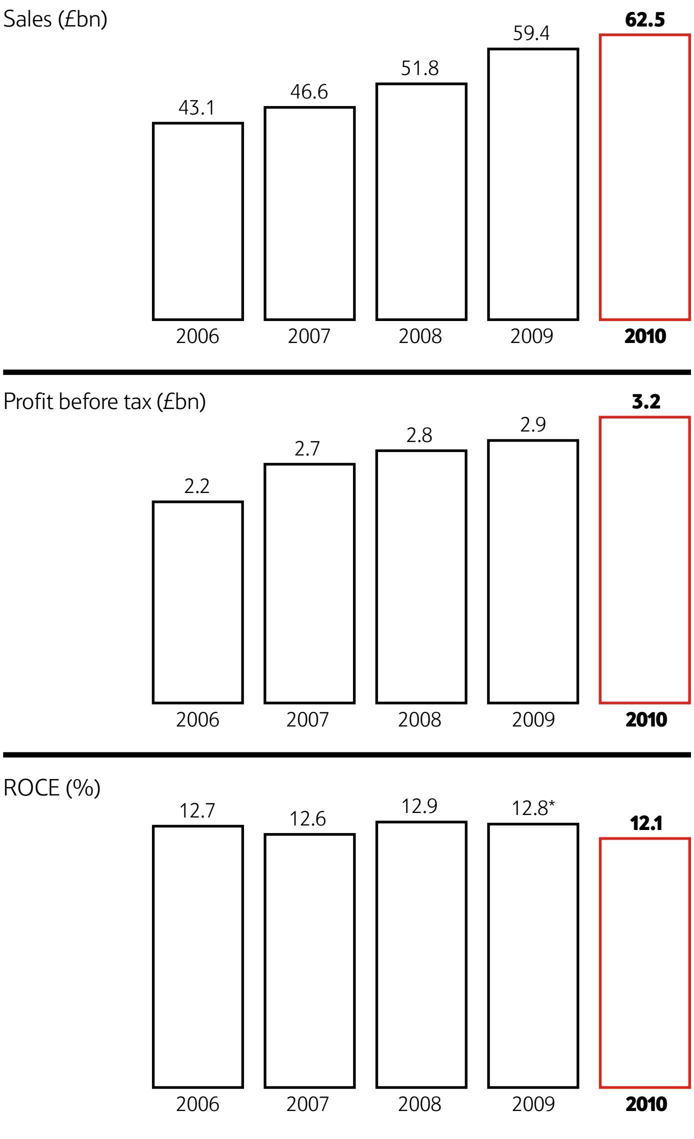
Directors' remuneration report

This report sets out the remuneration policy for the Executive and Non-executive Directors of Tesco PLC and describes the individual remuneration of the Directors for the year ended 27 February 2010. The report has been drawn up in accordance with the Combined Code on Corporate Governance, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Financial Services Authority Listing Rules.

Executive summary

Tesco aims to deliver, sustainable and profitable long-term growth. Despite challenging economic conditions across our markets, Tesco has again delivered a strong performance against targets this year. In doing so, Tesco has continued to build on the track record it has established over several years.

Sales, Profit and ROCE Performance over 5 years



* Restated for the impact of IFRIC 13 and IFRS 2.

Tesco is already a large and profitable company. A 10% increase in Company value equates to some £3bn in additional shareholder value, equivalent to the value of a top 50 FTSE organisation. Over the last 5 years, Tesco has delivered more than £10bn of additional shareholder value through dividends and share price growth. Continuing to grow profitability from such a high base is demanding but forms the core of Tesco's strategy and its supporting processes including executive remuneration. Our remuneration strategy is intended to foster a culture of outstanding performance, taking into account both the short-term and long-term needs of the business.

In determining the level of executive reward, the Remuneration Committee continues to be conscious of the economic background and widespread concern about executive remuneration being appropriately justified by company performance. It has therefore sought to ensure reward outcomes are proportionate to Tesco's performance outcome.

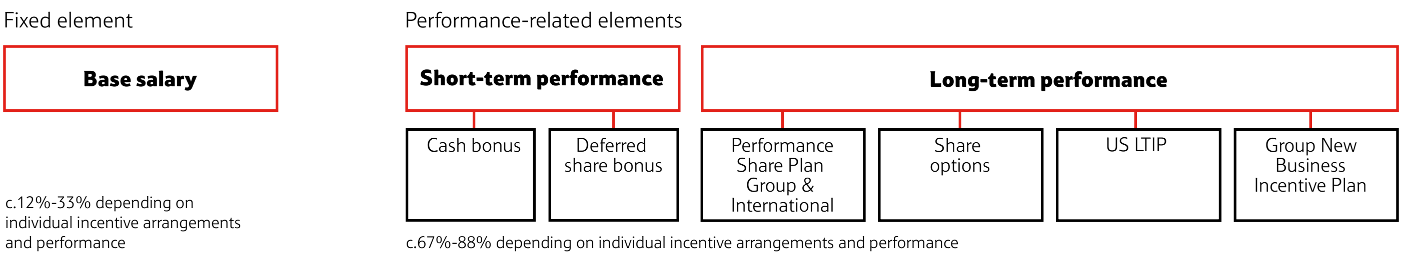
The strong result against targets in 2009/10 included improvement on most of the underlying performance measures relating to productivity and growth. Against this performance background, the main aspects of executive remuneration policy and practice for the year are as follows:

- Operational Executive Director salaries were increased from 1 July 2009 by an average of 2.58% after the normal review (against an average across the Group of 2.5%);
- annual bonus payouts ranged from 75% to 95% of maximum reflecting strong performance during the year against financial and strategic milestones. The maximum potential bonus was 250% of salary for the Group CEO, 300% of salary for the US CEO and 200% of salary for other Executive Directors;
- long-term incentive payout was 124 of a potential maximum of 150% of salary;
- share options vested in full reflecting sustained strong earnings delivery;
- no material changes were made to policy, remuneration mix or scale of incentives;
- deferred awards, already earned from prior years, representing 4.5 million shares became available to Directors;
- there have been no substantial changes to the commercial structure of the terms of existing awards, however, a number of shares have been released from awards already earned from prior years to satisfy tax liabilities crystallised in the year;
- minor changes to remuneration arrangements relating to leaving conditions were approved by shareholders; and
- there continued to be a high level of share ownership by Executive Directors.

Executive Director remuneration strategy

Tesco has a long-standing policy of valuing talent and experience. We seek to provide incentives for delivering high, sustainable and profitable growth which leads to a strong increase in additional value for shareholders. We operate in a keenly competitive and rapidly changing retail environment. Business success depends on the skills of each member of the key team, but outstanding business performance comes from teamwork. Tesco has a stable and successful management team, and incentivising and rewarding that team at senior levels to deliver ever higher levels of performance is vital to our ongoing success and our ability to create shareholder value. We believe our incentives should support the continued progress and the strengthening of our returns from across the Group, as well as the creation and development of significant new businesses.

Balance of fixed and performance related remuneration



The Remuneration Committee believes that the majority of total remuneration should be performance-related and delivered largely in shares closely to align the interests of shareholders and Executive Directors. In determining the balance between the fixed and variable elements of the Executive Directors' remuneration packages, the Committee takes into account both policy and market practice.

Total remuneration levels for Executive Directors are reviewed annually by the Committee taking into account their value to the Company in terms of continuing strong performance, potential and competitive market practice. Consideration is also given to reward levels at the next tier of management and across the Group in order to sustain a common sense of purpose and sharing of success as well as to ensure that executive arrangements remain appropriate in the context of wider Group remuneration. When setting the remuneration of Executive Directors, the Committee considers the Group's performance against a mixture of corporate objectives and financial measures. These corporate objectives include specific measures based on environmental, social and governance (ESG) factors, an integral part of the corporate strategy. Inclusion of these specific measures in a number of parts of the remuneration structure helps to reinforce positive and responsible behaviour by senior management. To find out more go to www.tesco.com/annualreport2010

Performance related remuneration
The remuneration structures for Executive Directors and other key executives are tailored to emphasise the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term. More than two-thirds of total remuneration (excluding pension) is linked to the performance of the business. Long-term performance is rewarded through delivery of shares and short-term performance through a combination of cash and compulsorily deferred shares. This combines emphasis on strong year-on-year performance with long-term executive share ownership, providing a strong link between the incentives received and shareholder value.

Performance measures
The Executive Directors have a range of performance targets across the various incentive plans which reflect the objectives of the Group and their own responsibilities and are aligned with long-term shareholder value creation. Targets are generally set to reward performance improvement compared to prior periods, with maximum awards only paying out for delivery of strong performance.

The measures are summarised in the table below and are based on:

- delivery of improved bottom-line financial results, measured through earnings, both in the present year and sustainably over time;
- enhancement of efficient profitability, measured through return on capital, whilst growing the business;
- improving share price via the use of share options throughout the organisation;
- achievement of durable improvements in the underlying drivers of performance such as cost reduction, energy efficiency, reduced environmental impact and sales growth captured through various corporate measures; and
- laying foundations for future performance through measures such as accessing new sales footage, developing people and implementing community programmes which are also captured through the corporate measures.

The sustainability of our business is key and the Remuneration Committee is satisfied that the measures and targets do not incentivise Executive Directors to take an inappropriate level of risk.

