



**Requisitioned Resolution to be proposed
at the Tesco PLC Annual General
Meeting 2008
11.00 a.m. on 27 June 2008
National Motorcycle Museum,
Coventry Road, Bickenhill, Solihull,
West Midlands, B92 0EJ**

THIS DOCUMENT IS IMPORTANT and requires your immediate attention. If you are in any doubt as to what action to take in relation to the AGM, you should consult appropriate independent advisers. If you have already sold or otherwise transferred all of your shares in Tesco PLC, you should immediately send this document together with the accompanying form of proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Tesco PLC
Company Number 445790
Registered in England and Wales
Registered Office: Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL
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* Special resolution – requires the support of not less than 75% of the votes cast for the resolution to be carried.

Dear Shareholder

Requisitionists' Resolution

A group of members has requisitioned the circulation of the following resolution under the provisions of Section 338 of the Companies Act 2006. The resolution will be proposed as a special resolution at the 2008 Annual General Meeting of Tesco PLC to be held at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands B92 0EJ at 11.00 a.m. on Friday 27 June 2008. The resolution, if passed, would limit the general powers of the Board to manage the affairs of the Company by imposing a commitment regarding the welfare standards of chickens produced for sale by the Company. **The Board opposes the resolution and recommends that you vote AGAINST it for the following reasons:**

- **We are totally committed to poultry welfare. We meet and, in a number of areas, exceed national farm assurance standards and all government legislation on chicken production**
- **We have for many years been at the forefront of taking initiatives to improve chicken welfare and continue to play a leadership role on this issue in our industry**
- **We are confident that our farms meet the higher welfare standards cited in the independent study referred to below by the requisitioning shareholders**
- **We believe that the chickens purchased for sale by the Company are already produced in "systems capable of providing the Five Freedoms"**
- **The Company therefore already does what the resolution would, if passed, require it to do but we believe that a resolution is not the right approach to taking forward what is an industry-wide debate on animal welfare**
- **Moreover, Hugh Fearnley-Whittingstall wants the Company to go far further than just setting a commitment to ensure that chickens are produced in systems capable of providing the "Five Freedoms" - he wants us to commit to moving all standard chickens to the higher RSPCA Freedom Food standard by 2010/11**
- **We do not agree that this approach is the best way of advancing animal welfare. It would in effect commit us to restricting choice for our customers and pricing out many of them. This would hit our lower income customers very hard, especially at a time when they are already concerned about rising costs**

- **We believe that by providing informed choices and by working with suppliers to bring down the cost of premium products to make price less of a barrier, we succeed in building the confidence of customers over time to buy more welfare-friendly products and we have made considerable advances in sales of such products**
- **The proposed resolution does not add anything to the debate about improving chicken welfare and the further steps which Hugh Fearnley-Whittingstall calls on us to take in his supporting statement are not, we believe, the appropriate steps to take to move forward the industry approach to chicken welfare.**

The resolution, supporting statement supplied by the requisitionists, together with further details of the Board's reasons for advising that shareholders vote against the resolution, are set out below.

Action to be taken

A proxy form in relation to the additional resolution (resolution 17) is enclosed. If you have already submitted your proxy form for the AGM and you wish to expressly instruct that proxy as to how to vote on this resolution, you should complete and return the form of proxy by 11.00am on Wednesday 25th June 2008.

Special Resolution

It is resolved that:

(a) conscious that the Company's Animal Welfare Policy endorses the "Five Freedoms" concept proposed by the Farm Animal Welfare Council (FAWC), being:

1. Freedom from Hunger and Thirst
2. Freedom from Discomfort
3. Freedom from Pain, Injury or Disease
4. Freedom to Express Normal Behaviour
5. Freedom from Fear and Distress;

(b) acknowledging the study published in February 2008 by Knowles, TG et al and funded by the UK Department of Environment, Food and Rural Affairs, entitled 'Leg Disorders in Broiler Chickens: Prevalence, Risk Factors and Prevention' and noting that the Company's order, stock and sale of standard intensive broiler chickens endorses and/or contributes to an average of 27.6% of birds having poor locomotion and 3.3% being almost unable to walk at an average age of 40 days notwithstanding a culling process;

the Company sets a commitment within a fair time frame to take appropriate measures to ensure that chickens purchased for sale by the Company are produced in systems capable of providing the "Five Freedoms".

