

**TESCO**

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*Serving Britain's shoppers  
a little better every day*



Thank  
you



# Thank you

Dear [Sample]

The past year has been an incredibly important one for Tesco. We said we needed to make big changes to turn our business around, and with your help and support that's what we're doing.

The brilliant news is that as a result, our business performance is improving. To recognise the incredible contribution UK colleagues are making, I'm delighted to confirm that you will be awarded a full Turnaround Bonus.

Your bonus will be **X%** of your 2015/16 tax year eligible earnings in shares, and your Gross Award amount will be **£X**. It will be subject to Income Tax and National Insurance contributions.

We're making this Turnaround Bonus award in shares, but if you prefer cash you can sell these shares straight away. If you keep your award in shares but change your mind, you can still sell with no dealing charges at any point up to 12 August. It is important to note that the value of shares can go down as well as up.

Everything you need to know about the award and how you can make your choices can be found in this booklet.

We're able to make this award because of the success we've had on two of our financial targets from The Big 6: Growing our UK Sales and Delivering Profit. It's also linked to our three turnaround priorities – regaining competitiveness in the UK, protecting and strengthening the balance sheet and rebuilding trust and transparency.

Thank you for all your hard work and everything you're doing in serving Britain's shoppers a little better every day.

Matt Davies  
CEO UK and ROI

# Three ways to take your Turnaround Bonus share award

You don't have to sell your Turnaround Bonus shares straight away on the award date of 23 May 2016. In fact, you have one of three choices on how you can receive your shares following the award. Just make sure you have made your choice any time from 9am 22 April until 5pm 9 May 2016.

## 1. Hold your shares in the Tesco Share Account (TSA)

Your shares can be held electronically in the new TSA. It's free for you to join and offers a range of benefits including the convenience and reassurance of holding shares electronically, avoiding the need to hold paper share certificates which can be lost or stolen and expensive to replace. For more information about this service please read the TSA Colleague Guide in the Useful Links section on [www.shareview.co.uk/tesco](http://www.shareview.co.uk/tesco) or search on [OurTesco.com](http://OurTesco.com) for Tesco Share Account.

If you select the TSA option you will be issued with a Statement confirming the number of Turnaround Bonus shares that are being held electronically on your behalf by Equiniti Financial Services Limited. The Statement will contain information on how to sell your shares between 3 June and 12 August 2016, using a special telephone dealing service, and Tesco will pay the share dealing charges for you\*.

## 2. Hold your shares as a paper certificate

Once you have reviewed your choices, if you decide to do nothing, a paper share certificate will be sent to your home address (from 15 June 2016). You must keep this safe as you will need to present this if you decide to sell your Turnaround Bonus shares.

Along with your share certificate we'll send a personalised dealing form and a Business Reply Envelope (BRE) that you can use if you would like to sell your Turnaround Bonus shares in the period ending 12 August 2016. Selling your shares this way uses a special dealing service where Tesco will pay your dealing costs. More information about the dealing service will be included with your share certificate\*.

Alternatively, you can sell shares held on a share certificate through any other broker of your choice. This is not a recommendation by Tesco PLC or Equiniti Financial Services Limited as to whether you should hold or sell these shares, or that this particular dealing service is suitable for you. If you have any queries on these matters you should contact an authorised financial adviser.

\*If you decide to sell your Turnaround Bonus shares your instruction will be aggregated with all other Turnaround Bonus share sale instructions received the same day and sold on the next business day at the market price available at the time of the trade

### 3. Sell your Tesco shares straight away on the award date 23 May 2016

The sale will be arranged through Equiniti Financial Services Limited and will commence from 23 May 2016. If lots of shares are sold at the same time your sale may take several days to complete. The share price you receive will be an average price for all the Turnaround Bonus shares sold over the period it takes to sell the shares.

When the shares have been sold, a sale advice letter will be posted to your home address the next working day that will show the expected settlement date, the share sale price and how much you can expect to receive. Once the sale has settled the net proceeds will be paid into your salary bank account. Please allow a couple of days for the proceeds to show in your account. Tesco will cover the share dealing charges.

### Tax impact on your Turnaround Bonus

It's important to understand that however you decide to receive your Turnaround Bonus shares they will be subject to Income Tax and/or National Insurance Contribution (NIC) liability based on your personal circumstances. We must determine how many of your shares we need to keep back to pay this liability.

