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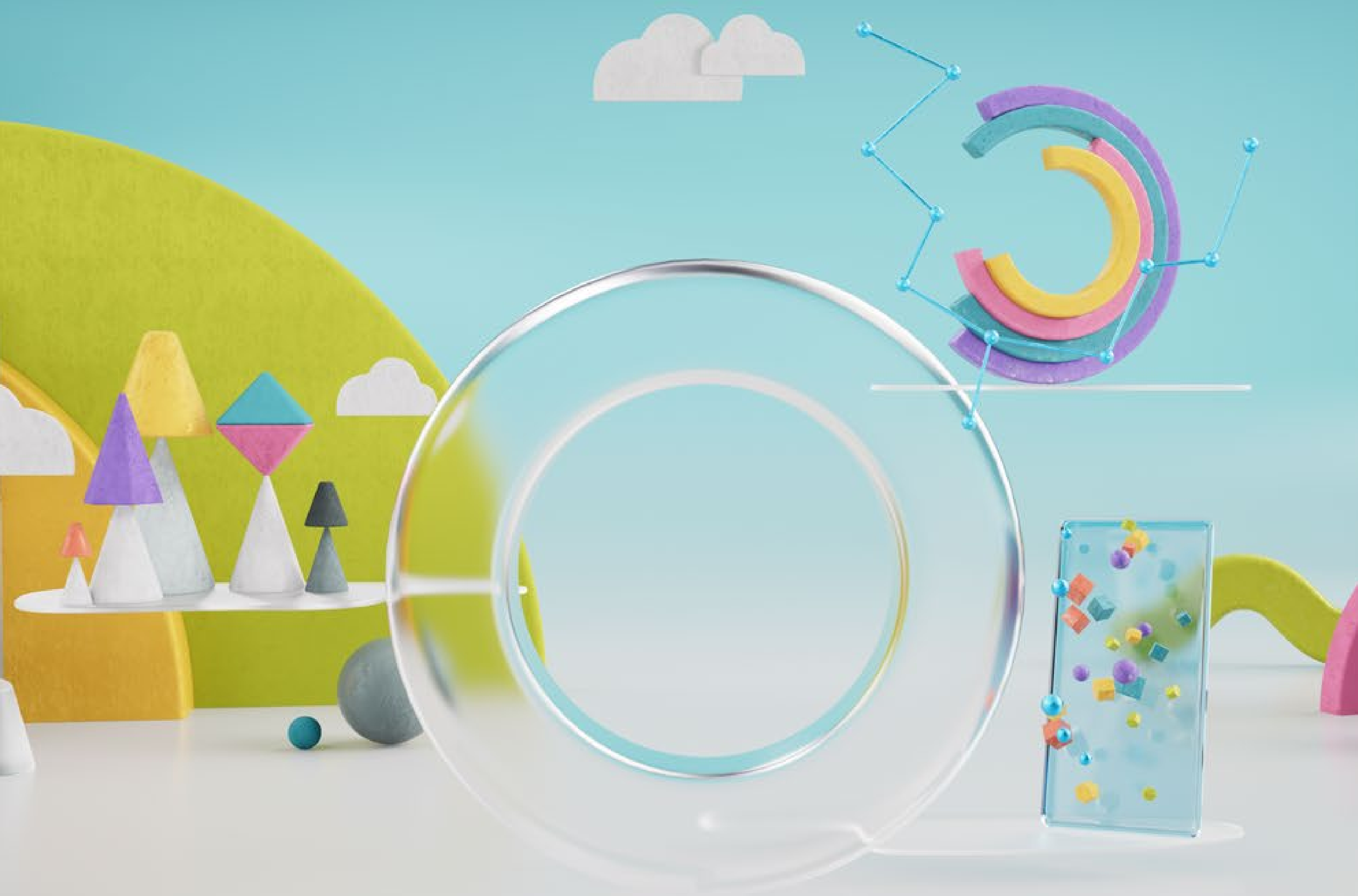
Ocado Group plc Annual Report and Accounts
for the 52 weeks ended 28 November 2021



Changing the way the world shops, for good

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Welcome to our Annual Report and Accounts 2021

Our Mission
To change the way the world shops, for good.

We are changing the way the world shops, permanently and for the better.

Our Purpose
To solve complex problems for the world's largest grocery retailers and businesses beyond grocery.

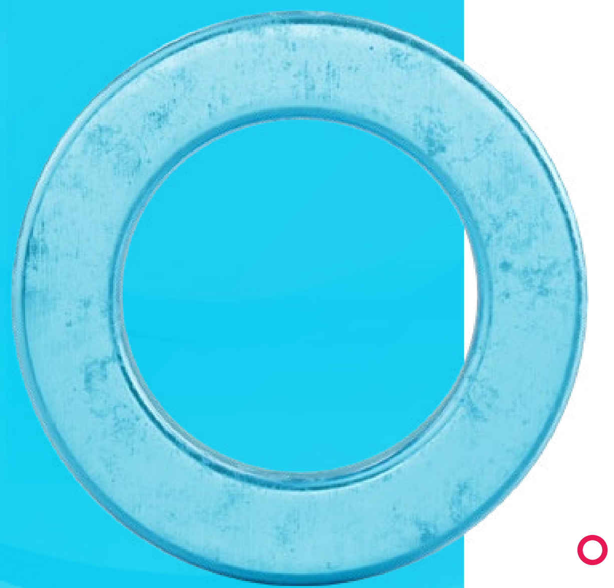
We empower our people to drive change through learning and growth. Our technologies, knowledge and experience provide our client partners with sustainable and efficient solutions enabling competitive advantage, and profitable, scalable growth for them and our trusted suppliers. We achieve this responsibly with minimal impact on the environment and a positive influence on the communities we serve.

Our Vision
To be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond.

Our Values
The Ocado Spirit is what makes us special; it's the essence of life at the Ocado Group, and the glue that sticks us together.

It's our values and the behaviours we believe in: we're in it **together**; we can be even **better**; we're **proud** of what we do.

Read more about **Our Values and Culture** on page 13.



Ocado Group Financial Highlights

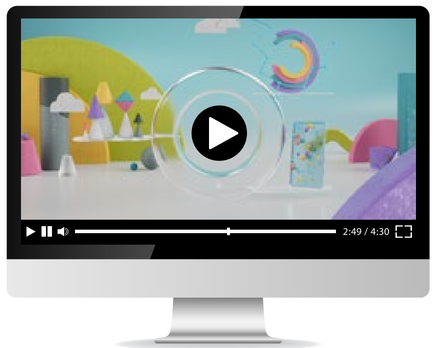
Ocado Group	
Revenue (£m) **2,499** 7.2% vs £2,332m in 2020	**EBITDA Ⓐ (£m)** **61.0** (16.6)% vs £73.1m in 2020
Loss Before Tax (£m) **(176.9)** vs £(52.3)m in 2020	**Cash and Cash Equivalents (£m)** **1,469** (14.0)% vs £1,707m in 2020

Ⓐ See **Alternative Performance Measures** on pages 324 and 325.

See the characteristics that defined our year

Scan the QR Code to **see our video**

SCAN ME



Visit our Corporate website at:
www.ocadogroup.com

Read more on our **Investment Case** on pages 06 and 07.

What's Inside

Strategic Report

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Group at a Glance

We are a **technology-led**, global, software and robotics platform business, with a strong retail heritage

We report the activities of our business across three operational segments, as described below:

UK Solutions and Logistics
Reflecting UK contracts with the Ocado Retail joint venture and Morrisons, inclusive of both Solutions contracts and service agreements with Ocado Logistics for the provision of third-party logistics and other services

International Solutions
Reflecting contracts with international partners for the provision of the Ocado Smart Platform ("OSP"), so that they may lead in online grocery in their respective markets

Read more on page 38.

Retail
A pure play online grocery retailer, serving over 800,000 active customers in the UK, now a 50:50 joint venture with M&S

Read more on pages 44 and 45.

We provide OSP as a managed service and support the success of our Solutions partners through concept and development to implementation and ongoing end-to-end support. This support is provided through our other Client Business areas: Ocado Solutions, Ocado Technology, Platform Implementation and Client Services. Ocado Logistics services our UK clients. Everything we do is underpinned by our Group Operations functions.

Client Business Areas

Ocado Solutions
Positions Ocado Group as the global market-leading technology solutions provider for online grocery; responsible for the growth of our business and our clients' success

Ocado Technology
Creates and supports Ocado Group's pioneering automated technology platforms

Platform Implementation
Orchestrates the implementation of Ocado Group's platforms globally

Client Services
Supports and maintains Ocado Group's platforms wherever they are deployed

Ocado Logistics
Operates and optimises Ocado Group's platforms in the UK to deliver maximum client and customer value

Group Operations
Provides strategic direction, dedicated services, intelligence and governance to shape the Ocado Group as a whole. These teams include People, Finance, Legal and Group Transformation

Building future value beyond core business

Ocado Group can leverage its technological know-how to drive additional value opportunities in the medium to long-term, alone or in partnership with others, in grocery and increasingly beyond.

Ocado Ventures
A dedicated team making strategic investments in areas tangential to the grocery mission, or industries where we can leverage our technology competencies built up in grocery to participate in disruption with attractive long-term value potential.

Our investments and ventures:

- Jones Food Company (Vertical Farming)
- 80 Acres (Vertical farming)
- Oxbotica (Autonomous vehicle software)
- Wayve (Autonomous vehicles and software)
- Karakuri (Automated Meal Prep)
- Inkbit (3D Printing)
- Myrmex (Automation)

Our Investment Case

As a leading technology business, serial innovator and self-disruptor, we're solving complex problems in online grocery fulfilment and beyond, to enable our partners to win in the structural shift to online shopping taking place worldwide.

The **five key characteristics** below defined our strategic progress this year, as we continued to change the way the world shops. You will see these themes echoed in case studies throughout this report.

Leadership

We've developed the most advanced end-to-end solutions suite of its kind. Technology trailblazers, reaching new heights within online grocery.

How we're positioned for success:

The shift to online grocery accelerated significantly with the Covid-19 pandemic and industry data suggests that this change will continue. In markets where OSP is live, the solution has enabled partners to achieve leading customer satisfaction results, without sacrificing long-term profitability. This partner success underpins our confidence in the large growth opportunity in front of us. We expect this opportunity to grow as we deliver the innovations of Ocado Re:Imagined, announced after the year end.

Speed

We are scaling with confidence, improving speed to go live, bringing solutions to market even faster.

How we're positioned for success:

The urgency to bring online grocery solutions to market has never been greater. We are constantly improving our build processes to reduce time to launch, and our technology is tried and tested, meaning we are ramping up capacity faster than ever before. With OSP, partners can bring to market a scaled, more flexible and profitable solution for online grocery, faster than the competition, enabling them to seize the opportunity and take market share.

Resilience

We've solved some big challenges; through the spirit of our people, we pull together, embrace complexity and grow.

How we're positioned for success:

Being a pioneer isn't easy. It's a culture, mindset and values; we take managed risks, and challenge each other to think bigger, beyond convention, to deliver ever better levels of efficiency and service for our partners over time. We use mistakes and unforeseen hurdles to propel us forward, adapting to provide ever more robust and flexible solutions.

Partnership

We partner with some of the most forward-thinking and innovative grocery retailers, and the success of the global leadership club drives our growth and innovation.

How we're positioned for success:

OSP brings membership to the 'leadership club' as well as access to leading technology. A considered framework empowers our 10 global partners, to share learnings across key touchpoints in the online grocery fulfilment chain, driving further benefit for partners on and offline, and helping to inform our proposition roadmap for maximum impact. We invest and partner with technology companies disrupting fields tangential to the core OSP offering, supporting their process of discovery and build, to accelerate the path to realisation of future value.

Problem Solving

Our unique simulations, modelling and digital twins mean we can test solutions and remove guesswork to derisk complex builds and optimise our platform, achieving best-in-class in an evolving landscape.

How we're positioned for success:

Our unique capabilities in modelling, simulations and digital twins enable us to compress what would be years' worth of testing over thousands of scenarios in the physical world into months in the digital world, removing guesswork so that we can deliver complex projects at scale, with speed and confidence, and constantly reset the bar for peak performance.

SCAN ME

Scan the QR Code to **see our video**

Chair's Statement

> "There is good reason to be optimistic that we are primed to both help create and seize the opportunities in front of us.
>
> **Rick Haythornthwaite**
> Chair

I am delighted to have been given the opportunity to join the Board of Ocado Group as Chair, and it has been a pleasure getting to know the business during the course of this year. I have been very impressed by the people I have met thus far; their vision, creativity, innovation, agility and commitment to continuously deliver on our promises to all our stakeholders.

It is always encouraging as a newcomer to see espoused core values manifesting themselves in action such as has been the case in Ocado's resourceful commitment to health and safety during the pandemic. Keeping our employees safe and motivated is a key priority. We are blessed with a diverse and inclusive workforce – our recognised challenge is to provide the wellbeing and working environments that will keep them motivated and feeling valued as we grow rapidly.

And, likewise, it is pleasing to see the energetic exploration of our erstwhile mission 'changing the way the world shops', a mission that has never been more prescient.

The pandemic saw millions of consumers worldwide shop online grocery for the first time and, as we head into a post-Covid-19 future, it is increasingly clear that the landscape for grocery worldwide has changed permanently. The structural shift to the online channel is expected to continue and, naturally, customers will demand more; more flexibility, with compelling value and choice, to meet their varying needs wherever, whenever and however they want to shop, from the big weekly basket to smaller immediacy-focused shops.

We intend to make the most of the accelerated opportunity this new normal represents. In the first instance, that means responding to this ever-growing demand. We have ramped up capacity, both by reaching new geographies and expanding our ability to deliver to customers within these areas. We signed a new partner, Alcampo, to deliver across Spain via Customer Fulfilment Centres ("CFCs") and In-Store Fulfilment ("ISF"), opening up a new region and taking the number of the Group's Solutions partners to 10 globally. Despite the start of the pandemic we delivered our first two CFCs for Kroger in Ohio and Florida. The former is in their heartland and the latter in completely new territory, showing the versatile uses of our CFC format. This continued when they placed an order for five new CFCs in October; one is in the North-East, another geography in which they have yet to open physical stores. Kroger also ordered two Zooms, the first to be built outside the UK, which together with a mini-CFC in Michigan demonstrates the flexibility of the OSP ecosystem and the ability for clients to right-size to their requirements.

In the UK, we have built capacity at our fastest ever pace to match the increased demand for our flourishing Ocado Retail partnership with M&S and Morrisons, as three new CFCs went live during the year: Purfleet – the Group's second largest CFC in the UK to date; the first mini-CFC in Bristol, an important part of the Group's fulfilment 'ecosystem'; and the reopening of the Andover CFC, two years on from the devastating fire. Despite the challenges that the fire posed, it was reassuring to see that the Company had learnt from this damaging event and applied these fire attenuation measures across the OSP ecosystem. During the year, when we experienced another fire in our Erith CFC, damage was limited to less than 1% of the building's grid, an outcome attributable to the protocols implemented following the Andover incident.