Supporting Statement by Requisitioning Shareholders:

I, Hugh Fearnley-Whittingstall - a chef, writer, broadcaster and campaigner - am proposing that a resolution be passed at the 2008 Tesco AGM.

Independent studies, such as Knowles, TG et al, entitled 'Leg Disorders in Broiler Chickens: Prevalence, Risk Factors and Prevention', funded by the UK Department of Environment, Food and Rural Affairs: <http://www.plosone.org/article/info:doi%2F10.1371%2Fjournal.pone.0001545#pone-0001545-t003>, prove that the production of standard intensive broilers does not meet the Farm Animal Welfare Council's (FAWC) "Five Freedom" standard which Tesco has adopted as its animal welfare policy. Those Five Freedoms are:

1. Freedom from Hunger and Thirst
2. Freedom from Discomfort
3. Freedom from Pain, Injury or Disease
4. Freedom to Express Normal Behaviour
5. Freedom from Fear and Distress.

The resolution is proposed on the basis that:

- (a) By ordering, stocking and selling standard intensive broilers, Tesco is breaching its own animal welfare policy.
- (b) The current status quo is prejudicing Tesco's reputation.
- (c) There has been a significant change in consumer demand to support the Company responding, that change being likely to continue.
- (d) It falls within Tesco's commitment to Corporate Social Responsibility to take action.

A. By ordering, stocking and selling standard intensive broiler chickens Tesco is breaching its own animal welfare policy

The production of standard intensive broilers breaches the Five Freedoms, in particular due to the prevalence of leg injuries as evidenced in the Knowles, TG et al study cited above.

I am further not satisfied that the Five Freedoms are met given standard intensive broilers:

- Sustain a significant percentage of hockburns
- Have no access to natural light
- Have no access to range outside
- Have no access to perches, pecking objects or other such objects which would allow them to express their normal behaviour

B. I consider that the current status quo is prejudicing Tesco's reputation

Tesco has been assessed by Compassion in World Farming in their study, Supermarkets & Farm Animal Welfare 2007-2008 Raising the Standard :<http://www.ciwf.org.uk/supermarkets/downloads/full-report.pdf> as being ranked 5th in order of farm animal welfare performance, behind Marks & Spencer, Waitrose, The Co-Operative Group and Sainsbury's.

Also in that study, Tesco was found to be the only supermarket not promoting any higher welfare products in the sample period, as measured against supermarkets including Morrisons and Somerfield.

C. There has been a significant change in consumer demand to support the Company responding, that change being likely to continue.

Market shift has already been identified, for example:

- in articles such as The Independent, The campaign that changed the eating habits of a nation, 28 February 2008: <http://www.independent.co.uk/life-style/food-and-drink/news/the-campaign-that-changed-the-eating-habits-of-a-nation-788557.html>, and RSPCA press release 23.5.08: <http://www.rspca.org.uk/servlet/Satellite?pagename=RSPCA/RSPCARedirect&pg=NewsFeature&articleId=1210683176606&marker=1>
- in polls such as RSPCA's at: <http://www.rspca.org.uk/servlet/Satellite?pagename=RSPCA/RSPCARedirect&pg=NewsFeature&articleId=1204121457935&marker=31>
- and in reports and studies such as that by Knowles, TG et al, as cited above.

D. I believe that the proposed resolution falls within Tesco's commitment to Corporate Social Responsibility (CSR)

Tesco has pledged that CSR is now one of its strategic pillars, such as with its commitment to its Community Plan. That plan sets out a promise to "be responsible, fair and honest."