Short-term Performance Measures

Measures	Participation	Incentivises	Maximum potential % of salary	Performance period	Delivered via
Earnings per share	All Executive Directors	Year on year earnings growth	125% (US CEO 62.5%)	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Corporate objectives	All Executive Directors	Delivery of strategic business priorities, entrepreneurial spirit and building framework for future growth	55% (US CEO 27.5%)	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Total shareholder return	All Executive Directors	Share price and dividend growth versus competitors	20% (US CEO 10%)	One year	Annual deferred share bonuses (3-year deferral)
Specific US objectives	US CEO	Delivery against financial and strategic milestones for US business	200%	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Specific US objectives	Group CEO	Delivery against financial and strategic milestones for US business	50%	One year	Annual deferred share bonuses (3-year deferral)

Long-term Performance Measures

Measures	Participation	Incentivises	Maximum potential % of salary (unless otherwise stated)	Performance period	Delivered via
EPS relative to RPI	All Executive Directors	Longer-term earnings growth	200%*	Three years	Executive share options
Group ROCE	All Executive Directors	Long-term business success and shareholder returns	100%	Three years	Performance Share Plan
International ROCE	All Executive Directors except US CEO	Long-term business success and shareholder returns	50%	Three years	Performance Share Plan
US EBIT and ROCE	US CEO	Establishment of successful US business	2 million shares**	2010/11 – 2013/14	US Long Term Incentive Plan
US EBIT and ROCE Group ROCE International ROCE	Group CEO	Entrepreneurial spirit and establishment of new businesses within whole Group performance	2.5 million shares**	2010/11 – 2013/14	Group New Business Incentive Plan

* This is the amount on which the number of shares under option is calculated. The actual realisable value of these options will depend on any growth in share price between the date of grant and the date of exercise.
** Dividends accrue on these awards in the form of dividend equivalents.

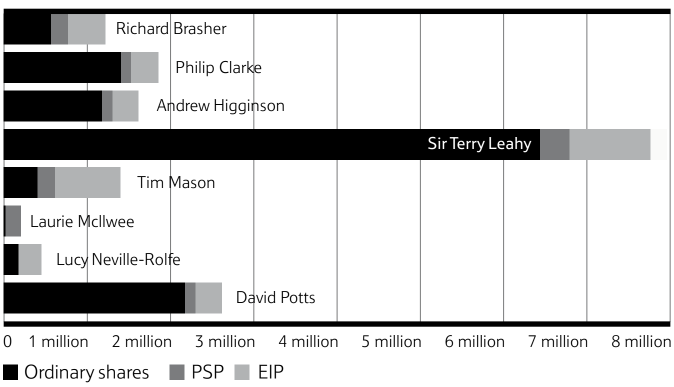
Participation in the various elements is governed by the Remuneration Committee and individual Executive Directors are awarded incentives under the elements which are most relevant to their sphere of responsibility.

If performance is lower than the maximum targets, incentive payments will reduce accordingly and will be zero if threshold levels of performance are not attained. The Committee has reviewed the performance conditions for each of the incentive arrangements against the Group's business strategy, its growing global leadership, its position as one of the companies at the top of the FTSE 100 and the intensely competitive sector in which it operates, and has concluded that they provide a set of comprehensive and robust measures of management's effort and success in creating shareholder value.

Share ownership guidelines

The Remuneration Committee believes that Executive Directors holding shares aligns their interests with shareholders and reinforces their commitment to the business. Executive Directors are required to build and maintain a shareholding with a value at least equal to their basic salary. Shares held in plans which are not subject to forfeiture are included in this measurement. New appointees will typically be allowed three years to establish this shareholding. Full participation in the long-term Performance Share Plan is conditional upon maintaining the minimum shareholding. All Executive Directors satisfy this requirement, apart from Laurie McIlwee, who was appointed to the Board on 27 January 2009.

Shares held by Executive Directors
as at 27 February 2010



Includes ordinary shares and awards of shares and nil cost options made to Directors which remain subject only to a holding period. Excludes unexercised vested executive share options.

Funding of equity awards

Executive incentive arrangements are funded by a mix of newly issued shares and shares purchased in the market. Where shares are newly issued the Company complies with ABI dilution guidelines on their issue. Currently shares to be issued in respect of executive plans are equivalent to c.4% of shares in issue.

Fixed remuneration

Basic pay

Basic pay is designed to attract and retain talented individuals. It needs to reflect individual capability and any changes in responsibilities as the Group faces new opportunities and challenges. As the Group continues to diversify into new product areas and services, as well as expanding internationally, it seeks to reflect this in the benchmarking that is used. We examine salary levels at the major retailers, the leading FTSE companies and ensure consideration is given to key international competitors. We also take into account pay conditions throughout the Group as well as the prevailing economic climate in deciding executive annual salary increases. The average increase for senior management below Board level last year was 2.58%, in line with the average increase for other staff which was typically around 2.5%. Pay levels Group-wide are determined with consideration to a number of factors, including the prevailing economic environment, discussions with employee representation groups and market practice.

Basic salaries are typically increased with effect from 1 July each year and the Remuneration Committee will again be taking into account the prevailing economic climate in setting Executive Director salaries for the coming year.

Director	Basic salary 1 July 2009 £000
Richard Brasher	812
Philip Clarke	812
Andrew Higginson	812
Sir Terry Leahy	1,410
Tim Mason	812
Laurie McIlwee*	609
Lucy Neville-Rolfe*	609
David Potts	812

* Laurie McIlwee and Lucy Neville-Rolfe's basic salaries were increased by 10.7% and 9.9% respectively reflecting their increased experience since their appointment.

Pensions

Pension provision is central to our ability to foster loyalty and retain experience which is why Tesco wants to ensure that the Tesco PLC Pension Scheme is a highly valued benefit. All Executive Directors are members of the Tesco PLC Pension Scheme which provides a pension of up to two-thirds of base salary on retirement, normally at age 60, dependent on service. The Final Salary Scheme is now closed to new entrants but has been replaced throughout the organisation by a different defined-benefit pension scheme based on career average earnings. Since April 2006, following implementation of the regulations contained within the Finance Act 2004, Executive Directors have been eligible to receive the maximum pension that can be provided from the registered pension scheme. The balance of any pension entitlement for all Executive Directors is delivered through an unapproved retirement benefits scheme (SURBS). Except for Tim Mason, the SURBS is 'secured' by using a fixed charge over a cash deposit in a designated account.

Over the last few years pension contributions by our Executive Directors have been increasing progressively. In 2009/10 the level of contribution was 8% of salary which is in line with senior management's contribution levels. Contributions will rise over the next two years to 10% by 2011/12. Further details of the pension benefits earned by the Directors can be found on page 58.

All employee share schemes

The Executive Directors are eligible to participate in the Company's all employee share schemes on the same terms as other UK employees.

- Shares In Success. Shares in the Company are allocated to participants in the scheme up to HMRC approved limits (currently £3,000 per annum). The amount of profit allocated to the scheme is determined by the Board, taking account of Company performance.
- Buy as You Earn. An HMRC approved share purchase scheme under which employees invest up to a limit of £110 on a four-weekly basis to buy shares at market value in Tesco PLC.
- Save as You Earn. An HMRC approved savings-related share option scheme under which employees save up to a limit of £250 on a four weekly basis via a bank/building society with an option to buy shares in Tesco PLC at the end of a three-year or five-year period at a discount of up to 20% of the market value. There are no performance conditions attached to SAYE options.

Other benefits

The Executive Directors are eligible for car benefits, life assurance, disability and health insurance and staff discount.

2009/10 Performance measurement

Short-term performance 2009/10

Earnings per share

The reported underlying diluted Group EPS for 2009/10 was 31.66p, an increase of 9.1% on last year.

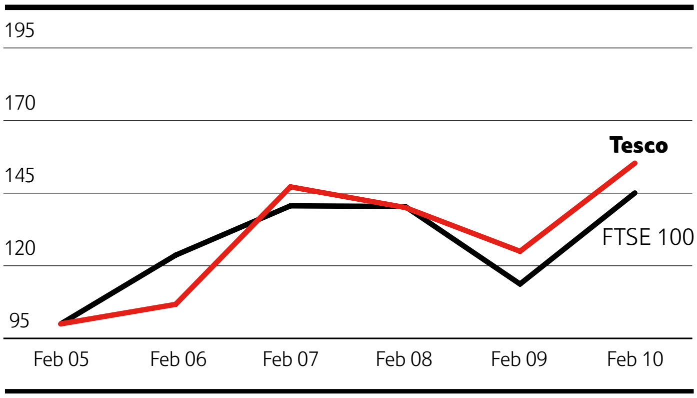
Corporate objectives

The corporate objectives are based on our balanced scorecard, known as the Steering Wheel. Corporate objectives for the awards made in respect of the financial year 2009/10 included increasing sales from new space; specific profit targets for international businesses and for retailing services; like-for-like sales growth and the development of the non-food business; focus on developing trading models internationally; enhancing talent management and capability; embedding the new international Community Plans and Community Promises; and reducing our environmental impact. Performance against most targets was within the target range.

Total shareholder return

The graph below highlights the Group's total shareholder return performance over the last five financial years, relative to the FTSE 100 index of companies. This index has been selected to provide an established and broad-based comparator group of retail and non-retail companies of a similar scale to Tesco.

Total shareholder return (TSR) 1 March 2005 to 27 February 2010



TSR is the notional return from a share or index based on share price movements and declared dividends.