This is just one illustration of an increasingly mature approach to risk management that has been a key governance tenet of your Board. One challenge for fast growing companies such as Ocado is the development of risk management systems and processes with the pace and design required to underpin sustainable success while not losing the entrepreneurial spirit that has been so key to the Company's journey to date.

It is this search for balance that dictates our agenda.

We believe that the opportunity for Ocado is very considerable. We can deliver on our vision 'to be the indisputable leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond'. And, as a Board, we are always concerned with whether our areas of focus are appropriate, and the right questions are being asked. And, in this regard, I have been nothing but impressed by what I have encountered from the CEO through his executive team into the organisation as a whole.

At the top of our agenda is a participation strategy where we are continuously exploring the question of whether the accessible online grocery market will be sufficient to accommodate our considerable ambition and, if not, how we might expand that accessible market or consider other possible participation scenarios.

We then are continuously asking ourselves whether we are sufficiently challenging in our quest to deliver above and beyond our promise to partners – to enable them to win the battle for online grocery in this evolving landscape.

It is pleasing that we have been investing considerably in technological innovations that will underpin the next leap in the development of OSP, and that were unveiled in our product launch Ocado Re:Imagined, that took place on 26 January 2022.

There is good reason to be optimistic that we are primed to both help create and seize the opportunities in front of us.

Clearly, it is important that we have the balance sheet to be able to take full advantage of these opportunities. The timely arrival of Stephen Daintith to the Group and Board as Chief Financial Officer has brought a new energy to this aspect of the business. An early impact has been the capital raise we undertook during the year, on improved economics highlighting the Group's maturation, and ensuring we have the financial resources to continue to grow at pace and provide the best solution for our partners.

With new scale and reach comes increased complexity and responsibility, and, crucially, the business has been evolving organisationally to meet these challenges in a way that delivers more for our people and the wider community in which we operate. This intention is reflected in our updated mission 'changing the way the world shops, for good'.

The Board is mindful of the environmental and social issues that pose risks to both the Group and the environment. During the year, we approved a new Corporate Responsibility strategy, setting net zero targets for both our operations and value chain, and Ocado Retail partnered with Climeworks to remove over 1,000 tonnes of carbon dioxide from the atmosphere, leading the way as the world's first grocery retailer to run a net zero head office. These are important steps in the right direction but these are early days and the Group has some distance to travel before such considerations are both embedded strategically and clear accelerators of value creation.

At the heart of all that we do is our technology and, as such, it is a prime focus of the Board's time and attention. We continue to invest in the development of OSP and innovate for the future. The Board has been excited to see the integration of Kindred Systems, Inc. and Haddington Dynamics, Inc., the first acquisitions into the Group, giving us an extra arm to enhance our robotic manipulation capabilities, and we also acquired stakes in Oxbotica Limited and Wayve Technologies Ltd, cementing two partnerships with companies at the cutting edge of autonomous driving. As we expand the Group's opportunity set, protecting and defending our intellectual property becomes an ever-increasing priority.

The Ocado culture of innovation and risk taking has been central to our prior success and, although it can be challenging to do this at increased scale, I believe it's central to the future of the business. The core skills we will need to continue to foster are developing transformational technology, partnering with grocery retail clients all over the world, and having ruthless efficiency in our core engineering and operations. The Board has a key role in enabling this entrepreneurial business and simultaneously providing the right governance. One aspect of governance crucial to any entrepreneurial technology company such as Ocado is the protection and aggressive defence of its intellectual property, so I have been particularly reassured to see the very professional and effective manner in which our team is dealing with the unfounded claims and attempted infringements by Autostore, both in the US and Europe.

We will continue to review the composition of the Board in light of this changing landscape to ensure we reflect the critical skills needed in the organisation. Succession, of our Executive Directors and senior management, is top of the Board agenda in this regard. Meanwhile, the appointment of Nadia Shouraboura to the Board on 1 September 2021 as a Non-Executive Director, with her extensive technology experience, was an important step – I would like to welcome Nadia to the Group.

In addition, through the Nomination Committee, we will continue to develop our bench over time to take full advantage of the benefits that diversity of talent can offer the chemistry, discourse and decision making of your Board.

I would like to thank the outgoing Chair, Lord Rose, on behalf of all at Ocado for his tremendous service over the last nine years. He has championed the strategy and overseen the Company through an enormous transformation from a recently listed, domestic online grocery retailer, to a global end-to-end solutions provider, firmly situated in the FTSE 100.

Claudia Arney stepped down on 25 December 2020. I would like to thank Claudia for her service.

Whilst the last year, and my first as Chair of the Group, has been a difficult year for commerce as a whole in the face of Covid-19 supply chain repercussions, we continue to innovate and focus on meeting future challenges, with our outstanding proposition and dedicated enterprising people, everyone of whom I would like to especially thank for all their efforts, commitment, drive and energy over the last year.

Key Activity in the Year

- **December 2020:** Ocado Group's acquisitions of Kindred Systems, Inc. and Haddington Dynamics, Inc. to bolster its robotic manipulation capabilities are successfully completed.
- **March 2021:** Ocado Group and Ocado Retail announced the go live of the first mini-CFC in Bristol.
- **April 2021:** Ocado Solutions announced the launch of the first Ocado CFC in the USA for Kroger in Monroe, Ohio.
- **April 2021:** Ocado Group announced its investment in Oxbotica Limited, to collaborate on integrating autonomous vehicles into the Ocado Smart Platform.
- **July 2021:** Ocado Solutions partnered with Auchan Retail to develop Alcampo's online business in Spain using the Ocado Smart Platform.
- **August 2021:** Ocado Group and Ocado Retail announced the reopening of the Andover CFC, following the previous CFC's fire damage in 2019.
- **September 2021:** The Group's second largest CFC in the UK to date at Purfleet went live.
- **October 2021:** Ocado Group successfully completed a redemption of £225 million Senior Secured Notes and its subsequent offering of Senior Unsecured Notes, raising a total of £500 million.
- **October 2021:** Ocado Group announced that it has acquired a stake in Wayve Technologies Ltd, to develop the Group's autonomous grocery delivery capability.

Rick Haythornthwaite
Chair

11 February 2022

Question and Answer

Our Operational and Strategic Progress

The global roll-out of OSP is accelerating and we are scaling up whilst continuing to innovate at pace. Hear from our Leadership team about the Group's performance in 2021 and their top priorities for the year ahead.

In 2021, the business welcomed its tenth OSP partner and successfully went live with five further CFCs in the UK and US.

Despite disruption to travel and supply chains, we launched all of these sites on time. Other projects remain broadly on track.

We have been improving our installation processes and have stress tested our technology so that we can launch and ramp-up sites faster than ever before.

We are innovating at pace. During the year, we rolled out our new generation bot and significantly progressed our work on a commercial solution for robotic pick in grocery, as well as other innovations to further improve the flexibility and reduce the cost of OSP, which we expect to bring even greater operating benefits for partners and Group over time.

To support increasing scale and complexity, we have grown our teams and continued to develop our systems and processes.

We also successfully refinanced our £225 million senior secured note to a £500 million senior unsecured note, at a reduced coupon rate, bolstering our liquidity position to support continued investment and growth in the year ahead.

Q

From your perspective, how did we perform during the past year and what are the Group's future priorities?

A

This past year, we materially accelerated the roll-out of OSP, globally. Seven partners are now live on the platform and using a full range of fulfilment solutions. We doubled the number of live CFCs to 10, including our first two sites in the US. We were also delighted to add Alcampo to our global club of now 10 retail partners. I'm proud that we were able to achieve all of this despite continued pandemic-related disruption, to travel and supply chains.

Industry-wide operating challenges, from labour to dry ice shortages, were particularly notable in the UK. We believe we have now managed through the peak of these challenges, as well as the temporary impact associated with the fire at Erith, and are fully focused on helping Ocado Retail ramp-up as fast as possible in the years ahead.

We have been innovating faster than ever before, to automate more for partners, as well as improve the flexibility and reduce the cost of ownership of OSP. We explored seven key innovations in a new product launch Ocado Re:Imagined, following the year end (January 2022). Altogether, we expect this new generation of OSP technology to materially expand the growth opportunity for our partners, and also Ocado Group, whilst also improving returns.

Tim Steiner
Chief Executive Officer

A

As Tim notes, this year has seen execution of the OSP roll-out really pick up: the number of partners, geographies, sites, and types of solution deployed.

A critical enabler of continued successful execution lies in supporting the increased scale and complexity of the business, and we have made significant steps to strengthen our capabilities – talent, systems and processes – to this end. Notably, we restructured the Finance team to enable scope for greater specialisation and improvements in business partnering, and implemented new accounting and treasury systems to handle the implications of international growth. We have commenced projects to similarly strengthen our systems for both procurement and project management in the year ahead.

Smart capital management is critical and we were pleased to be able to raise our first sizable unsecured bond, bolstering our healthy liquidity position to support our bold growth ambitions.

As our accelerated roll-out continues, we are focused on delivering and improving upon our targeted OSP economics, as well as ensuring strong communication on this progress for our investors, so that they can continue on this growth journey with us with confidence.

Stephen Daintith
Chief Financial Officer

Let's hear from our team members:

A

This year has been another time of expansion for Ocado Solutions. We have taken more of our partners live with OSP at a critical time for grocery ecommerce globally, and are in ongoing discussions about expanding our commitments across existing partners. We're on track with our commitments, with seven out of ten retailers now live with Ocado's technology around the world. Our future priorities are to continue bringing more innovative global retailers to OSP and drive increasing value within the platform to all of our partners.

Luke Jensen
CEO, Ocado Solutions

A

In Technology, performance this year has been strong: we've made huge breakthroughs in our technology, developing new automation products, tools and techniques focused on enhancing performance, reliability and maintainability, as well as materially reducing the cost of operating for us and our partners throughout the value chain.

In January 2022, we unveiled the results of these efforts in Ocado Re:Imagined, exploring seven key innovations that represent the next leap in OSP platform performance, focused on increased automation, lighter, cheaper and more efficient bots and grid, and software improvements enabling improved flexibility and speed in fulfilment.

We expect these initiatives to allow OSP partners to grow capacity faster with lower capital and operating costs. For Ocado Group, this means an expanded addressable market with improving returns.

Looking ahead, we are working hard to deliver all these innovations by the end of 2023. What's more, we're firmly establishing ourselves as an employer of choice for top tech talent to support our continued growth.

James Matthews
CEO, Ocado Technology

A

Our employees' commitment to deliver, in spite of the continuing global pandemic, has enabled us to continue to grow, innovate, find solutions and deliver world-class service. We've worked hard and at a pace few organisations can sustain as we scale globally; our current and future success is therefore dependent on our people and we know that by putting them first, they will put our clients and their customers first. We added 3,000 new employees to the business in 2021 so our priorities will support wellbeing, growth, newness and leader diversity.

Claire Ainscough
Chief People Officer

A

As we accelerate the roll-out of OSP globally, we are supporting our partners to get the most value they can out of OSP.

Despite ongoing pandemic-related disruption, we delivered five new CFCs on time and are ramping these in line with expectations. This success is the result of well-tested technology, as well as continued innovation on processes and collaboration, which enables our partners to benefit from our own expertise in online retailing. For example, we developed a new approach to grid build, shaving several weeks off of our build time.

In the 2022 financial year, we will almost double our installed CFC base to 19 sites, and have already launched three sites since the 2021 year end, in Sweden, Canada and the US. We will continue to target improvements that will help us to deliver on, and above, our commitments to partners.

Mark Richardson
Chief Operations Officer

A

We continue to innovate at pace, creating cutting-edge IP, across our solutions suite. IP is one of our greatest assets and we take rigorous steps to protect important inventions and so build value for the Company. This is reflected in our growing portfolio; at the year end we had 525 patents granted and 1,028 applications filed, for a total 1,553, up 30% on the prior year.

Protection includes robustly defending the integrity of our IP portfolio. In the last year we successfully defended the business from unfounded infringement claims and attempts to destabilise our IP portfolio, in the US and Europe. We have also taken robust action in the European Patent Office to have patents revoked that were incorrectly granted to competitors. Though the legal proceedings continue, we are confident in the disciplined approach we have taken to build our capabilities over the past 20 years and will continue to vigorously protect our intellectual property.

Neill Abrams
Group General Counsel

Our Strategy

> To deliver our vision, "to be the indisputable leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond", our strategy is based on five interdependent priorities.

Stephen Daintith
Chief Financial Officer

We are **focused** on creating value with purpose

Our Strategic Direction

As we grow into our role as a global robotic and software platform solutions provider, we need to ensure that our efforts are focused in those areas that will successfully drive long-term value for all of our stakeholders. Our new strategy reflects the breadth of this stakeholder set, and our careful consideration of the 'how' as well as the 'what' we do, to ensure that we remain best placed to support a healthy pace of innovation and growth for many years to come.

Our strategy delivery is focused on five priorities:

Grow our revenue

Developing, building, acquiring and diversifying our revenue streams

Optimise OSP economics

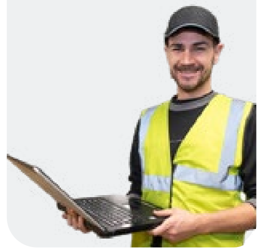
Ensuring our technology, implementation and services deliver industry-leading returns and lowest-cost operations

Deliver transformational technology

Led by innovation, we will always stay ahead, by identifying, developing and protecting our digital ecosystem

Deliver on our client commitments

Providing efficient and scalable solutions – listening first and delivering a best in class customer service



Develop global scale-up capabilities

Building the foundations to continue scaling and growing at pace

Read more about **Our Strategy in Action** on pages 24 to 33.

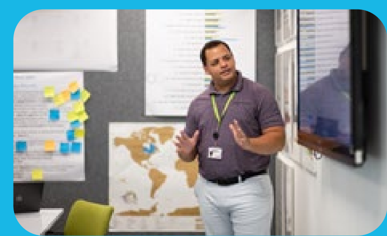
Enabled by our Ocado Spirit: the values and behaviours that we believe in

The Ocado Spirit is what makes us special; it's the essence of life at the Ocado Group and the glue that sticks us together. It's our values and the behaviours we believe in. The Ocado Spirit is what's driven our success so far and is enabling us to grow and transform our business globally at pace – to build our success for the future.

We're in it Together

Our inclusive community enables our people to feel a sense of belonging, part of one respectful and supportive team. We're empowered and valued, kind and understanding, honest and trusting – **in it together**.

We can be even Better



We're a community of limitlessly innovative and ambitious people who drive positive change. We're pioneers, we break the mould, we push boundaries, learn fast from our mistakes and lead the way with our solutions. We inspire and challenge each other – **to be even better**.