Your Turnaround Bonus share award will be made on 23 May 2016 and will be shown on your 1 July 2016 payslip, whichever option you choose. Receiving your Turnaround Bonus share award will count towards your taxable income and statutory benefits you receive. You should refer to the HMRC website or contact a tax advisor for more details.

For examples on how Income Tax and NIC will be calculated on your gross Turnaround Bonus share award please refer to [OurTesco.com](http://OurTesco.com).

The share price during the selling period could be higher or lower than the share price on the award date

# Three ways to make your choice

You can make your choice by text, phone or online at any time from 9am Friday 22 April until 5pm Monday 9 May 2016.

To instruct us to hold your shares in the Tesco Share Account or to sell on the award date of 23 May 2016 all you need is your Colleague Payroll Number (shown on your payslip and on your PrivilegeCard) and your date of birth.

If you give a sale instruction through one of these three channels you will not be able to set a minimum sale price at which the shares are to be sold.

## 1. Text

Send the following text message to **84247** or **+44 762 480 8299** (if you're texting from outside the UK):

- Bonus
- [space] Colleague Payroll Number (8 digit number including leading zeros if applicable)
- [space] Date of Birth in the following format DDMMYYYY
- [space] sell (to sell your shares)

or

- [space] shares (to receive your shares and hold them electronically in the Tesco Share Account)

For example, if you are looking to hold your shares in the Tesco Share Account it would read:

**Bonus 12345678 01121980 shares**

You'll receive a confirmation text reply. Please keep this safe until you receive your payment or shares.

## 2. Phone

Call **0333 207 6375\*** or **+44 121 415 0948** (if you're dialling from outside the UK) and follow the instructions. You can make the call at any time of the day and it should take no longer than three minutes.

At the end of the call please make note of the confirmation number and keep it safe until you receive your payment or shares.

## 3. Online

Go to: [www.tescoturnaroundbonus.com](http://www.tescoturnaroundbonus.com)

Follow the on-screen instructions.

Once you have submitted your choice you will see a confirmation page. Please review and print or save this page. You will also receive an email notification if requested.

\*Calls to 03 numbers cost no more than a national rate 01 or 02 number

## When will you receive your bonus?

If you choose to hold your shares via the TSA the shares will be added to your account and can be viewed online from Friday 3 June 2016.

If you don't make a choice either by text, phone or online you'll automatically receive a paper share certificate. Your share certificate will be posted to your home address from 15 June 2016.

If you choose to sell your Tesco shares on the award date of 23 May 2016, you'll receive the proceeds from the sale in your salary bank account from 7 June 2016.

### Terms and Conditions for this Service

The Terms and Conditions covering the instruction service, Sharedealing Service and the Tesco Share Account can be found at [www.tescoturnaroundbonus.com](http://www.tescoturnaroundbonus.com). For your own benefit you should read these carefully before giving an instruction as any instruction will be in accordance with the relevant set of Terms and Conditions. If you do not understand any point or require them in an alternative format such as paper, braille or audio please call the Equiniti helpline 0333 207 6375\* or +44 121 415 0948 (if you're calling from outside the UK).

The Equiniti helpline is open Monday to Friday 8am to 6pm (UK time), Saturday 9.00am to 5.00pm, Sunday 10.00am to 4.00pm, and from 10.00am to 4.00pm on Bank Holiday Monday.

\*Calls to 03 numbers cost no more than a national rate 01 or 02 number

**Share dealing  
charges for the sale of  
Turnaround Bonus shares  
will be paid by Tesco until  
12 August 2016**

# Turnaround Bonus 2015/16 share award timeline

If you choose to do nothing you will automatically receive your share certificate in the post. If you would like to sell your shares, or hold them electronically, here are the key dates you need to know:

**Before 5pm  
9 May**

Make a choice on how to receive your Turnaround Bonus share award.

**23 May\***

Share price determined and shares released to eligible colleagues. First day that you can sell your shares.

\*If you decide not to sell immediately on the award date, you will be able to sell your shares held in the TSA from 3 June or from the 15 June if you do nothing and are issued with a share certificate

**12 August**

Last date to sell your shares without paying share dealing charges\*\*.

\*\*Tesco will only pay your share dealing charge if you sell your Turnaround Bonus shares using the specific dealing services mentioned in this booklet

**From  
15 August**

You can sell your shares\*\*\* and pay share dealing charges.

\*\*\* More information about selling your shares is available on the Shareholder Centre in the Investors section of the Tesco PLC website  
[www.tescopl.com](http://www.tescopl.com)

# Questions & Answers

## **Q Who is eligible for the UK Turnaround Bonus?**

**A** All UK WL1-WL4 colleagues who joined the business on or before 31 August 2015 and remain employed on the award date of 23 May 2016 will be eligible.