The Committee considers TSR performance against the FTSE 100 and a comparator group of international retailers that includes Ahold, Carrefour, J Sainsbury, Metro, Morrisons, Safeway Inc, Target and Walmart.

Following the Remuneration Committee's consideration of the extent to which the various performance measures (EPS, corporate objectives and TSR) in respect of the 2009/10 award were achieved, the Executive Directors have been awarded 95% of the potential maximum for the cash element and 94% of the potential maximum for the deferred shares element of their annual bonus. The Committee believes that this level of bonus appropriately reflects the strong performance against financial and strategic milestones.

US objectives

Additional awards are made to Tim Mason and Sir Terry Leahy subject to performance conditions which measure the progress of the US business against a range of aggressive targets related to the development of this business. During 2009/10 advances were made on most measures including store development, sales growth, cost management and customer factors. However, the ongoing economic downturn did continue to act as a constraint over the year on the pace of growth against the demanding development objectives.

The Remuneration Committee has assessed the bonus outturn for 2009/10 and Tim Mason has been awarded 65% of the potential maximum for both the cash and deferred shares elements of that part of his annual bonus which is measured by reference to US-specific targets. Sir Terry Leahy has been awarded 65% of the potential maximum for that part of his annual bonus which is measured by reference to US-specific targets and which is satisfied in deferred shares.

Long-term performance 2009/10

Earnings per share

The three-year performance period for the 2007/8 Executive Option grant over shares with a value of 200% of salary at the date of grant ended at the financial year end 2009/10. Vesting of these options was conditional on the achievement of earnings per share performance conditions, with the first 100% subject to the achievement of underlying diluted EPS growth of at least RPI plus 9% over three years with the balance vesting for achieving growth of at least RPI plus 15%. There is no re-testing of performance. The increase in underlying diluted EPS relative to RPI over the three years from 2007/8 to 2009/10 exceeded 15% and these options will therefore vest in full on the third anniversary of their grant.

Return on capital employed

Following the completion of the three-year performance period for the 2007/8 PSP award, the Committee considered the level of performance against the target for the first 75% of the PSP award of achieving post-tax Group ROCE of 14.2% by the end of 2009/10. Post-tax ROCE (calculated on a like-for-like basis with the target originally set) at the end of 2009/10 was 14.2%, so the full amount of the first 75% of the award will vest. The Committee also exercised its judgement as to the extent to which the remaining 25% of the PSP award should vest as a result of superior ROCE performance, taking into account factors including the level of

ROCE achieved, the expected ROCE for additional and existing capital investment, whether capital spend was in line with strategic objectives and balanced short-term and long-term investment needs, the level of sales and underlying profit growth and whether this reflected other developments in the marketplace. Having considered these factors in detail the Committee concluded that all of the remaining 25% of the award should vest. A total of 100% of the 2007/8 PSP award measured on group performance will therefore vest.

For the 50% of salary award which related to International ROCE performance, the Committee considered the level of performance against the target for the first 75% of the International PSP award of achieving post-tax International ROCE of 8.1% by the end of 2009/10. Post-tax International ROCE (calculated on a like-for-like basis with the target originally set) at the end of 2009/10 was 6.9% so 23.1 of the first 75% of the award will vest. The Committee also exercised its judgement as to the extent to which the remaining 25% of the PSP award should vest as a result of superior ROCE performance, taking into account the factors outlined above, the Committee concluded that all of the remaining 25% of the International PSP award should vest. A total of 48.1% of the 2007/8 PSP award measured on international performance will therefore vest.

Future performance measures

The Committee has determined that no change is required for the coming year in the form of incentive arrangements, nor in the relative balance between them. The maximum opportunity under incentive arrangements will remain the same for the 2010/11 year (as set out on pages 53 and 54). The same principles as described earlier were also adopted in the determination of performance targets.

Short-term performance targets

We do not disclose specific future targets for reasons of commercial sensitivity. However it is intended that performance will continue to be measured against stretching EPS, TSR and Corporate Objective targets aligned with the delivery of our strategy. The continuing difficult market conditions in the US have led to the start-up phase of the US business lasting longer than originally envisaged and so the Group CEO and US CEO will continue to have the opportunity to receive an annual bonus relating to the achievement of financial, strategic and operational targets which measure the early-stage development of the US business. Success against these measures will contribute to building a strong platform for long-term sustainable growth of the US business.

Long-term performance

Earnings per share

Options were granted in 2009/10 to Executive Directors over shares with a value of 200% of salary, with an exercise price equal to the market value at the date of grant, and any gain is therefore dependent on increasing the share price between the date of grant and exercise. Vesting of these options is conditional on the achievement of earnings per share performance conditions, with the first 100% subject to the achievement of underlying diluted EPS growth of at least RPI plus 9% over three years and the balance vesting for achieving growth of at least RPI plus 15%. Performance against this target will be measured at the end of 2011/12 to determine the level of vesting.

Return on capital employed – Group and international

The rules of the Performance Share Plan allow awards to be made over shares up to 150% of salary. In the year ended 27 February 2010 awards were made to all the Executive Directors except Tim Mason over Tesco PLC shares equal to a total of 150% of salary. An award was made to Tim Mason over Tesco PLC shares equal to a total of 100% of salary. For all the Executive Directors, awards over up to 100% of salary will vest (together with reinvested dividends) subject to the achievement of Group ROCE targets. The awards over the equivalent of a further 50% of salary made to the Executive Directors other than Tim Mason will vest (together with reinvested dividends) subject to the achievement of targets based on International ROCE in order to incentivise and reward delivery of higher returns from invested capital outside the UK (but excluding the US).

The first 75% of the awards will vest on a straight-line basis at the end of the three-year performance period, with 25% vesting for baseline performance and the full 75% vesting for maximum performance against target. The target in respect of the first 75% of the 2009/10 PSP award is achievement of 13.3% Group ROCE and 7.0% International ROCE at the end of the three-year performance period in 2011/12. The remaining 25% of the awards will vest for superior ROCE performance as judged by the Remuneration Committee taking into account the factors outlined above.

If the Remuneration Committee exercises its judgement to allow some, or all, of the remaining 25% of the PSP awards to vest, we will describe in the Directors' Remuneration Report in the relevant year those factors taken into account in determining the level of the award which would vest. There is no re-testing of performance in respect of any targets.

Return on capital employed – US

The Group is seeking to build a substantial presence in the US, which in time has the potential to become a significant source of value for our shareholders.

The Tesco PLC US Long Term Incentive Plan 2007 (the US LTIP) has been designed to deliver reward only if the US business realises this potential. The US CEO was made an award of two million shares under the US LTIP in 2007. Awards were also made to other senior members of the US management team. No other Executive Directors will participate in the Plan. Awards under the plan vest based on the ROCE and EBIT performance of the US business as set out on page 63.

A key part of the Group's long-term strategy is to consider new business ventures which have the potential for significant long-term value creation for our shareholders. The Group New Business Incentive Plan (Group Plan) supports this initiative. Initially only the Group CEO will participate in the Group Plan. However, awards may be made to other employees at the discretion of the Remuneration Committee in the future where this is appropriate to do so in order to support the Group's new business ventures.

As the Company's US venture is currently the most developed new business initiative, the award made to the Group CEO under the Group Plan is focused on the performance of the US venture, although the Remuneration Committee has the flexibility to consider and include other new business development opportunities within the proposed award. An award of 2.5 million shares was made to the Group CEO in November 2007. This award will vest based on the ROCE and EBIT performance of the US business as set out on page 63, however the plan also requires Group and International ROCE targets to be met and any payouts under this plan will be scaled back on a pro rata basis to the extent they are not met. In addition, the Remuneration Committee will consider the findings of the Governance Oversight Committee (described below) and opinions of the Audit Committee as to whether the level of reported results achieved reflects the underlying financial performance of the Company when considering if, and the extent to which, the award made to the Group CEO will vest.

Service agreements

The Executive Directors all have rolling service agreements with no fixed expiry date. These contracts are terminated on notice of 12 months by the Company and six months' notice by the Executive. If an Executive Director's employment is terminated (other than pursuant to the notice provisions in the service agreement or by reason of resignation or unacceptable performance or conduct) the Company will pay a sum calculated on the basis of basic salary and the average annual bonus paid for the last two years. No account will be taken of pension. Termination payments will be subject to mitigation. This means that amounts will be paid in instalments to permit mitigation. If the termination occurs within one year of retirement, the termination payment will be reduced accordingly. To reflect his length of service with Tesco and the early age of his appointment as CEO, Sir Terry Leahy's service agreement provides for his full pension entitlement to become available on retirement on or after his 57th birthday.

The Remuneration Committee has agreed that new appointments of Executive Directors will normally be on a notice period of 12 months. The Committee reserves the right to vary this period to 24 months for the initial period of appointment and for the notice period to then revert to 12 months. The service agreements are available to shareholders to view on request from the Company Secretary.

Outside appointments

Tesco recognises that its Executive Directors may be invited to become Non-executive Directors of other companies. Such Non-executive duties can broaden experience and knowledge which can benefit Tesco.

Subject to approval by the Board, Executive Directors are allowed to accept Non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest.

Executive Directors' biographies which include details of any outside appointments can be found on pages 36 and 37 of this Report. Fees retained for any Non-executive directorships are set out below.