We're Proud of what we do

We deliver a fast, efficient and responsible service for our client partners, their customers and for each other. We always anticipate the future and own our decisions – we're **proud of what we do**.

Our Strategy

We are focused on **creating value** with purpose

What ESG means to us

Our mission is to change the way the world shops, for good. This means driving permanent change, by solving complex problems that enable the shift to online fulfilment in grocery and beyond. It also means driving positive impact and building long-lasting competitive advantage and value, for us and our stakeholders.

ESG commonly describes work done in 'non-financial' areas (environmental, social, governance) critical to building sustainable value. Material ESG issues are those most likely to affect the operation performance or financial condition of the business. Monitoring and managing these issues is a strategic imperative.

Here we detail those ESG issues most material to Ocado Group, explore overarching progress made this year, outline our ambitions for the future, and direct you to the relevant areas of this report where you can explore in more detail the progress made in these areas at both a strategic and operational level to date.

A strategy informed by materiality

Last year, we undertook a materiality assessment, engaging with all of our key stakeholder groups to reassess and prioritise our most material sustainability issues. The results of this work can be found in more detail in the Corporate Responsibility section of our website, www.ocadogroup.com.

They reflect the significant transformation of the business over the last few years, from a pure play online grocery retailer to a global technology solutions provider. We still retain a 50% share in Ocado Retail, which is now a distinct 50:50 joint venture company with M&S, and an important client for our OSP technology.

This work forms a foundation for the ongoing development of a refreshed ESG strategy, consistent with our mission to change the way the world shops, for good. And, underpinned by this robust piece of stakeholder engagement, we are confident that this strategy will be directed to those areas that best enable us to adapt to future market and regulatory trends, strengthen the competitive advantage of our business model, and drive positive impact for all our stakeholders.

In the table below, you can see how we further define these material issues to inform a high impact and focused approach. Work is ongoing across all material issues, and at varying stages of maturity, as we build into this framework.

Core Focus Areas	Environmental	Energy Efficiency and Carbon Emissions
	Environmental	Food Waste Management
	Social	Talent Attraction and Development
Sustainability Enablers	Social	Product Quality and Safety
	Governance, Social	Responsible Sourcing
	Environmental	Operational Waste Management
	Environmental, Social	Community Engagement
	Social	Employee Diversity and Inclusion
	Environmental	Equipment Lifestyle and Circularity
Areas to Monitor	Governance	Business Ethics and Governance
	Social	Occupational Health and Safety
	Governance	Data Privacy Management
	Governance	Cybersecurity
	Governance	Ethics of Artificial Intelligence and Robotics

Material issues key
- Environmental
- Social
- Governance

2021 progress

Our ESG discovery phase transitioned into a delivery programme in the current year, in which we established an ESG Committee to provide governance over the delivery, and further progressed the delivery of an ESG strategy, building on the materiality work completed in 2020.

The ESG Committee is chaired by our Group General Counsel with additional sponsorship by our Chief Financial Officer. Members constitute leaders across the business key to the strategic and operational success of our ESG activities. The Committee meets monthly (since September 2021), in a decision making capacity, and reports into both our Risk Committee and the Board. It is supported by a cross-functional working group, including colleagues from Risk, Corporate Responsibility, Group Transformation and Investor Relations, that partners with business area leads to progress resulting actions and, where necessary, relay feedback and refined proposals to the Committee based on further challenges or opportunities identified.

Though work on the material issues identified was already underway at an operational level, at varying stages of maturity, this reinforced governance framework increases our ability to monitor and manage progress in a more comprehensive and strategic way.

Supported by the ESG committee, the business has:

- Refreshed its ESG roadmap, aligned to new Group strategy.
- Invested in further internal and external resource to support execution of this roadmap and accelerate progress in high priority areas such as:
  - Dedicated project management to support the overall ESG programme and work streams underpinning delivery of the new carbon strategy announced in the spring of 2021;
  - Gap and peer analysis commissioned in relation to Task Force on Climate-Related Financial Disclosures ("TCFD") to define our roadmap for 2022 and beyond; and
  - Evaluation of current ESG-related disclosure and requirements associated with potential disclosure across established frameworks (e.g. GRI, SASB).

2022 in focus

In the coming year, our priorities are focused on three areas:

1. Underpinning ESG with robust KPIs in line with our new Group strategy.
2. Delivering key strategic ESG projects. For example, reporting Scope 3 emissions on the path to establishing science-based targets and meeting our targets for net zero operations by 2035, and in our value chain by 2040.
3. Strengthening our risk management process by embedding climate risk and scenario analysis complemented by full disclosure to TCFD.

You can read more about how we assess and manage our material ESG risks and opportunities in sections on **How We Manage Our Risks** pages 84 to 98, **Corporate Responsibility** pages 66 to 73, and our **S172(1) Statement** and **Engaging With Our Stakeholders** pages 58 to 65, as well as in the specific content sections highlighted below.

Read more:

Material Issue	Section	Page(s)
Energy Efficiency and Carbon Emissions	Corporate Responsibility	68
Food Waste Management	Corporate Responsibility	68
Talent Attraction and Development	Our People	78 and 79
Product Quality and Safety	The Marketplace How We Manage our Risks	16 and 91
Responsible Sourcing	Corporate Responsibility	71
Operational Waste Management	Corporate Responsibility	68
Community Engagement	Corporate Responsibility	72 and 73
Employee Diversity and Inclusion	Our People	76 to 77

Material Issue	Section	Page(s)
Equipment Lifecycle and Circularity	Detailed work to follow in 2022	–
Business Ethics and Governance	Ethics & Compliance	82 and 83
Occupational Health and Safety	Our People	88
Data Privacy Management	How We Manage our Risks Division of Responsibilities	87 to 92 112 to 119
Cybersecurity	How We Manage our Risks Division of Responsibilities	87 to 92 112 to 119
Ethics of AI and Robotics	Ethics and Compliance	82

The Marketplace

A large and **growing** opportunity for OSP

STRATEGIC REPORT
Contents

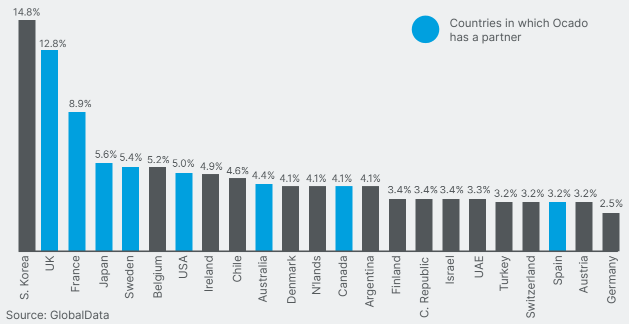
The Global Acceleration in Online Grocery

For more than two decades, grocery has been steadily migrating online. The pandemic radically accelerated this digital transition.

5.1%
Online share of grocery, globally in 2020

>40%
increase in online penetration in 2020, driven by the pandemic

Online penetration of grocery retail in select markets (2020)

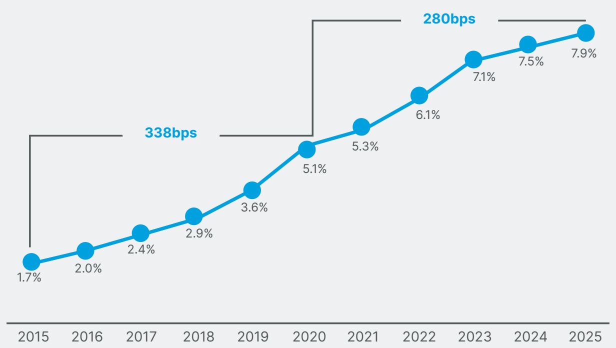


Source: GlobalData

The data suggests that, for many, this new way of shopping will become the norm.

80–90%
of surge in online grocery penetration during the pandemic is likely to remain in most markets

Global online grocery retail market penetration over time



Source: GlobalData (Online retail as % of total in-store and non-store retail)

Throughout our history with Ocado.com, we have found that, following a few shops, customers tend to stick with online grocery shopping for good, reflecting the improved service and convenience. We expect that the recent global channel shift to online is sustainable, and the data supports this.

Trends Shaping Grocery Fulfilment Worldwide

OSP is a leading solution for each of these structural trends

1

Societal Shifts: ageing populations and urbanisation drive a focus on wellbeing and convenience

New definitions of convenience for consumers, mean retailers have to adapt to meet heightened expectations of service. They require a model with the flexibility to serve customers exactly what they want, when they want it, for a reasonable price, across an evolving spectrum of missions from the big basket shop to immediacy.

Our Superior Offering

Leading quality and service

OSP enables 99% order accuracy and 95% on-time delivery, alongside unparalleled range and freshness, for the weekly shop or more immediate grocery missions. Retail partners can deliver a market-leading offer to their customers, which drives improved loyalty, enabling them to take increased share in their markets and, in turn, driving increased volumes through OSP.

2

Transformational Technology: searching for the enabler of leading service and profitable growth

Retailers understand that it is only through technological innovation that they will be able to both meet rising consumer expectations and achieve profitable growth in online grocery. Markets are increasingly exploring the roles that AI, robotics and automation play in providing flexible and robust grocery fulfilment options and better consumer experiences.

Pioneer in online grocery innovation delivering unparalleled efficiency

Operating at the intersection of six disruptive technologies – AI, robotics, digital twins, cloud, big data, and IoT – OSP enables unmatched efficiencies in fulfilment and delivery; at 200+ UPH, just 15 labour minutes to fulfil a 50-item shop, and an average 177 deliveries per van per week on the road. We are fast advancing a robotic pick and pack to drive even more efficiencies for partners.

3

Resource Resilience: collaborating on a shared blueprint for prosperity for people and planet

Climate change, food waste, and the need to build a future workforce, whilst reducing inequality, are defining issues of our time. To drive sustainable competitive advantage, and economic growth, it is imperative that businesses have these issues in mind when building solutions.

Changing the way the world shops, for good

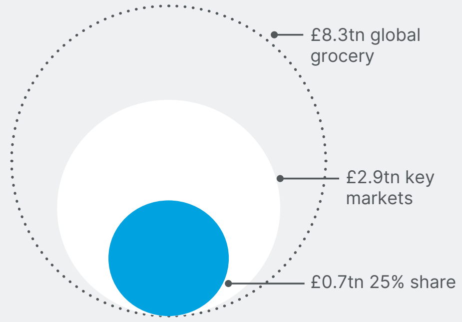
Efficient use of resources is core to OSP; enabling industry low levels of food waste, near closed-loop recycling of plastic bags and investment in innovations that reduce carbon footprint. We are committed to developing the best talent of today, whilst also inspiring and empowering the next generation of young innovators.

The Opportunity for Ocado Solutions

Several of the world's largest grocery retailers have already chosen OSP to deliver a market-leading shopping experience for their own customers. Amongst this accelerated channel shift we will work with these partners to go faster to meet their customers' needs. The opportunity in new markets remains large, as grocery retailers around the world seek to develop their online offer to customers.

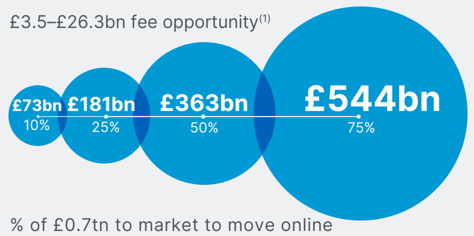
Using assumptions to carve out 'key markets' that reflect relatively affluent geographies with a minimum population size, we estimate a £3.5 billion–£26.3 billion fee opportunity, depending on the level of online penetration reached in these markets. Ocado is well placed to seize this opportunity, as the only end-to-end solutions provider for online grocery fulfilment globally, which can serve all missions with multiple formats. As we continue to innovate, maintain our leadership position and reduce our underlying cost of ownership, our opportunity set will evolve and expand.

Global Addressable Market



Source: Company information, Planet Retail

£3.5–£26.3bn fee opportunity[1]



% of £0.7tn to market to move online

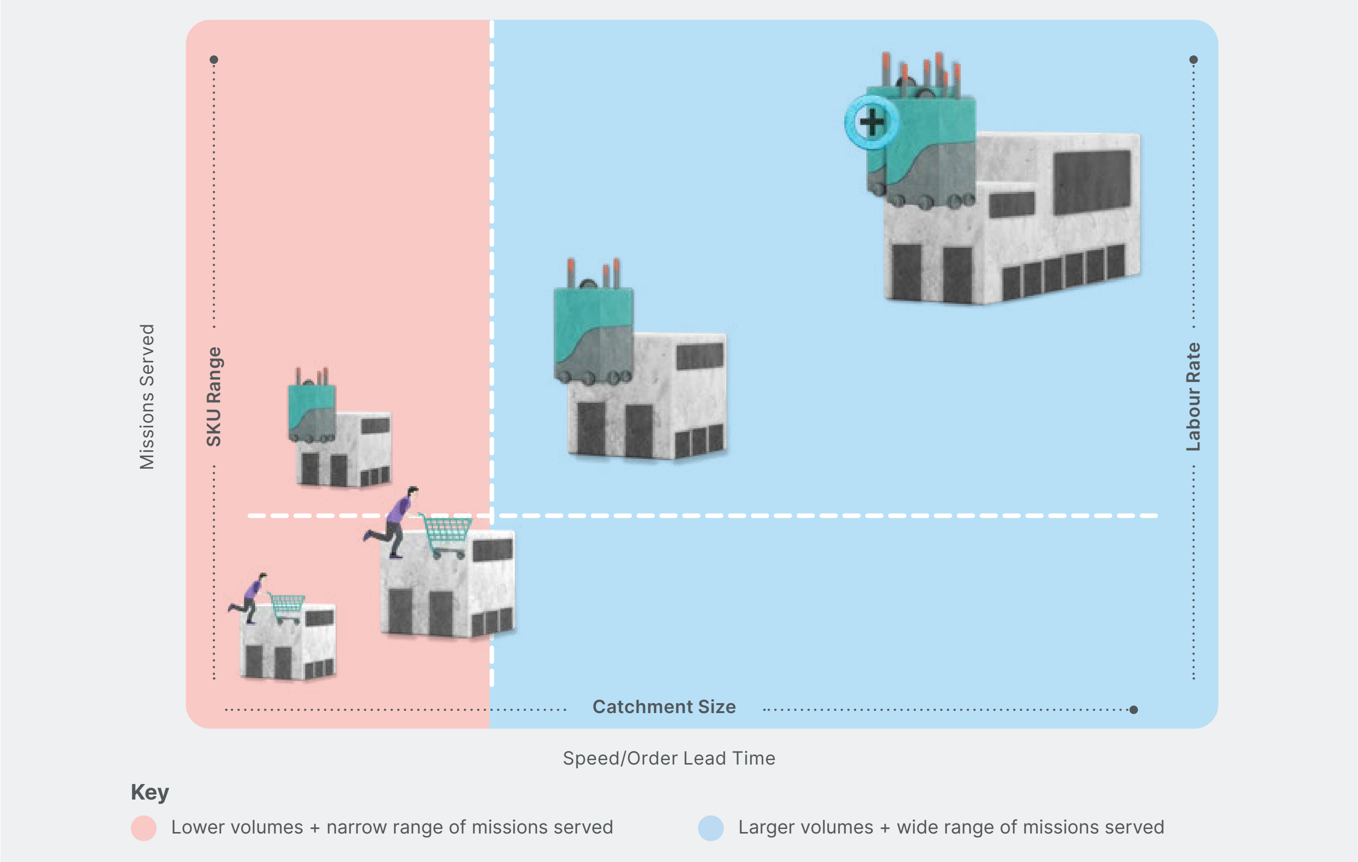
[1] Planet Retail, assuming a 25% grocery market share and assuming an online penetration of between 10% and 75% with a 5% fee opportunity, which represents the mid-point of the range provided to the market.

