

Requisition for resolution at Tesco plc AGM 2009

Requisition by members pursuant to sections 314 and 338 of the Companies Act 2006 for notice of a resolution as set out below, to be voted on at the 2009 Annual General Meeting of Tesco PLC, and for circulation of a statement in support of this Resolution.

We the undersigned, being at least 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than £100 per member, hereby require you, in accordance with sections 314 and 338 of the Companies Act 2006, to give to members of the company entitled to receive notice of the next Annual General Meeting notice of the following resolution, being a resolution that may properly be moved and is intended to be moved at that meeting, and to circulate to members receiving that notice a copy of the annexed statement with respect to the matters referred to in that resolution.

Whereas Tesco PLC has committed to uphold basic human rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work;

Whereas the requisitionists are concerned to ensure that the policy commitments of Tesco are fulfilled and are seen to be fulfilled;

Whereas failure by Tesco to fulfil its policy commitments could pose risks to shareholder value, especially the company's brand, its supply chain, labour relations, and community relations;

Therefore, we the members resolve that the directors of Tesco plc should take the following steps within the next six months:

1. Allocate a non-executive board member to Tesco's Corporate Responsibility Committee to share accountability for implementation and achievement of these policy commitments.
2. Commit to annual reporting publicly on performance and progress on relevant Tesco policies, including formalising specific Key Performance Indicators to measure compliance.
3. Implement as a manageable model for demonstrating progress, improvements to Tesco's UK meat and poultry supply chain, which has been identified as a particular area of non-compliance with implications for social cohesion. The company should develop a framework, through the auspices of a multi-stakeholder group that includes worker representatives such as the Ethical Trading Initiative, that will:
 - a. ensure Tesco suppliers eliminate discrimination and treat all workers equally regardless of employment status; and
 - b. provide support for UK meat and poultry suppliers to Tesco to ensure they satisfactorily deliver equal treatment and a reasonable ethical norm in this sector.

That the expenses incurred in giving effect to the requisition of this resolution and the circulation of the requisitioner's statement in support be met by the company.

Statement of Support

This resolution addresses a high profile issue of potential risk to Tesco shareholders. Tesco has already adopted a Human Rights Policy, and subscribed to both the Ethical Trading Initiative Base Code and the Global Social Compliance Programme.

However, there appears to be a gap between the company's commitments and some practices, which poses a significant risk to shareholder value. This resolution proposes a cost effective, practical approach to ensure the Board better implements the policies that the company already expressly supports. We ask shareholders to consider the following four questions:

How significant are the problems that this resolution addresses?

There appears to be a pattern of mounting risks which must be better managed in order to minimise potentially negative impacts on shareholder value.

- The treatment of some workers employed by companies in the British and Irish meat supply industry serving Tesco stores has been alleged to be discriminatory and counter to the aims of the Ethical Trading Initiative (ETI) Base Code, to which Tesco is signatory. The Equality and Human Rights Commission (EHRC) announced on 17 October 2008 that it is conducting an inquiry into the meat and poultry processing sectors in England and Wales on related issues including the two-tier workforce where mainly migrant agency workers are employed by suppliers on inferior terms and conditions compared to directly employed, mainly indigenous permanent workers.
- The EHRC inquiry is the first investigation of its kind and relates to a sector that has been extensively studied by all relevant parties. It is practical therefore to speedily develop and implement a practical framework for ensuring suppliers meet Tesco's standards. This work would also reduce the risks of future increased legal and compliance costs and help provide a model for application in other parts of Tesco's supply chain.
- In its expansion overseas, Tesco is alleged to have demonstrated different standards towards employees from those practised at home. In the United States, the company refused to recognise the workers' trades union, despite a written request signed by the vast majority of employees in the workplace and has attracted criticism from Barack Obama. In Turkey, the company appealed a Ministry of Labour ruling holding that it should recognise the union and then fired sixteen workers for what the Turkish Supreme Court held were reasons related to their union membership. Reports have been received concerning the anti-union behaviour of Tesco Lotus, the company's subsidiary in Thailand.

We believe these apparent difficulties could represent a systemic failure by Tesco either to anticipate or properly manage its exposure to brand, reputational and political risks, and that these potential oversights may impose material costs on shareholders, while also distracting management from its core mission of delivering value to shareholders.

Will this proposal increase Tesco's costs?

The proposed resolution will not increase costs in any substantial way.

- The suggested remedy does not seek to add any new employees to Tesco's staff but to make better use of the resources Tesco already has in place.
- Research in the poultry processing sector indicates that some existing use of agency workers is inefficient and can increase costs for suppliers.

In the long term this proposal will help the company to sustainably improve productivity and build better employment relations within its own operations.

Why is this important for my investment?

Tesco needs to ensure that it is managing all relevant risks as effectively as possible.

- While Tesco has already adopted a number of policies to safeguard shareholders from risks, such as its Human Rights Policy, the ETI code and the reference code of the Global Social Compliance Program (GSCP), the Tesco Board lags many of its peers in having an effective implementation and evaluation mechanism.
- Tesco's reputation is important to its brand. A Tesco executive recently said, "At the top of our customers' minds are price and availability, particularly in tough economic times, but they also expect us to take care of the ethical dimension on their behalf."
- As continuation of international growth is of material concern to investors, shareholders have an interest in ensuring that Tesco avoids the kind of backlash that has been faced by other retailers. A report on Wal-Mart by a leading analyst states that Wal-Mart's image problems and labour practices have resulted in the company's continued exclusion from the largest urban markets in the United States, implying lost sales of over US\$15 billion annually. Poor labour practices have also generated class-action lawsuits in which Wal-Mart's legal exposure is billions of dollars

How can independent directors help Tesco to manage these risks better?

- Tesco presently publishes a detailed Corporate Social Responsibility (CSR) Report assessing performance against various Key Performance Indicators (KPIs), overseen by a Corporate Responsibility Committee of senior staff, which reports to the Executive Committee. No KPIs have been set for Tesco employees outside the UK, which may contribute to the apparent lack of consistency in applying its Human Rights Policy. Establishing new KPIs in this area would be one way to manage these risks.
- Six out of the FTSE's ten largest UK firms including Shell and Unilever have CSR Committees comprised largely or entirely of independent non-executive directors. By implementing a mechanism to ensure appropriate Board oversight involving non-executive directors, as many peer companies have done, Tesco is more likely to reduce resources that would otherwise be spent managing avoidable public relations problems, labour disputes, regulatory intervention, and related costs.

This proposal modestly requests that Tesco more effectively implement the policies it already expressly supports and that the Board deploy an effective evaluation mechanism.

Thank you in advance for your consideration and support.