Director	Company in which Non-executive directorship held	Fee retained in 2009/10 £000
Philip Clarke	Whitbread PLC	55
Andrew Higginson	BSkyB PLC	63
Lucy Neville-Rolfe	The Carbon Trust	18

Non-executive Directors

Non-executive Directors have letters of appointment setting out their duties and the time commitment expected. The letters are available to shareholders to view from the Company Secretary upon request.

The Chairman meets with each Non-executive Director separately to review individual performance. All Non-executive Directors are subject to re-election by shareholders every three years at the Annual General Meeting and their appointment can be terminated by either party without notice. The remuneration of the Non-executive Directors is determined by the Chairman and the Executive Committee after considering external market research and individual contribution. Non-executive Directors receive a basic fee of £65,000 per annum. The Chairs of the Audit and Remuneration Committees receive £30,000 (in addition to their basic Non-executive fee) and Non-executive Directors who are members of these Committees receive an additional £12,000 for each Committee. The Senior Independent Director, Rodney Chase, who is also the Deputy Chairman, receives a total fee of £135,000 per annum. The Remuneration Committee determines the Chairman's remuneration, having regard to time commitment and packages awarded to Chairmen of other companies of a similar size and complexity. David Reid, Non-executive Chairman, receives an annual fee of £610,000 and has the benefit of a company car and chauffeur.

The Remuneration Committee

The Remuneration Committee (the Committee) is governed by formal Terms of Reference which are reviewed annually. The Terms of Reference are available from the Company Secretary upon request or can be viewed at www.tesco.com/boardprocess

Composition of the Committee

The Committee consists entirely of independent Non-executive Directors. The members of the Committee during the year were Charles Allen (Chairman of the Committee), Patrick Cescau, Rodney Chase, Karen Cook, Harald Einsmann and Ken Hanna. Ken Hanna was appointed a member of the Remuneration Committee effective from 1 April 2009. The Directors' biographies can be found on pages 36 and 37 of this Report.

No member of the Committee has any personal financial interest in the matters being decided, other than as a shareholder, nor any day-to-day involvement in running the business of Tesco. Jonathan Lloyd, the Company Secretary, is Secretary to the Committee. David Reid, Non-executive Chairman, Sir Terry Leahy, Chief Executive of the Group and Laurie McIlwee, Group CFO, all attend meetings at the invitation of the Committee. They are not present when their own remuneration is being discussed.

The Committee is supported by the Group Personnel and Finance functions and has continued to use the services of Deloitte LLP whom it appointed as an external, independent advisor. Deloitte LLP also provided advisory services in respect of corporate tax planning, share schemes, international taxation, corporate finance and treasury to the Group during the year. Members' attendance at Committee meetings is listed in the Corporate Governance section on page 47 of this Report.

To find out more go to www.tesco.com/annualreport2010

Role of the Committee

The Committee's purpose is to:

- determine and recommend to the Board the remuneration policy for the Chairman and Executive Directors;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the Executive Directors needed to run the Company;
- agree performance frameworks and targets, and review performance against these;
- monitor the level and structure of remuneration for senior management ensuring it is aligned with shareholders interests; and
- ensure the remuneration relationship between the Executive Directors and senior executives of the Company below this level is appropriate.

The Committee normally meets at least four times a year and has a rolling schedule of items within its remit. In the financial year ended 27 February 2010 the Committee met 7 times, and there was also an off-site meeting to consider remuneration strategy.

Key activities

During the year, the key activities of the Committee included:

- approval of the 2008/09 Directors' Remuneration Report;
- review and approval of awards made under the Executive Incentive Plan, Performance Share Plan and Discretionary Share Option Plan;
- annual review of all elements of the Executive Directors' reward packages, and those of senior management;
- review of all share plan performance measures against 2008/09 performance targets;
- agreement of final vesting amounts of the 2006 Performance Share Plan Award, and 2006 Discretionary Share Option Plan award;
- design and targets for 2009/10 Annual Bonus;
- consideration of targets for the 2009 Performance Share Plan;
- review of its performance and agreement of steps to enhance its effectiveness;
- review of compliance with director shareholding guidelines ;
- consideration of developments in best practice and updated guidelines on executive compensation from shareholder advisory bodies; and
- review of the Chairman's pay and benefits.

Governance Oversight Committee

The Governance Oversight Committee (GOC) has been established to review and report at the end of each financial year on the allocation of capital and other Group resources. The GOC comprises the Senior Independent Director of the Company (who chairs the GOC), the Chairman of the Audit Committee and the Chairman of the Remuneration Committee. The Chairman of the Group also attends the GOC and the Company Secretary serves as its secretary. The GOC reports its findings to the Remuneration Committee each year. The Remuneration Committee takes these into account, along with the view of the Audit Committee, to ensure that financial performance against targets is indicative of strong and robust business performance. If appropriate, vesting under the plans may be adjusted by the Remuneration Committee (in respect of Executive Directors) or the Board (in respect of all other employees who are participants). In accordance with the Combined Code, any such adjustments to vesting for Executive Directors will be reported to shareholders in the Directors' Remuneration Report at the relevant time.

Compliance

In carrying out its duties, the Remuneration Committee gives full consideration to best practice. The Committee was constituted and operated throughout the period in accordance with the principles outlined in the Listing Rules of the Financial Services Authority derived from the Combined Code on Corporate Governance. The auditors' report, set out on page 69, covers the disclosures referred to in this report that are specified for audit by the Companies Act 2006. This report also complies with disclosures required by the Director Remuneration Report Regulations 2002. Details of Directors' emoluments and interests are set out on pages 58 to 66 of this Report.

Charles Allen
Chairman of the Remuneration Committee

Directors' remuneration report continued

Tables 1-11 are audited information

Table 1 Directors' emoluments

	Fixed emoluments			Performance-related emoluments				
	Salary £000	Allowances £000	Benefits[2] £000	Short-term cash £000	Short-term deferred shares £000	Long-term[3] £000	**Total 2009/10 £000**	Total 2008/9 £000
Executive Directors								
Richard Brasher	805	–	63	771	763	–	**2,402**	2,267
Philip Clarke	805	–	38	771	763	324	**2,701**	2,720
Andrew Higginson	805	–	56	771	763	329	**2,724**	2,754
Sir Terry Leahy	1,398	–	115	1,340	1,784	583	**5,220**	5,102
Tim Mason – base salary[1]	816	305	343	914	909	329	**3,616**	3,225
Tim Mason – supplement[1]	200	–	–	225	224	–	**649**	560
Tim Mason – total	1,016	305	343	1,139	1,133	329	**4,265**	3,785
Laurie McIlwee	588	–	50	579	572	–	**1,789**	91
Lucy Neville-Rolfe	589	–	69	579	572	–	**1,809**	1,606
David Potts	805	–	45	771	763	324	**2,708**	2,719
Non-Executive Directors								
Charles Allen	95	–	–	–	–	–	**95**	91
Patrick Cescau	89	–	–	–	–	–	**89**	5
Rodney Chase	135	–	–	–	–	–	**135**	129
Karen Cook	77	–	–	–	–	–	**77**	73
Harald Einsmann	77	–	–	–	–	–	**77**	73
Ken Hanna[4]	79	–	–	–	–	–	**79**	–
Ken Hydon	95	–	–	–	–	–	**95**	91
David Reid (Chairman)	610	–	67	–	–	–	**677**	657
Jacqueline Tammenoms Bakker	65	–	–	–	–	–	**65**	9
Total	8,133	305	846	6,721	7,113	1,889	**25,007**	22,172

1 Tim Mason's salary is made up of a base salary and a non-pensionable salary supplement (shown separately). Allowances are made up of compensation payments for additional tax due on equity awards made prior to his move to the US. Tim Mason's benefits are made up of car, travel, medical, tax related costs and services and free shares awarded under the all employee Share Incentive Plan.
2 With the exception of Tim Mason, benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount, gym/leisure club membership and free shares awarded under the all employee Share Incentive Plan.
3 The long-term bonus figures shown in table 1 relate to the additional 12.5% enhancements allocated in April 2009 and February 2010 on long-term awards under the old bonus scheme. The long-term bonuses awarded on 15 October 2009 under the Performance Share Plan were awarded in the form of nil cost options with the exception of Tim Mason who received an unfunded promise to deliver shares. Details of these awards are shown in table 6.
4 Ken Hanna was apppointed during the year. The figure in table 1 is from his date of appointment.

Table 2 Directors' pension details
Executive Directors are members of the Tesco PLC Pension Scheme which provides a pension of up to two-thirds of base salary on retirement, normally at the age of 60, dependent upon service. The scheme also provides for dependants' pensions and lump sums on death in service. The scheme is a defined benefit pension scheme, which is approved by HMRC.