The Marketplace

Providing **superior options** to global grocery retailers

An end-to-end, integrated and flexible approach sets OSP apart from a fragmented solutions landscape for online grocery.

As the online grocery market continues to develop at pace, having access to a full range of fulfilment solutions gives OSP partners the tactical and strategic flexibility to meet short-term pressures, as well as the long-term capacity to win in ecommerce in their markets.



Enabling a flexible, efficient fulfilment strategy

One question on grocery boardroom agendas is how to ensure that they are deploying the right fulfilment strategy to serve a wide range of geographies and customer needs. At the same time, that fulfilment needs to be fully integrated, and responsive to both growing levels of demand and widening expectations of shoppers for flexibility in how they access grocery online.

Ocado Solutions partners are typically national grocery retailers, serving millions of households, across multiple geographies and a growing range of customer 'missions' online. Alongside our end-to-end software platform, our partners are able to draw on a wide and flexible fulfilment network to meet the full range of needs.

We believe that centralised automated fulfilment enables retailers to drive the best overall performance and meet the widest range of customer missions, and our partners are able to use a wide range of fulfilment formats with OSP to reach the widest possible geographies, or cater to more targeted customer missions with optimum efficiency.

While there are numerous factors driving decision making in how to deploy a fulfilment ecosystem, the chart above demonstrates how three key variables (catchment area served, labour rate, and product range) can impact the fulfilment strategy for different geographies or mission use cases. See above.

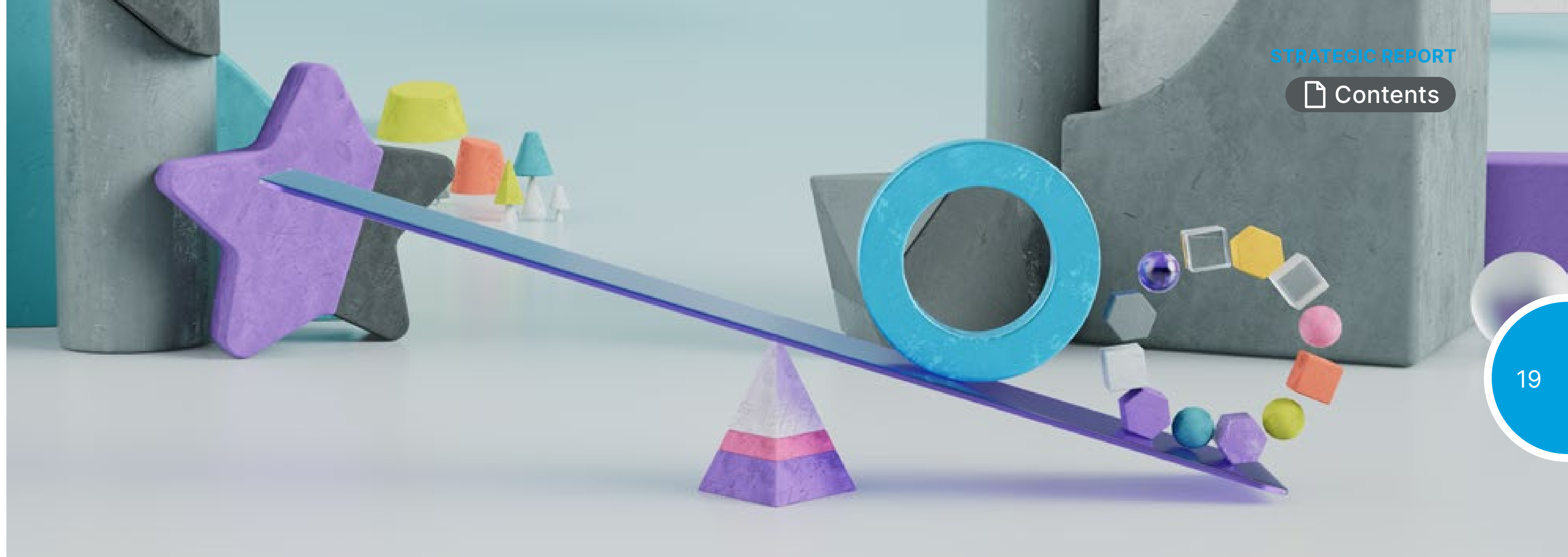
With the enhancements announced during Ocado Re:Imagined, we expect our automated fulfilment solutions to be even more widely applicable across markets than illustrated here.

An end-to-end expanding software platform

As much as Ocado is a cutting-edge robotics business, or logistics innovator, we are also a software developer. And core to our partners maintaining leadership in their markets – both in terms of operational efficiency and customer proposition – is the constantly growing mix of software solutions underpinning our platform.

Spanning functions like promotional enhancements for partner web-shops, to new supply chain management capabilities, to last-mile routing optimisations, we are constantly delivering a growing and integrated software platform to our partners.

Alongside our proprietary robotics technology, it's this end-to-end integrated software approach that sets us apart from the often piecemeal and fragmented solutions landscape for online grocery globally.



SHOWCASING

Partnership

Our Ecosystem in Action

The Ocado fulfilment **ecosystem** at work in Florida with Kroger

In October 2021, Kroger announced the addition of five new sites across three regions in the US: Florida, California and the Northeast. Kroger will now be leveraging the full breadth of Ocado's fulfilment capabilities – across ISF, Micro, and both smaller and larger CFCs – from coast to coast in the US.

In Florida, we are adding two news sites to the fulfilment ecosystem: one will be a smaller CFC helping to increase same-day ordering capacity, and the other will be a 'zoom' style site, representing Ocado's first international micro-fulfilment centre, serving immediacy missions. These fulfilment centres will benefit from significant upstream efficiencies, with the existing CFC in Groveland able to act as a major supply hub into the new Florida sites.

> "Kroger is leveraging the full breadth of Ocado's fulfilment capabilities to meet the growing range of customer wants and demands. Alongside the current roll-out of our automated facilities and software to optimise fulfilment in stores for curbside pickup, the announcement of a further CFC in Florida and the introduction of our first 'Zoom' micro-fulfilment site in the US, serving the immediacy market, is a testament to the breadth and flexibility of the offering we are helping to bring to Kroger shoppers.
>
> **Luke Jensen**
> CEO of Ocado Solutions

Our Business Model

1 Why we do it

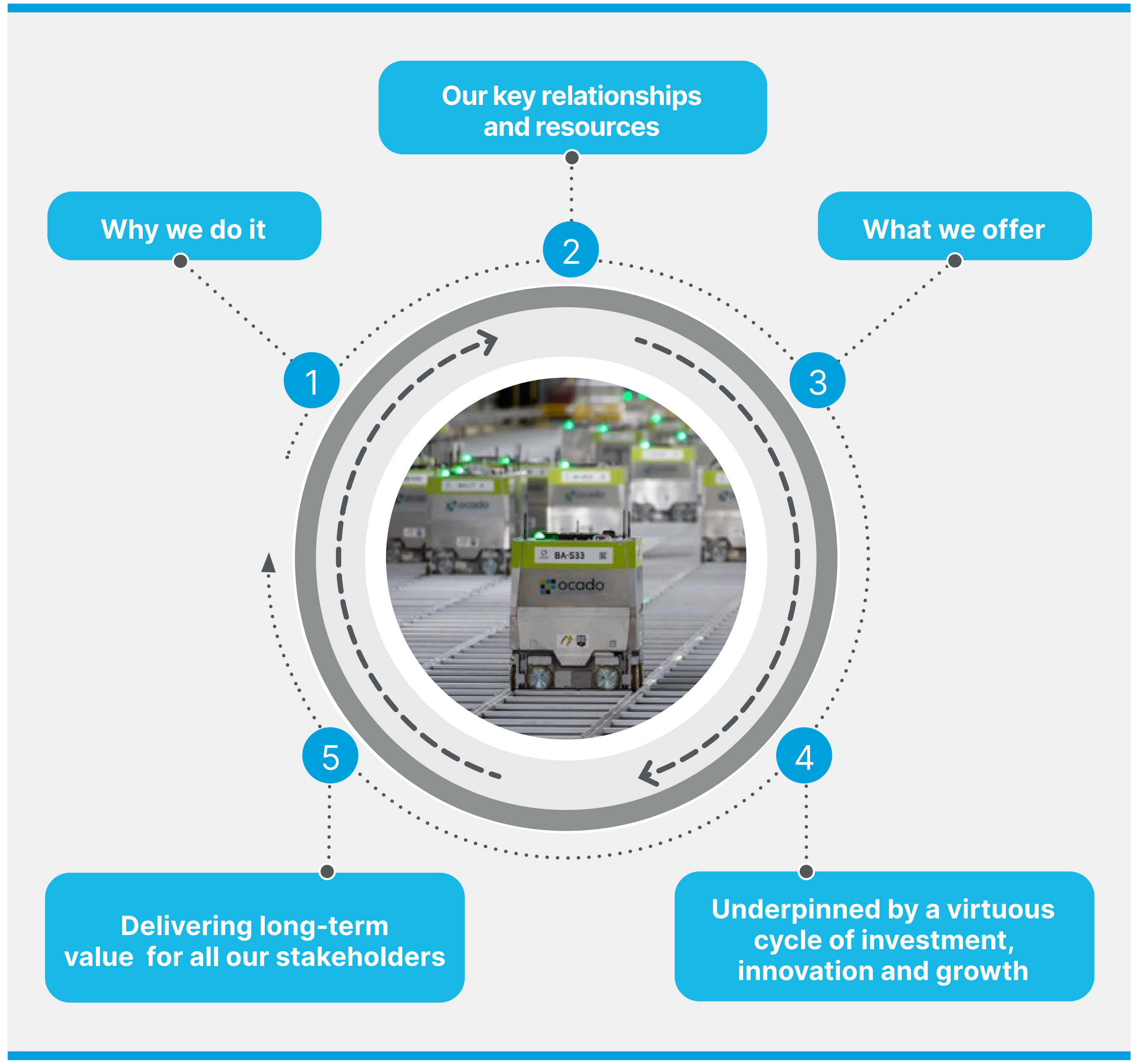
Our Purpose

To solve complex problems for the world's largest grocery retailers and businesses beyond grocery. We empower our people to drive change through learning and growth. Our technologies, knowledge and experience provide our client partners with sustainable and efficient solutions, enabling competitive advantage, and profitable, scalable growth for them and our trusted suppliers. We achieve this responsibly with minimal impact on the environment and a positive influence on the communities we serve.

Our Values and Culture

The Ocado Spirit is what makes us special; it's the essence of life at the Ocado Group and the glue that sticks us together. It's our values and the behaviours we believe in: we're in it **together**; we can be even **better**; we're **proud** of what we do.

Read more on pages 108 and 109.



2 Our key relationships and resources

Our People

Over 19,000 passionate colleagues who deliver our business objectives, through their drive to make change, learn and grow, and go the extra mile for partners, whether they are developing advanced technology or supporting them to deliver the best for their customers from an office, in a CFC, or on the road.

Intellectual Property and Brand

Our cutting-edge IP – 525 patents granted and 1,028 more applications filed at year end, which spans technologies across our end-to-end solution and drives a fundamental source of competitive advantage. Our growing brand as both an international solutions provider and employer of choice, is key to driving more business, and attracting and retaining the best talent.

Physical Assets

The growing installed MHE base within our clients' sites, which reflects our technological leadership and underpins our ongoing financial growth. These assets are a key piece of what we believe to be the most efficient solution for online grocery fulfilment worldwide – OSP – as well as being the most flexible, able to serve a range of customers, missions in various sizes and formats.

Financial Resources

Our strong liquidity position of almost £1.5 billion, enabling us to invest to grow our business. Today, this position reflects proven access to capital markets, bolstered by strong profit generation in Ocado Retail and cash fees received from International Solutions partners.

Our Networks

Relationships with our key stakeholders, which build on shared values to support continued growth. For example, our multilateral collaboration with OSP clients through the 'leadership club', enabling accelerated learnings and innovation on our fulfilment solutions, or collaboration with key suppliers on ever more efficient and resilient means of production.

Natural Resources

Resources that we harness to sustain our business and, where non-renewable, strive to better maintain through investments in technological innovation. For example, the diesel used in the delivery assets serving Ocado Retail, or the renewable energy we use to power our sites in the UK.

3 What we offer: a market-leading, flexible and sustainable solution

OSP is a single global platform that can be configured to the unique needs of our partners and their customers. With more people coming to the online channel in grocery than ever before, we believe that the winners in the channel will be those with the widest toolkit available for serving a **market-leading customer experience** in all geographies, underpinned by a **sustainable model** that drives the **best long-term economics**, through smart capital allocation in successful **development of human capital** and **more efficient use of natural resource**, to **grow intellectual and physical assets** and maintain competitive advantage.

Key added value of OSP:

Leading customer offer:

- Flexibility to serve the whole range of customer missions;
- Best service: 95% on-time delivery, 99% basket accuracy, 50,000+ SKUs range; and
- Pricing flexibility.

Compelling economics:

- Best-in-channel operating costs in fulfilment and last mile; and
- Efficient use of natural resources: industry low food waste, optimised energy efficiency, or the ability to adopt near closed-loop recycling of plastic bags enabled.

Accelerated innovation:

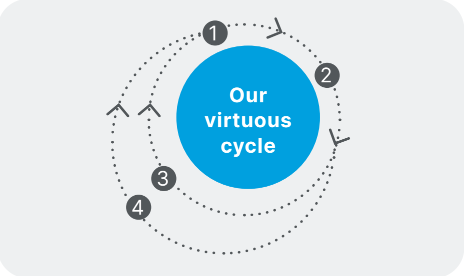
- >1,500 patents granted or pending;
- 2,600 technology headcount; and
- OSP 'leadership club'; 10 partners, eight countries, multilateral collaboration.

Read more on page 29.

4 Underpinned by a virtuous cycle of investment, innovation and growth

Our virtuous cycle of investment and growth

By providing a best-in-class solution, we will continue to grow our revenues from current and prospective partners. Increased resources enable us to invest in continued innovation, to drive further improvements to our solution. These improvements will enable our partners to scale in a profitable, sustainable way, in turn, driving long-term value creation for Ocado Group and its stakeholders.