## **Q What happens if I leave Tesco due to resignation or for any other reason before the award date 23 May 2016?**

**A** If you leave Tesco, and your last date of employment is before 23 May 2016 for any reason other than redundancy, retirement, TUPE or death in service, you will not be entitled to the Turnaround Bonus share award.

## **Q What happens to my Turnaround Bonus if I leave through redundancy, retirement, TUPE or death in service after 29 February 2016 and before the award date 23 May 2016?**

**A** If you leave through redundancy, retirement, TUPE or die in service before the award date you will receive your Turnaround Bonus in cash (subject to Income Tax and NIC).

## **Q Will the Turnaround Bonus award impact any other Tesco shares that I hold?**

**A** The Turnaround Bonus share award is separate from any other share scheme you may have, but if you sell other Tesco shares in the tax year you may be liable for Capital Gains Tax.

## **Q How will my Turnaround Bonus amount be calculated?**

**A** Your Turnaround Bonus amount will be calculated as a percentage of your eligible earnings for the 2015/16 tax year (excluding any one off payments e.g. share payments), to give your gross award amount.

- Gross award amount ÷ award share price = Gross shares

- Gross shares – Income Tax shares – NIC shares = Net shares

## **Q Will my award be subject to Income Tax and National Insurance Contributions?**

**A** Yes, Income Tax and NIC will be deducted (if liable) from your award once the shares are released. The total number of shares you receive will amount to the net number of shares after Income Tax and/or NIC are withheld.

## **Q What happens if I do not make my choice by phone, text or online?**

**A** If you do not make a choice by one of the three channels detailed in this booklet you will receive a paper share certificate for your net shares, at your home address from 15 June 2016.

## **Q When will my shares become available to sell?**

**A** There is no holding period, they will be available to sell on the award date 23 May 2016, as soon as you receive your TSA statement on 3 June, or from 15 June if you are issued with a share certificate, should you wish to. Should you sell your shares at a higher price than the closing share price on 23 May 2016 you may be liable for Capital Gains Tax.

# Questions & Answers

**Q What is the award share price and how is this worked out?**

**A** The award share price is calculated using the average of the closing share prices of a Tesco PLC share over the five dealing days before the award date or, if lower, the closing share prices of a Tesco PLC share on the dealing day immediately before the award date.

**Q Why do I have to pay Tax and National Insurance Contributions on the Turnaround Bonus?**

**A** The Turnaround Bonus is not an HMRC tax advantaged share scheme so there are no Income Tax and NIC advantages, therefore the plan does not benefit from any Income Tax and NIC concessions.

**Q What if I do not want to receive the Turnaround Bonus share award for religious reasons?**

**A** You can opt-out of receiving the Turnaround Bonus share award by phoning 0333 207 6384 or +44 121 415 7119 (if calling from outside the UK) from 9am 22 April to 5pm 9 May 2016.

**Q Do What Matters To You? results survey have an impact on Turnaround Bonus?**

**A** No, Turnaround Bonus is directly linked to our company performance, the success we've had on two of our financial targets from The Big 6 – Growing our UK Sales and Delivering Profit. It's also linked to our three turnaround priorities – regaining competitiveness in the UK, protecting and strengthening the balance sheet and rebuilding trust and transparency.

**Q I am subject to Tesco PLC Share Dealing Code, can I still benefit from the share dealing charge being paid?**

**A** Yes, you will be able to benefit from the share dealing charge being paid as long as you sell your Turnaround Bonus shares outside of the closed period (28 May - 23 June) or any other restricted period and before 12 August.

**Q How will I know what the share price is when my shares are sold?**

**A** Once the sale of your shares has been completed by Equiniti Financial Services Limited you will receive a sale advice letter stating the date your shares were sold, the price the shares were sold at and how much you can expect to receive in your bank account. The sale advice letter will also confirm the date the sale proceeds will be sent to you. You will need to allow a further three working days for this to show in your bank account.

**Q What happens if I decide to sell my shares after 12 August 2016?**

**A** More information about selling shares is available on the Shareholder Centre in the Investors section at [www.tescopl.com](http://www.tescopl.com)





# UK Turnaround Bonus 2015/16

If undelivered please return to  
Tesco Returns Management Department  
PO Box 16552  
Birmingham  
B25 9GP