	Age at 27 February 2010	Years of Company service	Total accrued pension at 27 February 2010[1,2] £000	Increase in accrued pension during the year £000	(a) Increase in accrued pension during the year (net of inflation)[5] £000	Transfer value of (a) at 27 February 2010 (less Director's contributions) £000	Transfer value of total accrued pension at 28 February 2009 (old basis)[3] £000	Transfer value of total accrued pension at 28 February 2009 (new basis)[3] £000	**Transfer value of total accrued pension at 27 February 2010 £000**	Increase in transfer value (less Director's contributions) £000
Richard Brasher	48	23	359	27	27	366	3,030	4,133	**4,842**	709
Philip Clarke	49	35	390	27	27	384	3,530	4,793	**5,579**	786
Andrew Higginson	52	12	329	37	37	581	3,354	4,265	**5,202**	937
Sir Terry Leahy[4]	53	31	832	57	57	1,014	12,130	13,767	**15,924**	2,157
Tim Mason	52	28	424	29	29	450	4,493	5,734	**6,662**	928
Laurie McIlwee	47	9	178	73	73	944	918	1,257	**2,306**	1,049
Lucy Neville-Rolfe	57	13	244	39	39	722	3,216	3,442	**4,452**	1,010
David Potts	52	37	428	29	29	465	4,705	5,932	**6,891**	959

1 The accrued pension is that which would be paid annually on retirement at 60 based on service to 27 February 2010.
2 Some of the Executive Directors' benefits are payable from an unapproved pension arrangement. This is secured by a fixed and floating charge on a cash deposit.
3 The basis used for calculating transfer values was revised during the year because changes in financial conditions meant that the previous basis for calculating transfer values, used since 2008, no longer produced reasonable values. Transfer values at 28 February 2009 have been restated using the new basis for comparative purposes.
4 Sir Terry Leahy is entitled to retire at any age from 57 to 60 inclusive with an immediate pension of two-thirds of base salary.
5 Inflation over the year has been allowed for using the September 2009 statutory revaluation order.

Table 3 Gains made on executive share options[2,3]

	Date of grant	Date exercisable	Date of exercise	Number of options exercised	Option price (pence)	Market price at exercise (pence)	Value realisable[1] **2009/10 £000**	Value realisable[1] 2008/9 £000
Richard Brasher	26.06.00	26.06.03	24.11.09	106,613	205.00	427.36	**237**	–
	26.04.01	26.04.04	24.11.09	101,215	247.00	427.36	**183**	–
	15.04.02	15.04.05	24.11.09	100,386	259.00	427.36	**169**	–
	14.04.03	14.04.06	24.11.09	151,900	197.50	427.87	**350**	–
	30.04.04	30.04.07	24.11.09	296,150	253.25	427.87	**517**	–
	22.04.05	22.04.08	24.11.09	255,795	312.75	427.87	**294**	–
	08.05.06	08.05.09	24.11.09	345,261	318.60	427.87	**377**	–
Philip Clarke	–	–	–	–	–	–	**–**	–
Andrew Higginson	30.04.04	30.04.07	28.07.09	434,353	253.25	369.13	**503**	–
Sir Terry Leahy	30.11.99	30.11.02	27.11.09	228,901	173.00	426.86	**581**	260
	20.04.00	20.04.03	23.02.10	17,673	209.50	423.88	**38**	–
	26.06.00	26.06.03	23.02.10	780,487	205.00	423.88	**1,708**	–
Tim Mason	15.04.02	15.04.05	12.01.10	358,301	259.00	426.40	**600**	–
	30.04.04	30.04.07	12.01.10	434,353	253.25	426.40	**752**	–
	22.04.05	22.04.08	12.01.10	379,856	312.75	426.40	**432**	–
	08.05.06	08.05.09	12.01.10	404,896	318.60	426.40	**436**	–
Laurie McIlwee	22.04.05	22.04.08	23.02.10	105,500	312.75	423.88	**117**	–
	08.05.06	08.05.09	23.02.10	108,286	318.60	423.88	**114**	–
Lucy Neville-Rolfe	22.04.05	22.04.09	17.11.09	108,050	312.75	430.64	**127**	–
	08.05.06	08.05.09	17.11.09	116,133	318.60	430.64	**130**	–
David Potts	–	–	–	–	–	–	**–**	–
Total				4,834,109			**7,665**	260

1 The value realisable from shares acquired on exercise is the difference between the market value at exercise and the exercise price of the option, although the shares may have been retained.
2 Gains made on Save As You Earn share options are not included above. These are detailed in table 5.
3 Gains made on nil cost options awarded under the Performance Share Plan and the Executive Incentive Plan are not included above. These are detailed in table 6 and table 9.

Table 4 Share options held by Directors and not exercised at 27 February 2010

Executive Share Option Schemes (1994) and (1996) and Discretionary Share Option Plan (2004)

	Date of grant	Options as at 28 February 2009	Options granted in year[1]	Options exercised in year[2]	**Options as at 27 February 2010**	Exercise price (pence)	Date from which exercisable	Expiry date
Richard Brasher	26.06.2000	106,613	–	106,613	**–**	205.00	26.06.2003	26.06.2010
	26.04.2001	101,215	–	101,215	**–**	247.00	26.04.2004	26.04.2011
	15.04.2002	100,386	–	100,386	**–**	259.00	15.04.2005	15.04.2012
	14.04.2003	151,900	–	151,900	**–**	197.50	14.04.2006	14.04.2013
	30.04.2004	296,150	–	296,150	**–**	253.25	30.04.2007	30.04.2014
	22.04.2005	255,795	–	255,795	**–**	312.75	22.04.2008	22.04.2015
	08.05.2006	345,261	–	345,261	**–**	318.60	08.05.2009	08.05.2016
	08.05.2007	278,627	–	–	**278,627**	473.75	08.05.2010	08.05.2017
	12.05.2008	353,114	–	–	**353,114**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	467,848	–	**467,848**	338.40	06.05.2012	06.05.2019
Total		1,989,061	467,848	1,357,320	**1,099,589**			
Philip Clarke	22.04.2005	379,856	–	–	**379,856**	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	**404,896**	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	**298,844**	473.75	08.05.2010	08.05.2017
	12.05.2008	353,114	–	–	**353,114**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	467,848	–	**467,848**	338.40	06.05.2012	06.05.2019
Total		1,436,710	467,848	–	**1,904,558**			
Andrew Higginson	30.04.2004	434,353	–	434,353	**–**	253.25	30.04.2007	30.04.2014
	22.04.2005	379,856	–	–	**379,856**	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	**404,896**	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	**298,844**	473.75	08.05.2010	08.05.2017
	12.05.2008	353,114	–	–	**353,114**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	467,848	–	**467,848**	338.40	06.05.2012	06.05.2019
Total		1,871,063	467,848	434,353	**1,904,558**			

Table 4 Share options held by Directors and not exercised at 27 February 2010 continued

Executive Share Option Schemes (1994) and (1996) and Discretionary Share Option Plan (2004)

	Date of grant	Options as at 28 February 2009	Options granted in year[1]	Options exercised in year[2]	**Options as at 27 February 2010**	Exercise price (pence)	Date from which exercisable	Expiry date
Sir Terry Leahy	30.11.1999	228,901	–	228,901	**–**	173.00	30.11.2002	30.11.2009
	20.04.2000	17,673	–	17,673	**–**	209.50	20.04.2003	20.04.2010
	26.06.2000	780,487	–	780,487	**–**	205.00	26.06.2003	26.06.2010
	26.04.2001	647,773	–	–	**647,773**	247.00	26.04.2004	26.04.2011
	15.04.2002	642,471	–	–	**642,471**	259.00	15.04.2005	15.04.2012
	14.04.2003	939,747	–	–	**939,747**	197.50	14.04.2006	14.04.2013
	30.04.2004	766,041	–	–	**766,041**	253.25	30.04.2007	30.04.2014
	22.04.2005	658,673	–	–	**658,673**	312.75	22.04.2008	22.04.2015
	08.05.2006	709,353	–	–	**709,353**	318.60	08.05.2009	08.05.2016
	08.05.2007	523,556	–	–	**523,556**	473.75	08.05.2010	08.05.2017
	12.05.2008	618,548	–	–	**618,548**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	812,647	–	**812,647**	338.40	06.05.2012	06.05.2019
Total		6,533,223	812,647	1,027,061	**6,318,809**			
Tim Mason	15.04.2002	358,301	–	358,301	**–**	259.00	15.04.2005	15.04.2012
	30.04.2004	434,353	–	434,353	**–**	253.25	30.04.2007	30.04.2014
	22.04.2005	379,856	–	379,856	**–**	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	404,896	**–**	318.60	08.05.2009	08.05.2016
	10.08.2007	333,319	–	–	**333,319**	424.75	10.08.2010	10.08.2017
	12.05.2008	353,114	–	–	**353,114**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	467,848	–	**467,848**	338.40	06.05.2012	06.05.2019
Total		2,263,839	467,848	1,577,406	**1,154,281**			
Laurie McIlwee[2]	22.04.2005	105,500	–	105,500	**–**	312.75	22.04.2008	22.04.2015
	08.05.2006	108,286	–	108,286	**–**	318.60	08.05.2009	08.05.2016
	08.05.2007	77,192	–	–	**77,192**	473.75	08.07.2010	08.05.2017
	12.05.2008	91,335	–	–	**91,335**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	325,059	–	**325,059**	338.40	06.05.2012	06.05.2019
Total		382,313	325,059	213,786	**493,586**			
Lucy Neville-Rolfe	22.04.2005	108,050	–	108,050	**–**	312.75	22.04.2008	22.04.2015
	08.05.2006	116,133	–	116,133	**–**	318.60	08.05.2009	08.05.2016
	08.05.2007	189,973	–	–	**189,973**	473.75	08.05.2010	08.05.2017
	12.05.2008	231,850	–	–	**231,850**	427.00	12.05.2011	08.05.2018
	06.05.2009	–	327,494	–	**327,494**	338.40	06.05.2012	06.05.2019
Total		646,006	327,494	224,183	**749,317**			
David Potts	22.04.2005	379,856	–		**379,856**	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	**404,896**	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	**298,844**	473.75	08.05.2010	08.05.2017
	12.05.2008	353,114	–	–	**353,114**	427.00	12.05.2011	12.05.2018
	06.05.2009	–	467,848	–	**467,848**	338.40	06.05.2012	06.05.2019
Total		1,436,710	467,848	–	**1,904,558**			
Total		16,558,925	3,804,440	4,834,109	**15,529,256**			

1 Executive share options are subject to performance conditions measured over three years as set out on page 56. EPS growth for the period 2006/7 to 2008/9 exceeded RPI by 31%, therefore share options awarded on 8 May 2006 vested in full on 8 May 2009. Executives have until the tenth anniversary of the date of grant to exercise their options.