1 Increased investment

With increased scale, we are able to continuously invest in our people, technology and platform, to ensure we maintain leadership position in the market for the long term.

2 Enhanced OSP platform

We are continuously enhancing our service offering to maintain and develop OSP. Innovation is business as usual with a lot of cutting-edge development being carried out within our core technology teams working on OSP. In addition, our platform research department works on developing advanced capability for future-proofing the OSP. Meanwhile, our 10× department seeks to invest in technologies that could be game-changing in the future.

3 Faster partner growth

Successive improvements in technology deliver greater efficiency and market-leading customer service for our partners, enabling them to grow faster and win share in their markets, resulting in more growth and more resources for investment in OSP.

4 More partners

A richer platform, driving strong results for partners, attracts more interest from other leading retailers worldwide. More partnerships drive more growth and more resources for investment in OSP.

5 Delivering long-term value for all our stakeholders

People

- Meaningful work in a purpose driven environment.
- Competitive compensation with flexible benefits that evolve as work evolves.
- Commitment to foster inclusion and diversity, and prioritise employee heath, safety and wellbeing, grounded in active listening and actioned through policies, processes and investments in the right tools and training.
- Opportunity to grow, with ongoing investments in talent development.

Investors

- Sustainable and attractive return on capital invested.
- Smart capital allocation, underpinned by strong governance.
- Investments in operational resilience support long-term value creation.

Partners

- A more flexible, scalable and efficient way of fulfilling online grocery in their markets, with lower risk in operation and development.
- Market share gains enabled by sustained competitive advantage.
- Profitable, scalable, and sustainable growth.

Suppliers

- Reliable long term growth
- Operational resilience supported by robust policies and procedures and regular dialogue to proactively resolve any issues
- Collaboration on product and process improvements to support future growth

Society, including community, planet and regulators

- An improved grocery shopping experience for customers worldwide.
- More opportunities for decent work with a growing employer in 10 markets.
- Investment in growing a pipeline of talent that can thrive in the future workforce.
- Efficient use of natural resources to protect our planet for future generations.
- Constructive engagement and dialogue with industry and regulatory bodies.

Strategy in Action

Grow our **revenue**

We're developing, building, acquiring and diversifying our revenue streams.

In grocery, our focus is on growing and strengthening existing client partnerships and establishing new partnerships in new geographies. We are also looking for opportunities to expand beyond grocery. We will continue to allocate capital effectively to further enhance the value of OSP.

2021 progress

- With the roll-out of OSP picking up, globally, the International Solutions segment began to recognise material revenues for the first time; £66.6 million, up 301% on the prior year. Fee revenue in UK Solutions and Logistics grew 28% to £149.7 million, as we continued to support our UK partners to deliver their accelerated growth ambitions.
- We launched two CFCs in the US, doubling our live international sites to four, including those that launched in Canada and France in 2020. These sites are ramping up well.
- Our US partner, Kroger, announced another six sites, in addition to the 10 already announced at the start of the year, and is fully embracing the flexibility of the OSP ecosystem. Their planned OSP roll-out now includes everything from large CFCs, to mini and micro CFCs, and ISF.
- Our Swedish partner, ICA, went live with a suite of OSP solutions designed to flexibly serve their unique, co-operative business model. This began with the roll-out of our ISF solution in both dark store and store settings during the year, followed by the launch of their first CFC, just outside of Stockholm, just after the year end.
- Ocado Retail, our UK partner and joint venture business in which we have a 50% share, grew revenues to £2.3 billion, up 5% on the prior year notwithstanding the challenges of industry-wide labour shortages and temporary disruption associated with a fire at the Erith CFC.
- Ocado Retail also continued to invest in a strong capacity pipeline. The business went live with a further three CFCs, increasing potential growth capacity by 40% compared with the end of 2020.
- Though travel restrictions related to the ongoing pandemic continued to present a challenge to incremental contract signings, we added Alcampo, the Spanish subsidiary of Auchan Retail, as our tenth OSP partner with plans to open a first CFC in Madrid in 2024 and use our ISF offering.
- Beyond grocery, we have successfully integrated the Kindred Systems team into the business and will continue to support them to grow their client base for their robotic picking solution. Though revenues have ramped more slowly than originally expected, we remain excited by the long-term opportunity for Kindred's robotic picking solution, particularly in the general merchandise and logistics sectors.

Future focus

The roll-out of OSP will continue to accelerate. In our 2022 financial year, we expect to nearly double the number of live CFCs once again, to 19. For the first time, we expect to launch many more sites internationally than in our home market of the UK; six in the US, one in each of Canada, Sweden and the UK. Since the year end, we have gone live with three of these (in Sweden, Canada and the US). With the equivalent of 56 CFCs committed by partners, to date, this is only the beginning of a long runway for growth.

In the UK, we will also help Ocado Retail expand its presence in the immediacy market, with the planned launch of four more Zoom sites.

Outside of grocery, we will continue to grow revenues from Kindred's robotic picking solution.

We don't stand still, and will further explore how we can best leverage our strong position both as a solutions provider and as a retailer through our joint venture with M&S, to create additional value for all our stakeholders over time.

Key Performance Indicators

£149.7m	£66.6m
fee revenue (UK S&L)	revenue (International Solutions)
2020: £117.1m	2020: £16.6m

Risks

- Product (OSP) Delivery and Service
- Supply Chain

Read more about **How We Manage Our Risks** on pages 84 to 98.

SHOWCASING

Leadership

Flexibility as a driver of growth

Our 10 global OSP partners have announced capacity commitments equivalent to 56 CFCs, or almost £20 billion worth of sales. Partners have confidently made significant and long-dated commitments to roll-out the OSP platform because of the unique flexibility it brings to serve all missions, through whatever format is most appropriate, in the near and long term.

With seven partners across the US, Europe and UK now live on the platform, six have live CFCs, five are using ISF, in dark stores as well as the grocery store in some cases, and two have either rolled-out mini and micro CFCs, or are shortly to do so.

They are serving dense cities and suburban, even rural, locations, and the big basket shop as well as the spectrum of top-up missions.

Read more about **Solutions Business** on pages 38 to 41.

"The unique flexibility of OSP underpins our strong growth trajectory. Our partners know they can grow confidently, however the market develops.

Luke Jensen
CEO of Ocado Solutions

Strategy in Action

Optimise **OSP** economics

We're ensuring our technology, implementation and services deliver industry-leading returns and lowest-cost operations.

Our focus is on optimising operational and capital efficiency for our partners and Ocado Group, so that we can both achieve an attractive return on investment through OSP. We are committed to ongoing innovation, to drive ever better efficiencies as we scale so that we can continue to deliver attractive margins and returns, for partners and Ocado Group, for the long term.

2021 progress

For partners

In the UK, Ocado Retail continues to evidence the efficiencies our technology enables for partners:

- We measure efficiency within CFCs by average eaches processed per labour hour ("UPH"). In our mature CFCs, UPH was 170, up vs. 169 in 2020, as the benefits from the ramp up of volumes in the first half of the year more than offset the disruptions to operations caused by a fire at Erith in the second half of the year. At maturity, we expect our robotic CFCs in the UK and internationally to operate at 200+ UPH.
- We measure efficiency in the last mile through average deliveries per van per week ("DPV"). In 2021, DPV was 177, down from 184 in 2020.
- Ocado Retail continued to operate with industry low food waste (food not sold) of just 0.6% of sales (0.4% in 2020).
- We launched three further CFCs for Ocado Retail. In the early stages following go live, each of these sites set new speeds for ramp-up. Though industry-wide labour shortages constrained growth in the second half, these sites are ramping up in line with expectations.
- The mini CFC in Bristol (30k OPW) was our fastest CFC to launch to date, going live just 15 months from announcement.

Internationally, we launched two further CFCs in the US, and continue to ramp these sites along with those in Canada and France.

For Ocado Group

- We operate OSP as a managed service, and are acutely focused on reducing our costs of ownership whilst maintaining best-in-class service.
- Engineering costs have fallen by 36% versus the prior year in Erith CFC, our most mature site. This progress is ahead of plan and, combined with the improvements to reliability and maintainability of the 500 series bot, is expected to make CFCs significantly cheaper to run in the future.
- We have achieved our targeted level of cost for hosting and other support costs at the CFC level.
- Though capital costs were higher than our long-term target, largely a result of global supply chain challenges, we remain confident in our long-term trajectory.
- We implemented process improvements, reducing our time to build, including bi-directional grid build and a new method of aligning the grid build and build of peripherals to decouple the two tasks.

Future focus

Further innovations in automation, and to reduce cost of ownership, will enable us to deliver even better returns for both partners and Ocado Group.

A good example of this is the robotic picking and packing of customer orders. In grocery, this challenge is especially difficult to solve due to the breadth of handling characteristics. The potential benefit is also huge, representing around half of the remaining labour cost within a CFC. This year, we successfully integrated teams from Kindred Systems and Haddington into the business, and have been testing the Kindred software live in Erith, and developing Haddington's 'Dexter' robotic arm for the grocery domain. We expect to roll-out a commercial solution for robotic picking that can address over 50% of the range by volume in a CFC by the end of 2023.

We have been investing in further innovations, from our next generation 600 bot and grid, to automation of frameload in the CFC, and software developments enabling improved supply chain operations at smaller sites and rapid delivery optimisation. We expect these improvements to drive significant value for our partners and Ocado Group in the medium to long term.

Key Performance Indicators

170	177
UPH	DPV
2020: 169	2020: 184

Risks

- Geopolitical and Economic Uncertainty
- Product (OSP) Proposition and Commercial Viability
- Product (OSP) Innovation, Quality and Safety
- Supply Chain

Read more about **How We Manage Our Risks** on pages 84 to 98.

SHOWCASING

Problem Solving

> "We are on a relentless pursuit to drive down cost to serve, for Ocado and our partners.
>
> **James Matthews**
> CEO of Ocado Technology

Driving down engineering costs

We are on a glide path towards achieving our targeted level of engineering costs (1ppts of client sales).

We successfully reduced engineering costs at Erith CFC by 36% in 2021, and we are resetting the bar in our latest sites. We rolled out the new 500 series bot at Bristol in February – the bot we expect to get us to our target. Combined with the learnings from prior sites, improvements to reliability and maintainability in design mean that this site is already achieving an engineering cost similar to Erith, less than a year after opening.

We are already working on the 600 series bot, whilst improving our processes to codify, categorise and action suggested improvements from the 400 and 500 fleet.

Strategy in Action

Deliver transformational **technology**

Led by innovation, we will always stay ahead, by identifying, developing and protecting our digital ecosystem.

We don't just want to be best-in-class today, we need to be developing the technologies that transform the grocery sector in 5, 10, 20 years time; and to increase our scale of market opportunity, we want to do this beyond grocery.

2021 was another transformative year for online grocery technology. In an environment where consumer preferences and expectations have changed, we've responded to the market by increasing our roll-out of automation technology.

2021 progress

- In 2021, we scaled the Ocado Smart platform globally at pace, successfully launching operations for our partners Kroger and new CFCs for ORL and ICA, and continued to build innovative products and services for offering the best-in-channel economics and customer proposition.
- We've continued to innovate to automate our CFCs further. For example, we have made notable advances in robotic pick performance, increasing the UPH and range.
- We rolled out the 500 series bot, a more cost-effective, modular configuration that enables more seamless maintenance – designed entirely in-house from almost 100% new components.
- We've also implemented a number of processes that have helped us to reduce our operating costs in areas like engineering operations.
- We continued to grow, opening a new Development Centre in Hertfordshire as a base for further experimentation.
- We are successfully protecting important innovations, with over 1,500 patents granted or patent applications filed.
- Throughout the year, we've also brought in new partners in innovation; making £10 million investments in each of Oxbotica and Wayve. We are now actively working on a bespoke Ocado autonomous mobility solution that we think is well positioned to receive regulatory approval. It will be applicable to grocery and beyond.

Future focus

We are always working on the next leap, experimenting with advanced and emerging technologies and applying them in ways that no one has done before. We'll be continuing to unveil breakthroughs and innovation across our product families.

To this end, in January 2022, we unveiled Ocado Re:Imagined; seven technology changes that represent a step-change in the operational economics and customer proposition of OSP, offering customers ways of enabling even shorter lead times to launch and getting greater productivity performance out of CFCs of all configurations.

These changes included the 600 series bot, accompanying 600 grid with optimised site design, on-grid robotic pick ("OGRP"), automated frameload ("AFL"), Orbit (the first virtual, distribution centre), and OSP Flex (enabling our partners to use their own tools, in addition to OSP's leading analytics on the front end).

We are working to ensure each of these innovations is available for sites launching from the end of 2023.

We will continue to develop the platform in new ways and continue to invest to acquire skillsets we do not yet have, to build in new and expanded business areas.

Key Performance Indicators

£157m
Investment in platform development
2020: £129m

525
Patents granted (1,028 filed)
2020: 342 (584 filed)

Risks

- Talent and Capability
- Cybersecurity and Data Privacy
- Product (OSP) Innovation, Quality and Safety
- Intellectual Property
- Climate Change

Read more about **How We Manage Our Risks** on pages 84 to 98.

SHOWCASING

Problem Solving

Autonomous Mobility Investments

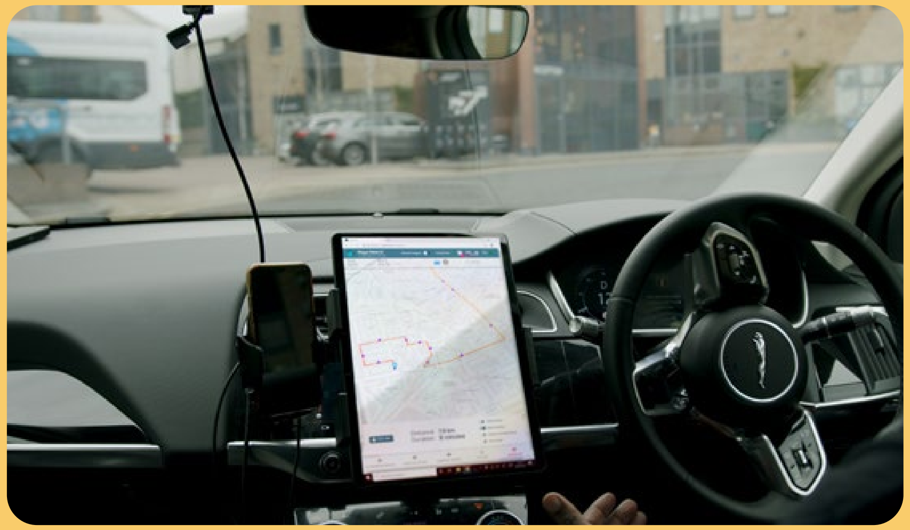
We're accelerating Ocado Smart Platform partners' ability to rapidly respond to customer demand, reduce the cost of last-mile delivery, and shift towards electric-powered vehicles.