I do not believe that Tesco's support of Oxford University's Food and Animal Initiative (FAI), or any other such initiative, is enough. The FAI aims to develop and test commercially a genetic selection process in the hope of leading to a new breed of broiler chicken by 2012. I say that measures need to be both guaranteed and put in place prior to 2012 and that it is not acceptable for Tesco to continue to breach its own animal welfare policy.

What action I propose that Tesco takes in response to this resolution:

I believe that Tesco would properly address the resolution by committing to raising its lowest standard to the RSPCA Freedom Food standard and audit system by 2010/2011.

I believe that if Tesco does not make this commitment, it must change its Animal Welfare Policy and cannot continue to claim that it endorses the Five Freedoms.

I am making a commitment that should Tesco respond positively to this resolution, I am offering to have an ongoing dialogue with them during any reasonable period over which they agree to phase in an acceptable new system.

Why RSPCA Freedom Foods is an appropriate lowest standard:

Independent evidence supports the RSPCA Freedom Food standard as being better capable to provide for the Five Freedoms:

Dr Marc Cooper, RSPCA Farm Animal Scientist:

"We believe that standard chicken production does not go far enough to address all of the aspirations of the Five Freedoms. We would like to see all chicken reared to the RSPCA's welfare standards used by Freedom Food."

Background to this statement

I have tried to engage with Tesco since March 2007 without a satisfactory outcome on these issues. I have engaged with a significant sector of the shareholder community, plus independent bodies such as UKSIF and PIRC, in seeking to clarify the way that these issues might be best taken forward.

I call on all Tesco shareholders to support the proposed resolution at the 2008 AGM.

Thank you for your support.

Hugh Fearnley-Whittingstall

THE BOARD OPPOSES THE RESOLUTION AND RECOMMENDS THAT YOU VOTE AGAINST IT FOR THE FOLLOWING REASONS:

We are very committed to poultry welfare and fully meet our animal welfare standards. We meet national farm assurance standards and all government legislation on chicken production for all of the chicken that we sell.

In fact, we exceed these standards in a number of areas. We have been a leader for many years in making improvements in animal welfare. We were among the first retailers in the UK to promote free range chickens and to take substantial steps to reduce stocking densities. More recently we introduced the Willow Farm range – a more affordable higher welfare option – and from July 2008 onwards we will start to use a different, slower growing breed for our Willow Farm range with RSPCA endorsement and our Willow Farm chickens will be fully Freedom Food-compliant by early next year.

We continue to take a leadership role on chicken welfare. We are the only one of the major supermarkets:

- To have a programme of using unopened sawdust bales in sheds (these will be slashed at about 14 days allowing the birds to spread sawdust and top up bedding, encouraging more movement and dust bathing – all important natural behaviours included in the Five Freedoms).
- To impose a maximum stocking density of 38 kg/m². Other supermarkets have a planned stocking density of 38, but densities will fluctuate so they will often be above this level towards the end of the life of a bird.
- To have a team of agriculture experts who keep up with the science, ensure our codes of practice are in line with latest thinking, and work with suppliers to improve standards.
- To carry out independent audits over and above the industry standard, to ensure our standards are being met.

We continue to look for further ways of improving and developing our position. For example, we are also this year launching an industry-leading initiative which will for the first time provide objective measures of welfare indicators.