2 The market price at exercise is shown in Table 3. The share price as at 27 February 2010 was 420.00p. The share price during the 52 weeks to 27 February 2010 ranged from 301.40p to 437.05p.

Table 5 Share options held by Directors and not exercised at 27 February 2010

Savings-related share option scheme (1981)

	Date of grant	As at 28 February 2009	Options granted in year	Options exercised in year[1]	**As at 27 February 2010**	Exercise price (pence)	Value realisable 2009/10 £000	Value realisable 2008/9 £000
Richard Brasher	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Philip Clarke	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Andrew Higginson	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Sir Terry Leahy	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Tim Mason	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Laurie McIlwee	08.11.2006	615	–	615	**–**	307.0	1	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		2,511	948	615	**2,844**		1	3
Lucy Neville-Rolfe	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
David Potts	04.11.2004	1,424	–	1,424	**–**	232.0	3	–
	02.11.2005	1,298	–	–	**1,298**	248.0	–	–
	08.11.2006	1,066	–	–	**1,066**	307.0	–	–
	07.11.2007	819	–	–	**819**	410.0	–	–
	05.11.2008	1,077	–	–	**1,077**	311.0	–	–
	11.11.2009	–	948	–	**948**	328.0	–	–
		5,684	948	1,424	**5,208**		3	2
Total		42,299	7,584	10,583	**39,300**			

1 Save As You Earn is an all employee share scheme. Options are not subject to performance conditions. All options are exercisable from 1 February in the year which is 6 years from the year of grant. All options expire 6 months from their exercise date (i.e. on 1 August of the relevant year). All directors exercised their 04.11.04 options on 1 February 2010 when the market price was 422.30p. No options lapsed in the year.

Table 6 Long-Term Performance Share Plan[1]

	Date of award/ grant	Share price on award date (pence)	As at 28 February 2009	Shares awarded/ options granted in year	Options exercised/ shares released in year[7]	Shares lapsed[4]	**As at 27 February 2010**	Date of release/date from which exercisable	Expiry date
Richard Brasher	28.07.2004	253.45	118,367	–	118,367	–	**–**	28.07.2008	–
	12.10.2005	302.75	197,648	7,721	205,369	–	**–**	12.07.2009	–
	20.07.2006[5]	346.25	203,056	7,694	–	20,861	**189,889**	20.07.2010	–
	14.11.2007	471.10	247,667	9,674	–	–	**257,341**	14.07.2010	14.11.2017
	08.07.2008	353.76	339,360	13,256	–	–	**352,616**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	329,382	–	–	**329,382**	15.07.2012	15.10.2019
Total			1,106,098	367,727	323,736	20,861	**1,129,228**		
Philip Clarke	28.07.2004	253.45	175,774	–	175,774	–	**–**	28.07.2008	–
	12.10.2005	302.75	231,787	9,055	240,842	–	**–**	12.07.2009	–
	20.07.2006[6]	346.25	217,789	8,253	83,503	22,375	**120,164**	20.07.2010	–
	14.11.2007	471.10	247,667	9,674	–	–	**257,341**	14.07.2010	14.11.2017
	08.07.2008	353.76	339,360	13,256	–	–	**352,616**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	329,382	–	–	**329,382**	15.07.2012	15.10.2019
Total			1,212,377	369,620	500,119	22,375	**1,059,503**		
Andrew Higginson	28.07.2004	253.45	175,774	–	175,774	–	**–**	28.07.2008	–
	12.10.2005	302.75	231,787	6,339	238,126	–	**–**	12.07.2009	–
	20.07.2006[6]	346.25	217,789	8,253	83,503	22,375	**120,164**	20.07.2010	–
	14.11.2007	471.10	247,667	9,674	–	–	**257,341**	14.07.2010	14.11.2017
	08.07.2008	353.76	339,360	13,256	–	–	**352,616**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	329,382	–	–	**329,382**	15.07.2012	15.10.2019
Total			1,212,377	366,904	497,403	22,375	**1,059,503**		
Sir Terry Leahy	28.07.2004	253.45	304,794	–	304,794	–	**–**	28.07.2008	–
	12.10.2005	302.75	406,080	15,865	421,945	–	**–**	12.07.2009	–
	20.07.2006[5]	346.25	381,553	14,459	–	39,199	**356,813**	20.07.2010	–
	14.11.2007	471.10	433,836	16,948	–	–	**450,784**	14.07.2010	14.11.2017
	08.07.2008	353.76	589,465	23,029	–	–	**612,494**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	571,958	–	–	**571,958**	15.07.2012	15.10.2019
Total			2,115,728	642,259	726,739	39,199	**1,992,049**		
Tim Mason[2]	28.07.2004	253.45	90,431	–	90,431	–	**–**	28.07.2008	–
	12.10.2005	302.75	124,226	4,852	129,078	–	**–**	12.07.2009	–
	25.08.2006	346.25	217,789	8,253	–	22,375	**203,667**	20.07.2010	–
	14.11.2007	471.10	165,111	6,450	–	–	**171,561**	14.07.2010	–
	08.07.2008	353.76	226,240	8,838	–	–	**235,078**	08.07.2011	–
	15.10.2009	374.00	–	219,588	–	–	**219,588**	15.07.2012	–
Total			823,797	247,981	219,509	22,375	**829,894**		
Laurie McIlwee[3]	20.07.2006	346.25	52,808	1,221	48,748	5,281	**–**	20.07.2009	–
	10.10.2007	465.50	41,890	1,354	–	–	**43,244**	10.07.2010	–
	08.07.2008	353.76	62,141	2,092	–	–	**64,233**	08.07.2011	–
	15.10.2009	374.00	–	247,036	–	–	**247,036**	15.07.2012	15.10.2019
Total			156,839	251,703	48,748	5,281	**354,513**		
Lucy Neville-Rolfe[3]	20.07.2006	346.25	59,235	1,370	54,901	5,704	**–**	20.07.2009	–
	14.11.2007	471.10	162,613	6,352	–	–	**168,965**	14.07.2010	14.11.2017
	08.07.2008	353.76	237,552	9,280	–	–	**246,832**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	247,036	–	–	**247,036**	15.07.2012	15.10.2019
Total			459,400	264,038	54,901	5,704	**662,833**		
David Potts	28.07.2004	253.45	175,774	–	175,774	–	**–**	28.07.2008	–
	12.10.2005	302.75	231,787	9,055	240,842	–	**–**	12.07.2009	–
	20.07.2006[6]	346.25	217,789	8,253	83,503	22,375	**120,164**	20.07.2010	–
	14.11.2007	471.10	247,667	9,674	–	–	**257,341**	14.07.2010	14.11.2017
	08.07.2008	353.76	339,360	13,256	–	–	**352,616**	08.07.2011	08.07.2018
	15.10.2009	374.00	–	329,382	–	–	**329,382**	15.07.2012	15.10.2019
Total			1,212,377	369,620	500,119	22,375	**1,059,503**		
Total			8,298,993	2,879,852	2,871,274	160,545	**8,147,026**		

1 The Performance Share Plan replaced the Long-term Executive Incentive Scheme. The first award under the new plan was made in 2004. All awards except those described in notes 2-3 and 5-6 have been made in the form of nil cost options.
2 Tim Mason's awards since 2006 have been made in the form of unfunded promises to deliver shares.
3 Laurie McIlwee was appointed on 27 January 2009. His 2006, 2007 and 2008 awards were made in the form of conditional shares under the senior management Performance Share Plan. Lucy Neville Rolfe's 2006 award was also made in the form of conditional shares under the senior management Performance Share Plan. On 20 July 2009, 53,531 shares were released to Lucy Neville-Rolfe and 47,527 shares were released to Laurie McIlwee at a share price of 369.95p. On 12 August 2009, 1,370 shares were released to Lucy Neville-Rolfe and 1,221 shares were released to Laurie McIlwee at a share price of 369.05p.