Our £20 million strategic investments in autonomous vehicle software specialists Oxbotica and Wayve help us to tackle diverse use cases: from vehicles designed for use inside our facilities, all the way to last-mile deliveries in complex urban environments; and, one day, even kerb-to-kitchen robots.

Both companies offer unique capabilities in AI, machine learning and optimisation technologies, and use parallel approaches to train software to cope with the diverse, highly complex situations real world applications will present. These two different approaches ensure we will deliver robust solutions in this emerging market – with safety remaining paramount.

Read more about our **Investment** on page 22.

> "Our investment in autonomous mobility will allow us to continue to drive significant efficiencies in some of the costliest elements of online grocery. We hope to deploy the benefits of these investments in various ways across our end to end operations.
>
> **Luke Jensen**
> CEO Ocado Solutions



Strategy in Action

Deliver on our **client** commitments

We're providing efficient and scalable solutions – listening first and delivering a best-in-class customer service.

Our focus is on partnering with our clients to deliver on the technology we promised and to empower them to make the most of what OSP can offer in their respective markets, so that they can give their customers the best possible online experience and take market share.

We support them every step of the way, technically and by sharing learnings from our 20 years of experience in online grocery.

The OSP leadership club further builds on this, facilitating shared learnings across our client base. Through this deeper collaboration, we will continue to be tightly aligned with our clients' needs, laying the groundwork today to enable them to lead in online grocery in their markets, whatever shape that takes, for the long term.

Key Performance Indicators

10
Number of CFCs live
2020: 5

34
OSP leadership club facilitated meetings
2020: not formalised

Risks

- Talent and Capability
- Health, Safety and Wellbeing
- Geopolitical and Economic Uncertainty
- Business Interruption and Catastrophic Events
- Product (OSP) Delivery and Service
- Supply Chain
- Climate Change

Read more about **How We Manage Our Risks** on pages 84 to 98.

2021 progress

- Our partners have reported market-leading customer satisfaction scores in each of the markets where we have now gone live with CFCs: the UK, Canada, France and the US.
- We delivered the five CFCs that went live in the UK and the US, on time, despite continued pandemic-related disruptions. Other CFC projects remain on track.
- Outside of operational disruption at Erith, we have delivered in line or ahead of agreed services levels at operational sites.
- We are successfully supporting our partners to ramp up live sites in line with, or faster, than originally planned.
- We further improved on how we engage with our partners to ensure best-in-class client service. This included establishing client partnership principles for colleagues who now engage with partners on a regular basis, ensuring even greater consistency of approach. We have also commenced projects to further strengthen our programme management systems, whilst embedding even more agile processes to programme delivery.
- We support our partners' learnings and understanding of running OSP, so that they can make the most out of the platform.
- The OSP leadership club further enables partners to share learnings across core themes and touchpoints of the online grocery value chain. We facilitated regular meetings between senior sponsors and in focused committees chaired by our partners, building meaningful collective intelligence and creating opportunities for exchange that otherwise would not exist.

Future focus

As the roll-out of OSP accelerates, we are committed to making the entire partnership experience – from design, to launch and ramp up of OSP – better for our partners.

We are fast expanding our Client Services teams in the markets in which we operate. In addition to hands on support, we will provide faster and more intuitive operational support through self-service dashboards and further optimise our problem resolution flow, so that we can help partners manage any issues to conclusion even faster.

As we manage the technology in our partner sites, we are also focused on driving improvements that reduce both time to market and engineering down time. These improvements include better using and recycling existing parts so clients can have better solutions, more speedily and for less, as well as the roll-out of new technology such as bots that enable lower maintenance time, or greater support of new parts and propositions for OSP.

As our live partners continue to scale their operations, and more retailers go live on the platform, we will continue to facilitate collaboration through the OSP leadership club, creating even more opportunities for exchange that can build meaningful collective intelligence and identify new opportunities to drive more efficiencies across our partner markets with time.

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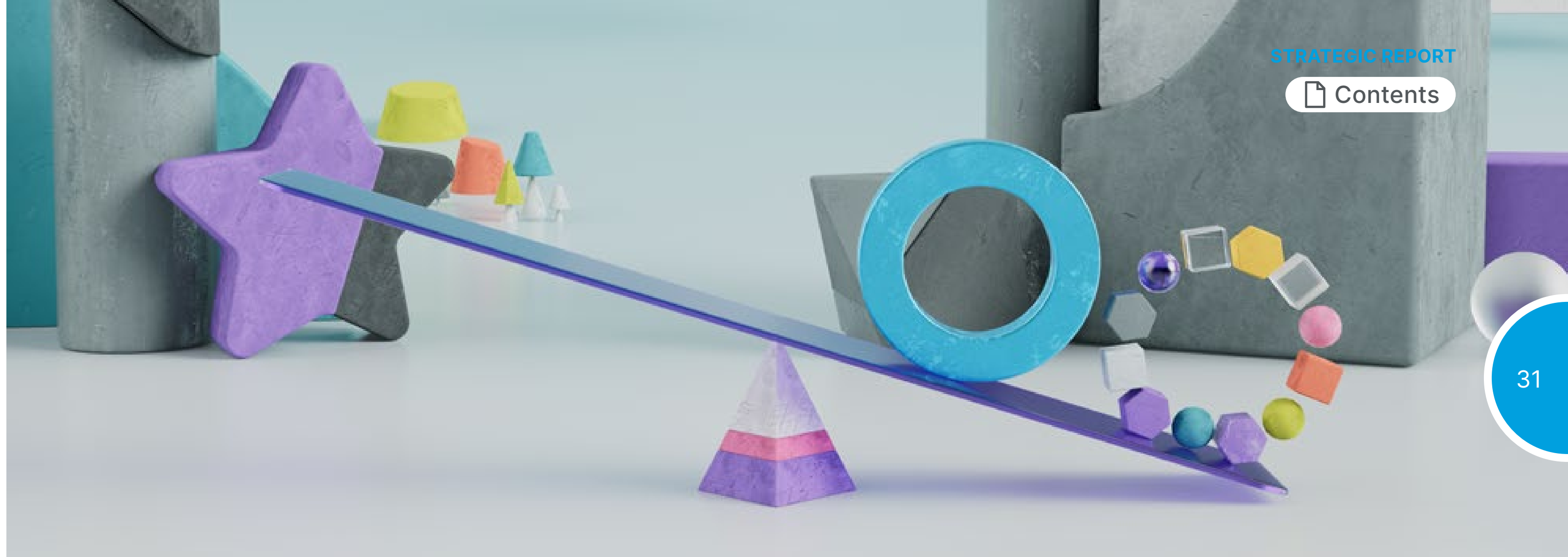


SHOWCASING

Partnership

Client Partnership Principles

As we moved from being Ocado, the UK dedicated online grocery retailer, to Ocado Group, the global technology solutions provider, our customer base moved from being purely B2C to B2B. We are now serving both customers (through Ocado Retail and Ocado Logistics) and client partners (through our client business).

With that huge shift, we recognised that many of our people were now interacting with clients on a regular basis. To enable a consistent and truly successful partnership approach, we identified a set of principles we'd like all our client-facing Ocado Group people to live by. This is ultimately "how we do business" with our client partners.

- **We listen first:** then share, act and support; there's always an answer.
- **We build long-term trusting partnerships:** based on trust, understanding, proactive hard work and great communication.
- **We create measurable success together:** our client partners' success is our success; we believe together we're stronger.
- **We always stay ahead:** whether it's service or innovation, we're committed to being the best; investing to ensure we always stay ahead, so our client partners can always stay ahead.
- **We're client and customer focused:** we aim to exceed our client partners' expectations so they can exceed their customers' expectations.

Read more about **Our OSP Partners** on pages 42 and 43.

Strategy in Action

Develop **global scale-up** capabilities

We're building the foundations to continue scaling and growing at pace.

The roll-out of our OSP technology is accelerating globally. At year end, we were operating 10 CFCs across four markets (UK, France, Canada and the US), double the number of sites we started the year with. Seven of our 10 OSP partners are now live on the platform.

We have launched a further three CFCs across Sweden, Canada and the US since the year end, and have a long trajectory of growth ahead of us; capacity commitments equivalent to 56 CFCs already announced – almost £20 billion in sales – with expectations that the channel shift to online grocery will continue.

We're continuing to build up our capacity to scale at pace. Our focus is on developing robust supply chains and processes, refining our operating model and service delivery frameworks, and ensuring that we stand out as a workplace of the future, so that we can continue to attract and retain the best talent across the varying roles in our business.

2021 progress

- We added almost 700 colleagues to our Client Services and Technology teams in the year, growing across the 10 markets where we are now present.
- Our active listening approach, combining insights from our listening tool, Peakon, with feedback from our network of listening champions, informed further improvements to our People experience. These were focused on flexibility, and health and wellbeing, and included our new Work from Anywhere Policy, enhanced parental leave, and improvements to roster choice for our Logistics colleagues, as well as broader enhancements to our benefits package with our new global Benefits+ platform.
- We continued to invest in new systems to support our growing scale and complexity. This included the implementation of new accounting and treasury systems to handle the implications of international growth, and a virtual reality onboarding module for new colleagues, with multi-language capability.
- We have adapted our approach in key areas and teams to enable better scalability. For example, with a restructure of the Finance team to enable scope for greater specialisation and business partnering, or establishing an ESG Committee, chaired by our General Counsel and supported by dedicated programme management and a working group, enabling more comprehensive oversight and acceleration on cross-functional programme deliverables.

Future focus

As we build on our strong foundations as a workplace of the future, we are committed to ensuring that the business has the diversity of talent and expertise that will enable us to maintain our industry-leading pace of innovation.

We will further empower our people with the creation of a digital learning curriculum, which will be available to colleagues wherever they are in the world, and whether in the office or at home. And we plan to provide inclusive leadership training to all senior leadership teams in the following year.

Our transformation of systems and processes to support future scale will continue with implementation planned for project management enhancements and the initial phases of the supply chain software underway. We will continue to develop our supplier management framework to strengthen our collaboration with strategic suppliers who are instrumental in enabling the realisation of our strategic objectives.

Building on our robust governance framework and refreshed strategy, we will further operationalise management of key ESG issues, with a particular focus on climate risk management and scenario analysis, as we look to TCFD compliance in the coming year and, in the longer-term, delivering the necessary milestones on our way to commitments to be net zero in our operations and value chain by 2035 and 2040.

Key Performance Indicators

32%	19,347
of workforce new joiners	Employee headcount
2020: 36%	2020: 18,743

Risks

- Talent & Capability
- Safety & Wellbeing
- Geopolitical & Economic Uncertainty
- Product (OSP) Delivery & Service
- Supply Chain
- Climate Change

Read more about **How We Manage Our Risks** on pages 84 to 98.

SHOWCASING

Resilience

Workplace of the future

We know and understand that the world of work has changed significantly due to Covid-19, and continues to change; we've been focusing on the increasing importance of health, safety and wellbeing. We're evolving to meet the needs of our people and creating a place where they can have flexibility and choice when it aligns to their business roles.

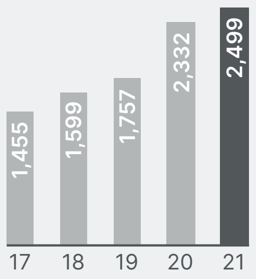
In 2021, we hired leaders for both Health and Wellbeing and Health, Safety and Environment who are connecting the way we look after our people, our clients and society from a health, safety and wellbeing perspective.

This year we introduced our Work from Anywhere Policy for our people who are able to work remotely. Our people can choose to work from any location or country for up to 30 days each calendar year; giving them the freedom to stay longer in a holiday destination, spend more time with family, expand their horizons or have a change of scenery. This will continue to evolve to include support for our people that need to care for family.

Read more about **Our People** on pages 74 to 81.

Key Performance Indicators

Revenue (Group) (£m)



Why we use this measure

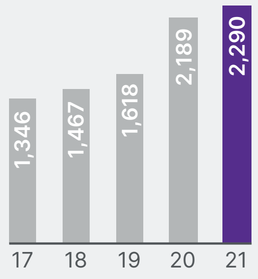
Measures growth at Group level, reflecting revenue from the Ocado Retail joint venture, and our UK and International Solutions and Logistics businesses.

2021 Performance

7.2% vs 2020

Strategic reference

Revenue Ⓐ (Retail) (£m)



Why we use this measure

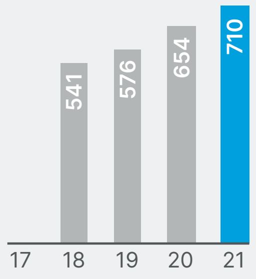
Measures revenue growth of the Ocado Retail joint venture.

2021 Performance

4.6% vs 2020

Strategic reference

Revenue Ⓐ (Solutions Logistics: UK) (£m)



Why we use this measure

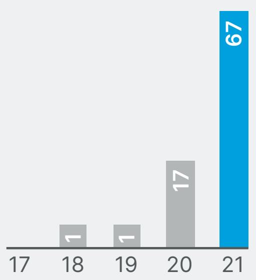
Measures revenue growth of our UK Solutions & Logistics business.

2021 Performance

8.6% vs 2020

Strategic reference

Revenue Ⓐ (International Solutions) (£m)



Why we use this measure

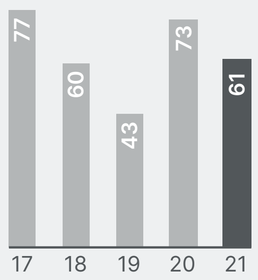
Measures revenue growth of our International Solutions business.

2021 Performance

301% vs 2020

Strategic reference

EBITDA Ⓐ (Group) (£m)



Why we use this measure

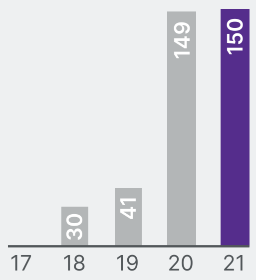
Measures operating profitability at a Group level of the Ocado Retail joint venture and our UK and International Solutions and Logistics businesses.

2021 Performance

(16.6)% vs 2020

Strategic reference

EBITDA Ⓐ (Retail) (£m)



Why we use this measure

Measures operating profitability of the Ocado Retail joint venture.

2021 Performance

1.3% vs 2020

Strategic reference

Strategic Pillars Key

- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

Ⓐ See **Alternative Performance Measures** on pages 324 and 325.

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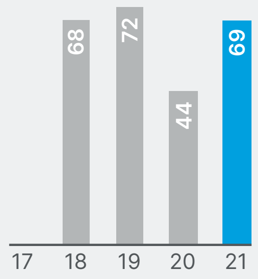
EBITDA Ⓐ (Solutions Logistics: UK) (£m)



Why we use this measure

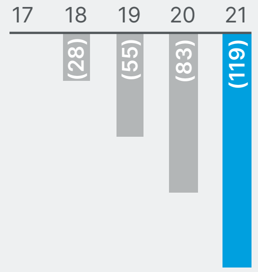
Measures operating profitability of our UK Solutions and Logistics business.

