.</li> <li>We carry out market scanning and competitor analysis to refine our customer proposition.</li> <li>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.</li> <li>We continue to improve our Clubcard offerings and have introduced promotions and targeted campaigns to compete with other retailers on price and product quality.</li> </ul>