Table 6 Long-Term Performance Share Plan[1] continued

4 The awards are subject to performance conditions based on Return on Capital Employed targets. The Group ROCE for 2008/9 was 13.34%, therefore targets for PSP awards granted on 20 July 2006 were partially met and 90% of these awards vested. The balance of the awards (10%) lapsed. Executives are required to retain the vested awards for a further 12 months with the exception of the circumstances covered in notes 5 and 6. Shareholder approval was obtained at the 2007 AGM for the removal of the requirement for any vested shares to be retained for a further 12 months and this applies to awards made after July 2007. All awards are increased to reflect dividend equivalents as each dividend is paid with the exception of the 2004 award on which no dividends accrue.
5 Following approval by the Remuneration Committee, Executives were offered the opportunity to surrender the nil cost options awarded on 20 July 2006 in exchange for an equivalent number of restricted shares, and to fund the income tax and national insurance due on these awards at the point of exchange (27 November 2009). The balance of shares shown is in the form of restricted shares, and remains subject to the retention period which ends on 20 July 2010.
6 Following approval by the Remuneration Committee, Executives were given the opportunity to surrender the nil cost options awarded on 20 July 2006 in exchange for an award of an equivalent number of restricted shares on 25 February 2010, and to sell sufficient shares to cover the tax liability due. The post tax number of shares under award remains subject to the retention period and will not be released until 20 July 2010. The share price on 25 February 2010 was 416.175p.
7 Directors exercised PSP awards as follows:

Director	Date	Price (pence)	Options exercised	Value realised £000
Richard Brasher	24.11.09	428.325	321,420	1,377
	23.02.10	421.225	2,316	10
Philip Clarke	12.05.09	350.85	175,774	617
	29.12.09	430.00	238,126	1,024
	23.02.10	421.225	2,716	11
	25.02.10	416.175	83,503	348
Andrew Higginson	28.07.09	368.40	413,900	1,525
	25.02.10	416.175	83,503	348

Director	Date	Price (pence)	Options exercised	Value realised £000
Sir Terry Leahy	27.11.09	429.275	721,980	3,099
	23.02.10	421.225	4,759	20
Tim Mason	19.05.09	355.03	90,431	321
	18.11.09	424.85	127,623	542
	23.02.10	421.225	1,455	6
David Potts	23.02.10	421.225	416,616	1,755
	25.02.10	416.175	83,503	348

Table 7 Group New Business Incentive Plan

	Date of award/grant	Share price on award date (pence)	As at 28 February 2009	Shares awarded/ options granted in year	Options exercised/ shares released in year	**As at 27 February 2010**	Date from which exercisable	Expiry date
Sir Terry Leahy	14.11.2007	482.00	2,579,393	100,779	–	**2,680,172**	Four tranches 2011-2014	14.11.2017
Total				100,779	–	**2,680,172**		

1 The Group New Business Incentive Plan (2007) was approved by shareholders on 29 June 2007. The awards made under this plan will normally vest in four tranches, four, five, six and seven years after the date of award for nil consideration. The award is in the form of nil cost options. Awards may be adjusted to take account of any dividends paid or that are payable in respect of the number of shares earned.
2 The vesting of the award made to the Group CEO under this plan will be conditional upon achievement against Group and International performance conditions. The performance conditions under this award will be aligned with the targets set for awards made under the Performance Share Plan (PSP) in each of the years 2007 to 2009, which will become capable of vesting between 2010 and 2012. If less than threshold performance is achieved for each of these PSP awards then no portion of the Group Plan award will become capable of vesting. If maximum Group and International performance is achieved for each of these PSP awards (i.e. the 2007 – 2009 PSP awards vest in full in 2010 – 2012, then the whole of the Group Plan award will become eligible for vesting, subject to achievement of the appropriate new business performance targets referred to below. If Group and International performance for any of these PSP awards is between threshold and maximum levels then the Group award will become eligible for vesting on a pro rata basis, subject always to the achievement of the appropriate new business targets referred to below.
3 Once performance against the Group and International targets has been determined, the extent to which the award made to the Group CEO under this Plan is capable of vesting will be conditional on the financial performance of the specified new business venture, as determined by the Remuneration Committee.

Summary of US business performance conditions

ROCE hurdle	2010/11	2011/12	2012/13	2013/14
Maximum performance	6% ROCE	9% ROCE	11% ROCE	12% ROCE
Target performance	4% ROCE	6% ROCE	8% ROCE	10% ROCE
Vesting percentage (% of maximum award)				
Vesting levels at maximum performance	Up to 25%	Up to 50%	Up to 75%	Up to 100%
Vesting levels at target performance	Up to 6.25%	Up to 10%	Up to 12.5%	Up to 18.75%

Table 8 US Long Term Incentive Plan

	Date of award/grant	Share price on award date (pence)	As at 28 February 2009	Shares awarded in year	Shares released in year	**As at 27 February 2010**	Date of release
Tim Mason	14.11.2007	482.00	2,063,514	80,622	–	**2,144,136**	Four tranches 2011-2014
Total				80,622	–	**2,144,136**	

1 The US Long Term Incentive Plan (2007) was approved by shareholders on 29 June 2007. The awards made under this plan will normally vest in four tranches, four, five, six and seven years after the date of award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets related to the return on capital employed in the US business over the seven-year plan. The targets are set out under table 7.
2 The maximum number of shares which may be awarded under the US LTIP is two million shares to the US CEO and 1.5 million shares to any other participant. An award of two million shares was made to Tim Mason, US CEO, in November 2007. Awards may be adjusted to take account of any dividends paid or that are payable in respect of the number of shares earned. The extent to which awards will vest under the US LTIP is conditional on the financial performance of the Company's US business, based on the achievement of stretching Earnings Before Interest and Tax (EBIT) and Return On Capital Employed (ROCE) targets set by reference to the US long-term business plan.
3 A percentage of the EBIT of the US business for the relevant years may be allocated to an EBIT pool (the 'profit pool'). The profit pool will be capped at 10% in any one year and is expected to be approximately 5% of cumulative EBIT over the four measurement years (2010/11 to 2013/14). The portion of an award which may vest will be determined by reference to the value of the EBIT pool as well as performance against the ROCE hurdles for the relevant year, as outlined in the table above. To the extent that the ROCE hurdles for any one year are met (either in full or in part), but there is insufficient value in the profit pool to fund the vesting of awards, then the actual vesting in that year will be scaled back so that the profit pool is not exceeded. That portion of the award that has not paid out in that year due to the profit pool being restricted may vest in future years, provided that the profit pool in any later year permits this.
4 The targets for the US LTIP have been based on the business plan in respect of the initial phase of the US business. The Remuneration Committee has the responsibility to review these targets in light of the scale and scope of the US business in order to ensure that they remain appropriate and challenging. In particular, the Remuneration Committee will seek the input of the Audit Committee and the Governance Oversight Committee in order to ensure that financial performance against the targets is indicative of strong and robust business performance. Any material adjustments made in respect of the targets will be reviewed and approved by the Audit Committee and will be disclosed in the Directors' Remuneration Report.

Table 9 Executive Incentive Plan[1]

	Date of award/grant	Share price on award (pence)	As at 28 February 2009	Shares awarded/ options granted[3]	Shares released/ options exercised[4,6,7]	**As at 27 February 2010**	Date of release/date from which exercisable
Richard Brasher	20.05.2005	311.00	105,865	4,133	109,998	**–**	20.05.2008
	26.05.2006	318.50	178,436	6,971	185,407	**–**	26.05.2009
	24.05.2007[5]	456.75	150,216	5,868	–	**156,084**	24.05.2010
	02.05.2008[5]	424.05	149,192	5,828	–	**155,020**	02.05.2011
	19.05.2009	351.16	–	204,291	79,336	**124,955**	19.05.2012
Total			583,709	227,091	374,741	**436,059**	
Philip Clarke	20.05.2005	311.00	157,210	4,321	161,531	**–**	20.05.2008
	26.05.2006	318.50	209,257	8,175	217,432	**–**	26.05.2009
	24.05.2007[6]	456.75	161,118	6,294	68,639	**98,773**	24.05.2010
	02.05.2008[6]	424.05	149,192	5,828	63,559	**91,461**	02.05.2011
	19.05.2009	351.16	–	204,291	79,336	**124,955**	19.05.2012
Total			676,777	228,909	590,497	**315,189**	
Andrew Higginson	20.05.2005	311.00	157,210	4,272	161,482	**–**	20.05.2008
	26.05.2006	318.50	209,257	5,723	214,980	**–**	26.05.2009
	24.05.2007[6]	456.75	161,118	6,294	68,639	**98,773**	24.05.2010
	02.05.2008[6]	424.05	149,192	5,828	63,559	**91,461**	02.05.2011
	19.05.2009	351.16	–	204,291	79,336	**124,955**	19.05.2012
Total			676,777	226,408	587,996	**315,189**	
Sir Terry Leahy	20.05.2005	311.00	272,606	10,645	283,251	**–**	20.05.2008
	26.05.2006	318.50	366,610	14,323	380,933	**–**	26.05.2009
	24.05.2007[5]	456.75	282,268	11,028	–	**293,296**	24.05.2010
	02.05.2008[5]	424.05	403,030	15,746	–	**418,776**	02.05.2011
	19.05.2009	351.16	–	443,564	172,255	**271,309**	19.05.2012
Total			1,324,514	495,306	836,439	**983,381**	
Tim Mason[2]	20.05.2005	311.00	157,210	4,321	161,531	**–**	20.05.2008
	24.05.2007	456.75	183,105	7,154	–	**190,259**	24.05.2010
	02.05.2008	424.05	299,078	11,685	–	**310,763**	02.05.2011
	19.05.2009	351.16	–	257,040	–	**257,040**	19.05.2012
Total			639,393	280,200	161,531	**758,062**	
Lucy Neville-Rolfe	24.05.2007[5]	456.75	76,815	3,000	–	**79,815**	24.05.2010
	02.05.2008[5]	424.05	97,957	3,827	–	**101,784**	02.05.2011
	19.05.2009	351.16	–	143,003	55,535	**87,468**	19.05.2012
Total			174,772	149,830	55,535	**269,067**	
David Potts	20.05.2005	311.00	157,210	6,138	163,348	**–**	20.05.2008
	26.05.2006	318.50	209,257	8,175	217,432	**–**	26.05.2009
	24.05.2007[6]	456.75	161,118	6,294	68,639	**98,773**	24.05.2010
	02.05.2008[6]	424.05	149,192	5,828	63,559	**91,461**	02.05.2011
	19.05.2009	351.16	–	204,291	79,336	**124,955**	19.05.2012
Total			676,777	230,726	592,314	**315,189**	
Total			4,752,719	1,838,470	3,199,053	**3,392,136**	