2021 Performance

56.8% vs 2020

Strategic reference

EBITDA Ⓐ (International Solutions) (£m)



Why we use this measure

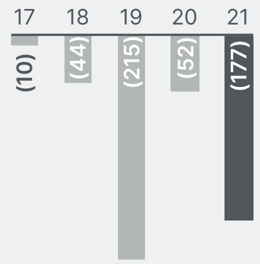
Measures operating profitability of our International Solutions business.

2021 Performance

42.9% vs 2020

Strategic reference

(Loss) Before Tax (Group) (£m)



Why we use this measure

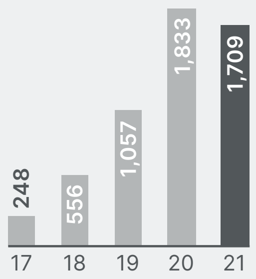
Measures profitability at Group level reflecting the profit of the Ocado Retail joint venture and our UK and International Solutions and Logistics businesses.

2021 Performance

(240)% vs 2020

Strategic reference

Net Assets (Group) (£m)



Why we use this measure

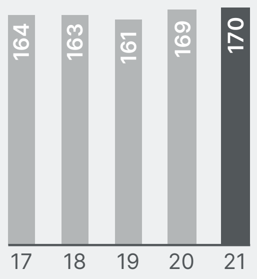
Measures the surplus between total assets and total liabilities at Group level.

2021 Performance

(6.8)% vs 2020

Strategic reference

Mature CFC Efficiency (UPH)*



Why we use this measure

Measures CFC operational efficiency.

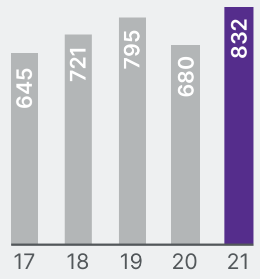
2021 Performance

0.6% vs 2020

Strategic reference

* UPH only includes mature UK sites Hatfield, Dordon and Erith (CFCs 1, 2, 4)

Active Customer Base ('000s)



Why we use this measure

Measures growth in Ocado Retail core customers who shopped in the last 12 weeks.

2021 Performance

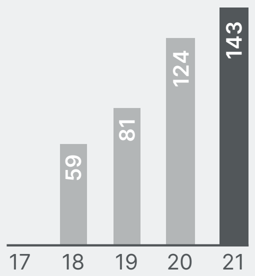
22.4% vs 2020

Strategic reference

Ⓐ See **Alternative Performance Measures** on pages 324 and 325.

Key Performance Indicators

Fees Invoiced from International Partners (£m)



Why we use this measure

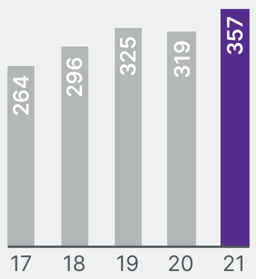
Measures growth in total fees invoiced in the year from Solutions partners.

2021 Performance

15.4% vs 2020

Strategic reference

Orders per Week (000s)



Why we use this measure

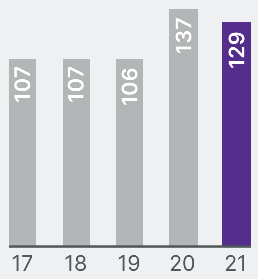
Measures order growth in the Ocado Retail business.

2021 Performance

11.9% vs 2020

Strategic reference

Average Basket value (£)



Why we use this measure

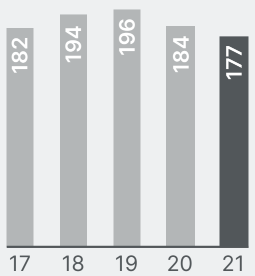
Measures aggregate impact on average shopping basket within the Ocado Retail business.

2021 Performance

(5.8)% vs 2020

Strategic reference

Average Deliveries per Van Per Week ("DPV")



Why we use this measure

Measures efficiency of our service delivery operation.

2021 Performance

-3.8% vs 2020

Strategic reference

Strategic Pillars Key

- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

(A) See **Alternative Performance Measures** on pages 324 and 325.

Our Solutions Business

"The Covid-19 pandemic has triggered an inflection point for the global grocery industry, with a rapid and sustained increase in demand for online across major grocery markets worldwide. As we continue to move towards a new normal, it's clear to us that the question of how to build a scalable and sustainable online business is now the major agenda item in grocery boardrooms worldwide.

Luke Jensen
CEO of Ocado Solutions

It has been another extremely busy year for Ocado Solutions, and indeed for the wider online grocery industry across major markets. We welcomed our tenth partner to the unique club of grocery retailers powering their businesses with Ocado's technology, and we continue to grow with our existing partners.

Our CFC programmes continue to roll-out at pace, and the early results from our live international CFCs have been very encouraging, as evidenced by recent commentary from our partners (see page 42). Kroger's first CFCs went live for customers in Monroe, Ohio in April 2021 and Groveland, Florida in June, followed by ICA's CFC in Brunna outside Stockholm in December.

Our live partnerships around the world continue to demonstrate the unique flexibility of the Ocado Smart Platform, leveraging the widest possible range of fulfilment formats across automated and manual sites, as well as a growing software stack that is able to power multiple business models in grocery, from large mass market retailers through to co-operative and franchisee models.

Internally, the Solutions business is growing rapidly with teams around the world supporting our 10 partners across eight countries, with an increasingly significant presence.

Read more on pages 42 and 43.

Seven of **Ocado's partners** are now live with Ocado's technology

Our **OSP partnerships** club

Our proprietary technology, future innovation pipeline and expanding partnerships support our leading global position.

Our competitive advantage is reinforced by the strength of the collective group of innovative businesses within the OSP leadership club, which today stands at ten partners and ourselves.

The OSP Leadership Club

Read more on page 41.

Our Solutions Business

Facilitating **shared learnings** between OSP partners

A unique feature of our Solutions business is our position at the intersection of some of the biggest grocers in the world's most developed retail markets. We aren't just connecting our partners through the experience of operating on the same technology platform, we are also enabling them to learn from each other's operations and experiences.

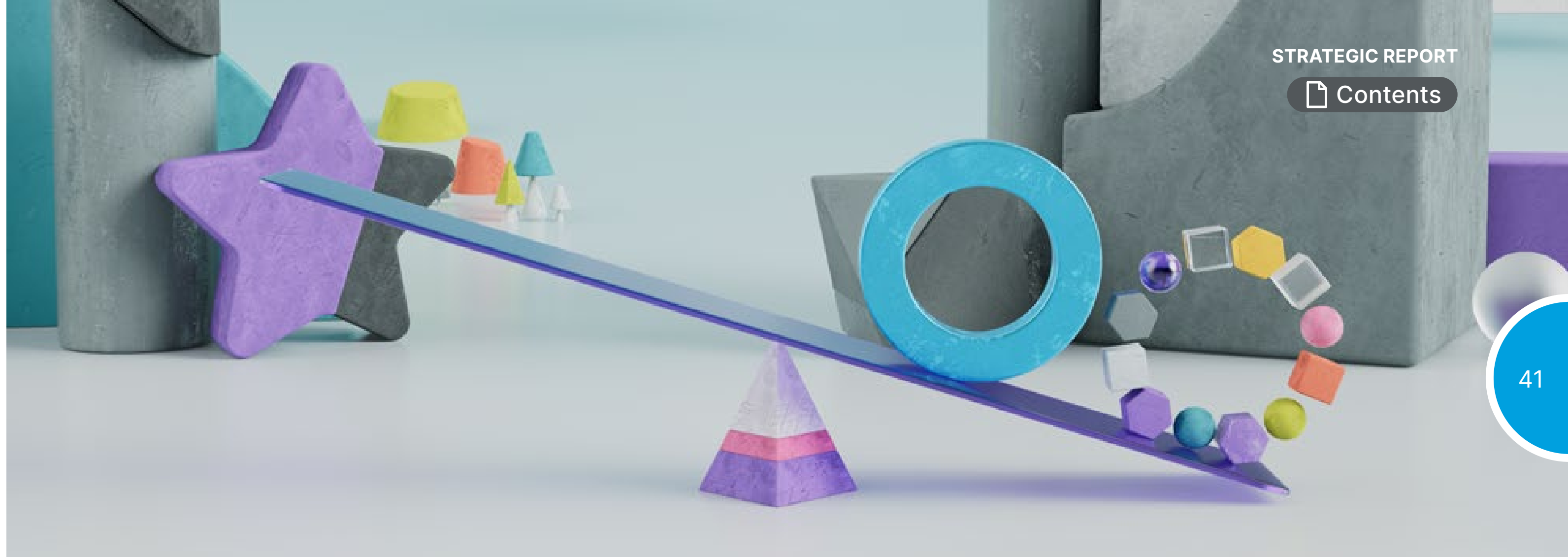
These discussions take place in a deliberate framework, one that brings together key sponsors and leaders within our partners, and also one that assembles partner representatives to engage on the core themes and touchpoints of the online grocery value chain.

They are forums for our partners, and led by our partners, with the conversations being chaired by representatives from across the retailers on our platform.

So far, these conversations have provided valuable insights and learnings across the group and as our live partners continue to scale their operations and more retailers go live on the platform, they will become more valuable in identifying new opportunities and driving efficiencies across our partner markets.

Through this ecosystem, we are building meaningful collective intelligence and creating opportunities for exchange, which otherwise have not existed in the same way in global grocery markets.

> "We are **learning from other retailers** on a regular basis, who have also partnered with Ocado.
>
> **Ben Hassing**
> Chief Executive of Ecommerce, Coles Group



SHOWCASING

Partnership

> "We have sought out Ocado because it provides flexibility and innovation with an end-to-end solution. Ocado is a powerful pure player in technology and very advanced in processes, which makes its huge number of engineers available to us. This agreement offers us great capacity for growth and innovation.
>
> **Raimundo Gonzalo**
> Supply Chain Director, Alcampo

Partnering with one of the world's largest retailers: Auchan Retail

In July 2021, Ocado and Auchan Retail signed an agreement to develop Alcampo's online business in Spain. Ocado and Alcampo will initially build a CFC to serve the Madrid region from 2024, with additional CFCs to be announced at future dates.

Alongside physical fulfilment solutions, Ocado will also provide Alcampo with OSP's end-to-end software platform and a comprehensive suite of engineering and support services to ensure the smooth launch and ongoing development of its ecommerce operations.

Ocado and Auchan Retail will also explore the potential to extend this partnership into other geographies.

Our OSP Partners

We partner with some of the most forward-thinking and innovative grocery retailers

Sobeys

Michael Medline
President and CEO

"We continue to deliver the best ecommerce experience in Canada to our customers and believe we have the winning formula."

Kroger

Rodney McMullen
President and CEO

"It's truly uplifting to reach this moment in Kroger's history – better yet grocery industry history – with our partners at Ocado. The momentum we're experiencing is well timed with the evolution of Kroger delivery, underpinning the permanent shift in grocery consumer behaviour."

Morrisons

Morrisons
Online Leadership

"Our successful partnership with Ocado continues to expand, serving Morrisons.com customers across the UK from both Ocado's CFCs and from Morrisons' stores with widespread deployment of Ocado's In-Store Fulfilment solution. Morrisons was the first grocery retailer to partner with Ocado, and their technology has supported our growth as a leading online grocery service in the UK, with an outstanding customer offer."

ocado

Melanie Smith
CEO Ocado Retail

"Our model brings customers the very best customer experience, supported by sustainable economics and respect for the environment and the communities we serve. Ocado's innovative technology solution provides the best service metrics for any online grocery service in the UK."

ICA

Anders Svensson
CEO, ICA Sweden

"The co-operation with Ocado, a world leader in online grocery automation, will make it possible for us to scale up and streamline our online business for a long time into the future."

Alcampo

Américo Ribeiro
CEO Alcampo

"The alliance with Ocado, a technological leader, marks a turning point in the development of our digital commerce, also contributing to continuous learning and innovation, cornerstones for the creation of sustainable value."

Casino

Jean Paul Mochet
CEO, Monoprix

"Ocado's integrated customer and logistics platform, considered the best in the market, is now a major tool to drive our growth in online food business in the coming decades."

bon preu

Newsweek
Country Report

"After having launched this technology, Bon Preu was well placed to deliver to the rapidly evolving needs of customers during the pandemic and associated lockdowns; its online sales grew 118% in 2021, via both deliveries and its 20 collection points."

ÆON

Motoya Okada
Chair and Representative Executive Officer

"We see Ocado as a state-of-the-art, exciting and transformative partner."

coles

Ben Hassing
CEO, Ecommerce

"The improvements in experience and efficiency they have achieved thus far further validates our decision made in 2019 to partner strategically with Ocado. We look forward to bringing Ocado's leading technology and differentiated service to the Australian market very soon."

Ocado Retail

"We are going for growth. We believe we have the best model to deliver for customers, and we look ahead to realising the huge potential of Ocado Retail with excitement and enthusiasm.

Melanie Smith
CEO of Ocado Retail

Strong demand driving record customer growth

The elevated levels of demand for online grocery experienced during the pandemic have continued, with the online channel now representing 12% of grocery sales in the UK and expected to rise to 18% by the middle of this decade.

With a leading customer offer and more available capacity, Ocado Retail achieved record customer growth in the year, up 22% to 832,000. This strong result was inclusive of the impact of the temporary capacity constraints associated with both the tight labour market in the UK and a fire at Erith.

Investing to deliver strong growth in the years ahead

The business is adding significant new capacity to take advantage of growing demand and deliver strong growth in the years ahead. In 2021, Ocado Retail opened three further CFCs, in Bristol, Andover and Purfleet, together adding around 170k OPW at maturity. Each of these sites is ramping faster than the last. In 2022, another site in Bicester (30k OPW) will open, with Luton (65k OPW) following the year after. Altogether, this will bring capacity potential to around 700k OPW, a 60% increase on the capacity potential entering 2021. This is just the beginning; the business continues to search for more sites to bring the leading Ocado.com service to more customers in new areas and those already served.

Beyond the big basket shop, Ocado Retail continues to make progress with the roll-out of Zoom, its immediacy offering. Following the success of the first site in West London, the second Zoom site in Canning Town is expected to go live in the second quarter of 2022, with three more sites planned for later in the year, in London and other UK cities.

Delivering growth with positive impact

Ocado Retail is committed to driving positive change with accelerated growth. In practice, that means tangible steps to live up to the ambition of being both the most sustainable and most inclusive retailer in the UK.

In 2021, Ocado Retail became the first retailer, globally, to have a net zero head office, whilst a refresh of own-brand packaging is expected to deliver a reduction in 27 tonnes of plastic a year. In addition to industry-leading levels of food waste (0.6%), the business is making strong progress on its ambition to be the greenest grocer in the UK.

