

Mr Dave Lewis
Chief Executive Officer
Tesco plc

From: Andrea Gomes da Silva
*Executive Director, Markets and
Mergers*

Dear Mr Lewis

I am writing to express my concern that Tesco has repeatedly breached one of the two Orders put in place following the Groceries Market Investigation.

To recap, CMA officials initially wrote to Tesco in relation to one breach, and Tesco's subsequent review of its remaining 5,353 land agreements uncovered 22 further breaches. I understand that in most cases, these were caused by Tesco renewing agreements that were entered into before the Order came into force, without checking that the terms of the prior agreement were compliant.

As you know, the Order was put in place in 2010 to stop grocery retailers benefitting from long exclusivity arrangements and restrictive covenants. It is therefore concerning to have found that Tesco breached the Order on 23 occasions between 2010 and July 2015, and that while Tesco had implemented processes and controls to ensure compliance with the Order, these were not always sufficiently robust.

I recognise that Tesco has acknowledged the breaches that have occurred, has cooperated with the CMA in taking forward its analysis and has begun to take remedial action. However, in my view, this episode highlights significant shortcomings in compliance for a company of Tesco's scale and resources.

This letter has been published on the CMA website, which contains further details on these breaches and of Tesco's improvements to its practices. We have written to each of the six other retailers subject to the Order asking that they carry out a similar process to ensure that all their land agreements are fully compliant.

Yours sincerely

Andrea Gomes da Silva
Executive Director, Markets and Mergers