1 The Executive Incentive Plan replaced the Short-term Executive Incentive Scheme. The first award under the new plan was made in 2005. The awards are subject to performance conditions based on TSR, earnings per share and corporate objectives.
2 Since 2007 Tim Mason's awards have been made in the form of an unfunded promise to deliver shares. His 2005 award was made in the form of nil cost options.
3 The awards are increased to reflect dividends equivalents as each dividend is paid.
4 No options lapsed in the year under the Executive Incentive Plan.
5 Following approval by the Remuneration Committee, Executives were offered the opportunity to surrender the nil cost options awarded on 24 May 2007 and 2 May 2008 in exchange for awards of an equivalent number of restricted shares, and to fund the income tax and national insurance due on these awards at the point of exchange (27 November 2009). The balance of shares shown is in the form of restricted shares, and will not be released until the date specified in the table.
6 Following approval by the Remuneration Committee, Executives were given the opportunity to surrender the nil cost options awarded on 24 May 2007 and 2 May 2008 in exchange for awards of an equivalent number of restricted shares on 25 February 2010, and to sell sufficient shares to cover the tax liability due. The post tax number of shares under award remains subject to the retention period and will not be released until the date specified in the table. The share price on 25 February 2010 was 416.175p.
7 For all Directors except for Tim Mason, the 2009 award was made in the form of restricted shares. The Remuneration Committee gave approval for Executives to sell sufficient shares to cover the tax liability due at the time of award. The post tax number of shares will not be released until 19 May 2012.
8 Directors exercised EIP awards as follows:

Director	Date	Price (pence)	Options exercised	Value realised £000
Richard Brasher	24.11.09	428.325	292,058	1,251
	23.02.10	421.225	3,347	14
Philip Clarke	12.05.09	350.85	157,210	552
	29.12.09	430.00	219,252	943
	23.02.10	421.225	2,501	11
	25.02.10	416.175	132,198	550
Andrew Higginson	28.07.09	368.40	376,462	1,276
	25.02.10	416.175	132,198	550

Director	Date	Price (pence)	Options exercised	Value realised £000
Sir Terry Leahy	27.11.09	429.275	656,652	2,819
	23.02.10	421.225	7,532	32
Tim Mason	19.05.09	355.03	157,210	558
	18.11.09	424.85	4,272	18
	23.02.10	421.225	49	0
David Potts	23.02.10	421.225	380,780	1,604
	25.02.10	416.175	132,198	550

Table 10 Directors' interests in the Long-Term Incentive Plan[1]

	Year of release	Award date	Number of shares as at 28 February 2009	Shares awarded	Shares released	**Number of shares as at 27 February 2010**	Value of shares released £000	Release date[3]	Market price on release (pence)
Philip Clarke	2010	09.04.03	252,901	40,811	293,712	**–**	1,258	18.02.10	428.275
	2011	04.05.04	208,291	63,849	272,140	**–**	1,166	18.02.10	428.275
Total			461,192	104,660	565,852	**–**	2,424		
Andrew Higginson	2010	09.04.03	264,143	42,625	306,768	**–**	1,314	18.02.10	428.275
	2011	04.05.04	208,291	63,849	272,140	**–**	1,166	18.02.10	428.275
Total			472,434	106,474	578,908	**–**	2,480		
Sir Terry Leahy	2010	09.04.03	474,135	76,512	550,647	**–**	2,358	18.02.10	428.275
	2011	04.05.04	367,350	112,609	479,959	**–**	2,056	18.02.10	428.275
Total			841,485	189,121	1,030,606	**–**	4,414		
Tim Mason	2010	09.04.03	264,143	42,625	306,768	**–**	1,314	18.02.10	428.275
	2011	04.05.04	208,291	63,849	272,140	**–**	1,166	18.02.10	428.275
Total			472,434	106,474	578,908	**–**	2,480		
Laurie McIlwee[2,3,4]	2010	24.05.07	58,863	1,902	24,914	**35,851**	104	24.05.10	–
	2011	21.05.08	62,383	2,206	26,482	**38,107**	110	21.05.11	–
	2012	20.05.09	–	80,230	32,894	**47,336**	137	20.05.12	–
Total			121,246	84,338	84,290	**121,294**	351		
David Potts	2010	09.04.03	252,901	40,811	293,712	**–**	1,258	18.02.10	428.275
	2011	04.05.04	208,291	63,849	272,140	**–**	1,166	18.02.10	428.275
Total			461,192	104,660	565,852	**–**	2,424		
Total			2,829,983	695,727	3,404,416	**121,294**	14,573		

1 This Plan has been replaced by the Performance Share Plan and Executive Incentive Plan.
2 Bonus shares shown for Laurie McIlwee were awarded under the senior management bonus scheme before he joined the Board. These shares cannot be retained for an additional three year period and enhanced.
3 Following approval by the Remuneration Committee, all remaining shares awarded under this plan were released, and executives were allowed to sell a sufficient number of shares to cover the tax liability due on release. Executives agreed not to sell the post tax number of shares until the original release date.
4 Following approval by the Remuneration Committee, Laurie McIlwee surrendered his conditional shares for an equivalent number of restricted shares on 25 February 2010, and sold sufficient shares to cover the tax liability due. The post tax number of shares for each award remains subject to the original holding period. The share price on 25 February 2010 was 416.175p and the total value of shares sold to settle the tax liability was £351,278.

Date of award	09.04.03	04.05.04	24.05.07	21.05.08	20.05.09
Award price (pence)	197.25	248.75	456.63	415.45	356.05

Table 11 Disclosable interests of the Directors, including family interests, in Tesco PLC 5p Ordinary shares

	27 February 2010		28 February 2009 (or on appointment if later)	
	Ordinary shares[1,3]	**Options to acquire ordinary shares[2,3]**	Ordinary shares[1]	Options to acquire ordinary shares[2]
Executive Directors				
Richard Brasher	**1,186,704**	**2,044,136**	189,825	3,684,552
Philip Clarke	**1,811,821**	**2,849,105**	1,344,598	3,331,548
Andrew Higginson	**1,586,895**	**2,849,105**	1,287,438	3,765,901
Sir Terry Leahy	**7,806,736**	**10,639,425**	5,992,724	12,558,542
Tim Mason	**4,134,570**	**1,159,489**	4,365,664	2,641,390
Laurie McIlwee	**237,241**	**743,466**	320,878	384,824
Lucy Neville-Rolfe	**443,091**	**1,417,358**	197,903	1,226,627
David Potts	**2,559,979**	**2,849,105**	1,737,555	3,331,548
Non-Executive Directors				
Charles Allen	**–**	**–**	–	–
Patrick Cescau[5]	**–**	**–**	–	–
Rodney Chase	**–**	**–**	–	–
Karen Cook	**–**	**–**	–	–
Harald Einsmann[5]	**355,984**	**–**	303,209	–
Ken Hanna[4]	**–**	**–**	–	–
Ken Hydon	**30,093**	**–**	30,093	–
David Reid	**194,080**	**–**	193,825	–
Jacqueline Tammenoms Bakker	**–**	**–**	–	–
Total	**20,347,194**	**24,551,189**	15,963,712	30,924,932

1 Ordinary shares shown in this table include restricted shares held under the Performance Share Plan shown in table 6, restricted shares held under the Executive Incentive Plan shown in table 9, shares held under the Long-Term Incentive Plan shown in table 10 and shares held under a promise by Tim Mason under the Performance Share Plan, US Long-Term Incentive Plan and Executive Incentive Plan shown in tables 6, 8 and 9 respectively. Between 28 February 2010 and 30 April 2010, 353 shares were purchased by Executive Directors as part of the Buy As You Earn scheme, Tim Mason sold 157,520 shares at 440.1p on 22 April 2010, and David Potts exercised options over 784,752 shares on 22 April 2010 and sold the shares at 440.00p.
2 Options to acquire Ordinary shares shown in this table comprise options held under the Executive Share Option Scheme and Discretionary Share Option Plan shown in table 4, Save As You Earn scheme shown in table 5, and nil cost options held under the Performance Share Plan, Group New Business Incentive Plan and Executive Incentive Plan shown in tables 6, 7 and 9 respectively.
3 During the year a number of awards were reclassified from nil cost options to restricted shares after Executive Directors agreed to exchange awards already earned under the Performance Share Plan and the Executive Incentive Plan to crystallise their tax due. While the commercial structure of the awards remained the same, the restricted shares are now classified under Ordinary shares.
4 Ken Hanna was appointed on 1 April 2009.
5 On 21 April 2009, Patrick Cescau purchased a nominal amount of £160,000 of Tesco PLC 6.625% 12/10/10 bonds at a price of 105.75p per bond. On 15 May 2009, Harald Einsmann purchased a nominal amount of £110,000 Tesco PLC 5.00% 24/02/14 bonds at a price of 104.40p per bond. Further information on Tesco bonds can be found in note 21 of the Group financial statements.