









Principal risk	Risk movement	Key responses and controls
Product safety and food integrity C Compliance <p>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.</p> <p>Oversight: Group risk and compliance committee, Executive Committee, Audit Committee, Board.</p> 	<p>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.</p> 	<ul style="list-style-type: none"> 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 <p>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.</p> <p>Oversight: Group risk and compliance committee, Corporate Responsibility Committee, Executive Committee, Audit Committee, Board.</p> 	<p>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.</p> 	<ul style="list-style-type: none"> 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 <p>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.</p> <p>Oversight: Executive Committee, Audit Committee, Board.</p>    	<p>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.</p> 	<ul style="list-style-type: none"> 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.