TESCO PLC

TESCO HOUSE, DELAMARE ROAD, CHESHUNT, HERTS. EN8 9SL
Telephone: 01992 632222 Ext.

Ms Jane Leavens
Corporate Law & Governance Directorate
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

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Dear Ms Leavens

THE FUTURE OF NARRATIVE REPORTING

Tesco welcomes the opportunity to respond to the Department for Business, Innovation and Skills consultation reviewing the future of narrative reporting.

VALUE OF NARRATIVE REPORTING

Given that companies devote substantial time and resources to complying with the current requirements for narrative reporting, it is clearly important for reporting to be useful to its intended audience. We support effective and relevant narrative reporting and welcome a review of the current requirements to the extent that its aim is to ensure that the disclosure which companies are required to make going forward is made as streamlined and appropriate to the needs of shareholders, and other stakeholders, as possible. We would not welcome additional disclosure requirements which did not meet this aim. Moreover, it is important that companies are not obliged to make disclosures which are commercially sensitive.

We also support your aim of encouraging share ownership for the long term: shareholders should be the owners of a company and should be focussed on the long-term growth of the company rather than on making a short-term gain. Narrative reporting by companies should support this aim, but should not increase the regulatory burden on them.

BUSINESS REVIEW

We do not think that a statutory reporting standard or a shareholder advisory vote on the Business Review would improve the quality of reporting.

In relation to the suggestion of a standard being introduced, different businesses face different challenges and environments and therefore need to

Directors:
D.E. Reid, CA (Chairman), Sir Terry Leahy (Chief Executive), R.W.P. Brasher, G.R. Bullock, P.J. Cescau (Senior Independent Director), S.J. Chambers, P.A. Clarke, K.R. Cook, K.G. Hanna, A.T. Higginson, K.J. Hydon, T.J.R. Mason, L. McIlwee, L.J. Neville-Rolfe CMG, D.T. Potts, J.A. Tammenoms Bakker.

J.M. Lloyd (Company Secretary)

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retain flexibility in how they report and in what they highlight, to allow them to focus on those elements that are vital to the communication of their strategy. While we agree that it is appropriate for there to be consistency between companies in the categories of information which should be covered by narrative reporting, the key test should be what it is appropriate to include in order to ensure that the shareholders in a particular company have sufficient information to enable them to make an investment decision. We do not believe that there should be prescription as to which KPIs should be reported on - each company should include those KPIs judged to be the most relevant by its directors . We believe that prescriptive requirements could stifle reporting and lead to poorer, not better, information.

In relation to an advisory vote on the business review, shareholders already have a mechanism to express their views on a board's performance using their vote on the Report and Accounts or the re-election of directors. We believe that an additional advisory vote would lead to increased boiler plate disclosure, as companies would be likely to apply a "box ticking" approach to ensure compliance, which in turn would reduce the value of such disclosure to shareholders.

We also do not believe it is appropriate to introduce a ranking system for company reporting. We feel this would result in additional bureaucracy and cost for no real long term value creation. As we have already stated, we believe that different businesses face different challenges and environments and shareholders will have differing needs and expectations as to what narrative reporting should look like for different companies.

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report Regulations 2002 set out detailed requirements for disclosure of remuneration policy and practice. We would welcome increased flexibility and simplification of disclosure requirements to assist companies in delivering focused and useful reporting to stakeholders.

We hope that this response will be helpful to your work in reviewing the future of narrative reporting. Please do not hesitate to contact us if you have any queries in respect of this response or would like to discuss any of the points we have raised further.

Yours sincerely

Jonathan Lloyd

Company Secretary
Tesco PLC