We are confident that our farms meet the higher welfare standards cited in the 2008 Knowles et al study. The report ('Leg Disorders in Broiler Chickens') quoted by Hugh Fearnley-Whittingstall as evidence of breaches of the Five Freedoms covered a number of farms and highlighted a range of different standards. We are confident that our farms comply with the standards at the upper end of that range. For example:

- Lighting levels – the study looked at farms operating from 0 to 8 hours darkness (the legal minimum is 1 hour), and made recommendations that longer hours of darkness reduce the number of leg disorders in chickens – our farms are in line with Assured Chicken Production standards by offering 6 hours total (with a minimum of 4 hours continuous darkness).
- Bird genotype and impact on gait score – the type of breed will have a very significant impact on the gait score, and therefore, again, leg disorders. The report referred to two breeds (which we believe were Ross and Cobb). The Cobb breed contributed to a very high level of the locomotion disorders which were reported. We prohibit the use of Cobb and use breeds with a much better gait score (including Ross).
- Stocking density – the study looked at a range of densities from 15.9 to 44.8 kg/m², again stating that the lower the density, the less risk of leg disorders. We operate to a maximum of 38kg. In any event the report by leading expert Professor Marian Dawkins shows chicken welfare is influenced more by housing conditions than by stocking density.

We believe that the chickens purchased for sale by the Company are already produced in “systems capable of providing the Five Freedoms”.

Tesco is independently audited to certify full compliance with the Five Freedoms through its membership of the Assured Chicken Production Scheme. This Scheme represents the industry standard and states in its Policy that “The Scheme unreservedly supports the ideals of FAWC and the Five Freedoms.”

TESCO THEREFORE ALREADY DOES WHAT THE RESOLUTION WOULD, IF PASSED, REQUIRE IT TO DO.

We believe however that a resolution is not the right approach to taking forward animal welfare. Although we do not share the view that intensive production is incompatible with the Five Freedoms, we agree there is a legitimate debate to be had about further improving standards in intensive production. This is, however, a debate that should involve the wider industry and should not be progressed by way of a single AGM resolution. Such a discussion would have a far greater impact on raising standards if it involved all stakeholders, including the Assured Chicken Production Scheme, government, farming groups, suppliers, retailers and animal welfare groups.

Moreover, Hugh Fearnley-Whittingstall wants us to go far further than just setting a commitment to ensure that chickens are produced in systems capable of providing the “Five Freedoms”. The statement which Hugh Fearnley-Whittingstall has included with his resolution suggests that intensive production cannot deliver the Five Freedoms, and calls for all intensive production to be to the RSPCA Freedom Food standard.

We do not agree that this approach is the best way of advancing animal welfare. It would in effect commit us to restricting choice for our customers to Freedom Food range chicken only. A policy of raising standards well beyond those set by government in the UK and the EU would price out many of our customers (particularly in an economic downturn) and would force them to shop elsewhere. Standard chickens still account for 75% of our chicken sales and moving to Freedom Food standards would cost over £1 per average weight chicken, hitting our lower income customers very hard, especially at a time when they are already concerned about rising costs.

In contrast, by providing informed choices, and by working with our suppliers to bring down the cost of premium products so that price poses less of a barrier for some customers, we succeed in building the confidence of customers over time to buy more welfare-friendly products. As a result, we have made considerable advances in sales of welfare-friendly chicken. Willow Farm alone now accounts for almost 8 per cent of our sales, and free-range and organic for a further 16 per cent.

We have positively engaged with Mr Fearnley-Whittingstall on this issue.

We have met with Hugh Fearnley-Whittingstall on two occasions over the past year, including a lengthy discussion with him last week on the issues raised by his resolution. We are pleased that we were able to demonstrate the positive steps we are taking on chicken welfare, including our industry-leading approach to audits, and that following our discussion with him he amended the terms of his resolution as originally drafted to remove a number of negative statements.

The resolution which has been proposed to shareholders does not add anything to the debate about improving chicken welfare, and the further steps which Hugh Fearnley-Whittingstall calls on us to take in his supporting statement are not, we believe, the appropriate steps to take to move forward the industry approach to chicken welfare.

The Board believe that the resolution is not in the best interests of the Company or its shareholders as a whole. The Board therefore recommends that you vote AGAINST the resolution as they intend to do so in respect of their own beneficial holdings.