Ocado Retail partnered with PSALT and Diversifying to support recruitment of the widest range of talent, with a particular focus on multiethnic and socioeconomic diversity. The business continues to have the most diverse leadership in the industry, with 22% being minority heritage and 57% female.

832k

active customers, +22% vs. 680k in 2020

6.6%

EBITDA margin vs. 6.8% in 2020

STRATEGIC REPORT
Contents

SHOWCASING

Leadership

"We work hard every day to ensure our customers keep rating Ocado as having the best service and range in the industry. It's great to see that brand love recognised.

Lisa McDowell
Head of Brand Marketing

Fastest **growing** British grocery brand

In the 12 months to October 2021, Ocado increased the value of its brand by 72%, more than any other grocer.

With a leading customer offer and a bigger opportunity than ever to play for, the business has increased investments in brand and marketing in the last year, to drive increased awareness and underpin future growth.

This included a major brand overhaul, including a new 'grape' coloured logo, new packaging, and a first ever multimedia brand campaign, "There's An Ocado Just For You".

The early results of these efforts have been encouraging, and as further capacity becomes available, Ocado Retail will increase investment in this brand-led marketing approach to build value for the long term.

Finance Review

“The Group delivered further revenue growth in 2021, with five new CFCs opened around the world. The global roll-out of OSP is accelerating and we are scaling up whilst continuing to innovate at pace. Our balance sheet is strong, supporting our significant UK and International growth plans.

Stephen Daintith
Chief Financial Officer

- Revenue increased 7.2% to £2,498.8 million (2020: £2,331.8 million), reflecting the continued strong demand for Ocado Retail's customer proposition and the increased popularity of UK online grocery in response to Covid-19. There was also strong revenue growth in International Solutions, up 301.2%, as retail partner sites became 'live'.
- Gross profit and other income of £1,040.0 million increased in total by 17.2%, ahead of the 7.2% growth in revenue driven by a strong margin performance in Retail and the start of a more material contribution from International Solutions.
- Distribution and administrative costs of £976.7 million grew by 20.0% (2020: £813.6 million) largely due to continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfillment solutions, as well as expanding our support functions in order to fully support our rapidly growing and increasingly global business.
- Group EBITDAⒶ of £61.0 million (2020: £73.1 million), with Retail EBITDAⒶ £150.4 million (2020: £148.5 million) as a result of continued good revenue growth and gross margin performance, and higher EBITDAⒶ in UK Solutions and Logistics driven by increased volume throughput and productivity improvements. This was more than offset by continued investment in our technology capability and support functions.
- Statutory loss before tax of £(176.9) million (2020: £(52.3) million) after including depreciation, amortisation and impairment charges of £240.5 million (2020: £168.9 million), net finance costs of £42.3 million (2020: £52.8 million), and net exceptional income of £42.8 million (2020: £96.3 million) principally due to insurance income for the Andover and Erith CFCs.
- Strong balance sheet, with cash and cash equivalents of £1.5 billion as at the end of the period, supporting our significant UK and International growth plans. Net debt at the end of the period was £(359.8) million (2020: £671.6 million net cash).

	FY 2021			FY 2020 (restated)[1]			
£ million	**Pre-exceptional**	**Exceptional items**	**Total statutory reported**	Pre-exceptional	Exceptional items	Total statutory reported	Pre-exceptional change
Revenue[2]	**2,498.8**	**(0.5)**	**2,498.3**	2,331.8	–	2,331.8	7.2%
Gross profit and other income[1], [3]	**1,040.0**	**79.2**	**1,119.2**	887.6	103.9	991.5	17.2%
Distribution and administrative costs[1]	**(976.7)**	**(34.3)**	**(1,011.0)**	(813.6)	(7.6)	(821.2)	20.0%
Share of results from joint ventures and associates[4]	**(2.3)**	**–**	**(2.3)**	(0.9)	–	(0.9)	155.6%
EBITDAⒶ	**61.0**	**44.9**	**105.9**	73.1	96.3	169.4	(16.6%)
Depreciation, amortisation and impairment	**(238.4)**	**(2.1)**	**(240.5)**	(168.9)	–	(168.9)	41.1%
Net finance costs	**(42.3)**	**–**	**(42.3)**	(52.8)	–	(52.8)	(19.9%)
Loss before tax	**(219.7)**	**42.8**	**(176.9)**	(148.6)	96.3	(52.3)	47.8%

(1) Payment Processing costs have been reassigned from Distribution and Administrative costs to Gross Profit, to better reflect the nature of these costs. FY2020 has been restated accordingly; the impact on periods prior to FY2020 has been assessed and is not material
(2) Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax, and the recharge of costs and associated fees charged to UK and International Solutions clients with the exception of recharges to Ocado Retail which are eliminated on consolidation
(3) Other income is income that is not generated through the primary trading activities of the segments (for example, media income in the Retail segment)
(4) Share of results from joint ventures relates to joint ventures where the Group does not exercise control such as MHE JVCo Limited ("MHE JVCo"), Karakuri Limited and Infinite Acres Holdings BV (which the Group disposed of in October 2021). The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated

Ⓐ These measures are Alternative Performance Measures. Please refer to the section "Alternative Performance Measures" in the condensed financial statements

The commentary is on a pre-exceptional basis to aid understanding of underlying performance of the business.

Group revenue for the period increased by 7.2% to £2,498.8 million (2020: £2,331.8 million) and was 42.3% higher than in 2019. Retail continued its strong trading momentum, albeit average order size began to return towards pre-Covid levels at the end of the period as lockdown restrictions eased. The International Solutions business recognised an increase in revenue contribution of £50.0 million with the go-live of two new CFCs for Kroger in the US and the continued ramping-up of sales through the previously opened sites for Groupe Casino (France) and Sobeys (Canada). Total invoiced fees across all International partners were £143.0 million, an increase of 15.4% compared to the prior period. Cumulative fees not yet recognised as revenue amounted to £337.6 million at the end of the period.

Gross profit and other income grew strongly to £1,040.0 million (2020: £887.6 million), with Retail gross margin of 35.9% (2020: 33.6%), benefiting from higher order volumes, improved product mix, changes in sourcing arrangements, and cost savings.

Distribution and administrative costs grew by £163.1 million to £976.7 million (2020: £813.6 million) as we expand both in the UK and internationally. The total costs of £976.7 million include £562.1 million of distribution costs (increase of 4.2%); (2020: £539.2 million) and £83.3 million of administrative costs (increase of 12.4%); (2020: £74.1 million) in UK Solutions & Logistics. UK costs increased ahead of the growth in eaches shipped per week of 3.6%, reflecting higher engineering costs due to inefficiencies incurred given the relative immaturity of the three CFCs that went live during the year (Bristol, Andover and Purfleet) and inflationary pressures on costs of labour, particularly for LGV and delivery drivers where we have introduced measures to attract and retain employees. Distribution and administrative costs in the International segment grew by 90.8% to £177.4 million as a result of increased engineering and technology costs to support the go-live of operations for the first two CFCs with Kroger, and continued investment in the development of our Ocado Smart Platform (OSP) as we build our capabilities for our partners, across both CFC and in-store fulfilment solutions. In total, technology costs have increased from £77.1 million to £107.2 million reflecting an increase in technology headcount from 2,100 to 2,600 over the year. These costs are allocated to the UK Solutions and Logistics and International Solutions segments.

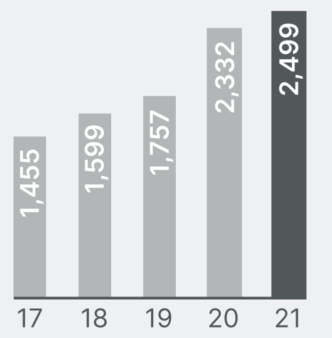
EBITDAⒶ for the period was £61.0 million (2020: £73.1 million). Strong revenue growth in Retail, UK Solutions & Logistics and International Solutions delivered gross profit and other income of £1,040.0 million, up by 17.2% (2020: £887.6 million), and a gross margin of 41.6% (2020: 38.1%). In order to support our ambitious plans for growth in both the UK and internationally, we continue to reinvest much of our gross margin in our technology and support functions, scaling and improving the Ocado Smart Platform for our clients. The majority of the costs of this investment are reflected in the International Solutions results.

Depreciation, amortisation and impairment increased by 41.1% to £238.4 million (2020: £168.9 million), primarily due to an increase in depreciation and amortisation costs relating to our investment and rollout of OSP hardware and software at live CFC locations. At the end of the period we had 6 live UK sites, 4 live international sites and 21 sites in development or under construction.

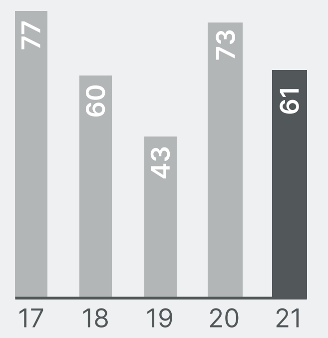
Net finance costs decreased from £52.8 million to £42.3 million, largely reflecting unrealised foreign exchange gains in the year of £19.3 million (2020: £(2.4) million loss) on foreign currency denominated cash and intercompany balances. This was partly offset by £9.4m of incremental interest cost arising from a full year's interest charge on the £350.0 million unsecured Convertible Bond issued in June 2020 and from a higher interest cost on the issue of £500.0 million of Senior Unsecured Notes in October 2021 following the redemption of the existing £225.0 million Senior Secured Notes. Gross debt increased as a result to £1,828.4 million at the end of the period (2020: £1,405.2 million). The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments and accrued interest.

As a result of the above, and after including net exceptional income of £42.8 million (2020: £96.3 million), primarily relating to £78.6 million of insurance income from the Andover CFC, offset by litigation costs of £28.9 million (principally related to patent infringement litigation between the Group and AutoStore Technology AS) and other exceptional charges, the statutory loss before tax for the period was £176.9 million (2020: loss of £52.3 million).

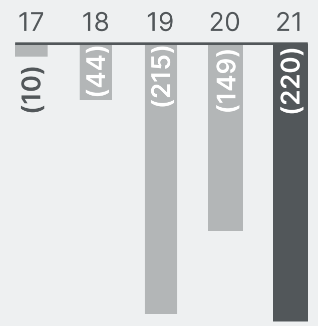
Revenue (Group) (£m)



EBITDAⒶ **(£m)**



(Loss) before Tax and Exceptional ItemsⒶ **(£m)**



Ⓐ See **Alternative Performance Measures** on pages 324 and 325.

Finance Review

Segmental Summary

£ million	2021	2020	Change
Revenue			
Retail	**2,289.9**	2,188.6	4.6%
UK Solutions & Logistics	**710.4**	654.3	8.6%
International Solutions	**66.6**	16.6	301.2%
Inter-segment and other	**(568.1)**	(527.7)	7.7%
Group	**2,498.8**	2,331.8	7.2%
EBITDAⒶ			
Retail	**150.4**	148.5	1.3%
UK Solutions & Logistics	**68.5**	44.4	54.3%
International Solutions	**(119.3)**	(83.3)	43.2%
Group and other	**(38.6)**	(36.5)	5.8%
Group	**61.0**	73.1	(16.6)%

Inter-Segment Eliminations and Other

All revenue charged to Ocado Retail Ltd is eliminated on consolidation. For 2021, this totals £568.6 million on a pre-exceptional basis and is included as "Inter-segment and other" revenue. This is partly offset by revenue earned by Jones Food Company.

Group Key Performance Indicators

The following table sets out a summary of selected unaudited operating information in the period:

	2021	2020	Change
No. of modules live[1,2]	**61**	44	38.6%
No. of modules ordered[1,3]	**213**	168	26.8%
Direct operating cost (% of site sales)[4]	**2.7%**	3.7%	27.0%

(1) A module of capacity is assumed as approximately 5,000 eaches per hour dependent on the specific metrics of a partner
(2) A module is considered live when it has been fully installed and available for use by our partner
(3) A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed and invoiced
(4) Reflecting the exit rate position in the year. Direct operating costs include engineering, cloud, and other technology support costs.

Retail

£ million	2021	2020 (restated)	Change
Revenue[2]	**2,289.9**	2,188.6	4.6%
Gross profit and other income[3,4]	**822.3**	735.1	11.9%
Distribution costs[4,5]	**(536.7)**	(477.9)	12.3 %
Marketing (non-voucher) costs[6]	**(40.3)**	(22.1)	82.4%
Other administrative costs[5]	**(94.9)**	(86.6)	9.6%
EBITDAⒶ	**150.4**	148.5	1.3%

(1) The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group
(2) Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. Revenue growth excluding results from Fetch in 2020 and 2021 was +6.3%
(3) Other Income includes Transitional Services Agreement income relating to the sale of Fetch
(4) Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs
(5) Distribution and administrative costs exclude depreciation, amortisation and impairment
(6) Marketing costs exclude vouchers
(7) EBITDAⒶ does not include the impact of exceptional items

2021 saw Ocado Retail build on the exceptional performance of 2020, growing sales and delivering strong margins. Retail Revenue grew by 4.6% year-on-year (underlying growth of 6.3% adjusted for the disposal of Fetch) and was 41.5% higher than 2019 pre-pandemic levels.

EBITDAⒶ increased from £148.5 million in 2020 to £150.4 million in 2021 (2019: £40.6 million), driven by continued strong demand for online grocery and enabled by increased capacity, strong customer acquisition and operational efficiencies. However, during the second half of the year we have seen some customer behaviours begin to return to pre-pandemic trends, whilst EBITDA was also impacted by an increase in labour costs and lower labour availability in a challenging post-lockdown UK labour market.

Three new CFCs opened in the year in Bristol, Andover and Purfleet, which will add capacity of around 170,000 orders per week at maturity, and will bring total capacity for Ocado Retail to over 600,000 orders per week. Andover and Purfleet saw the fastest ramp-up of orders of any CFC built to date, taking advantage of continued strong customer demand. As lockdown restrictions eased throughout 2021, Ocado Retail has not been immune to the challenges in the UK labour market leading to constraints on available capacity. However, with strong customer demand and additional capacity from our new CFC in Bicester, we expect continued strong revenue growth in 2022.

Revenue

Retail Revenue grew by 4.6% year on year (6.3% on an underlying basis excluding Fetch) and was 41.5% higher than 2019 levels driven by a continuation of the strong customer demand for online grocery. As lockdown restrictions were lifted through spring 2021, we saw customer behaviour begin to return towards pre-pandemic levels, with consumers returning to the office and spending less time at home, resulting in a return to a more pre-covid peak day shopping profile. Average basket value of £129 for 2021 (2020: £137) reflects winter periods in which lockdown restrictions remained in place and customers shopped less frequently with higher basket values. Average basket value in the final quarter of 2021 was £118, 12% up on the same period in 2019. We also saw a decline in eaches per basket by 7.1% to 52 (2020: 56) as we return to a more normalised weekly shopping profile.

The second half of the year saw the rate of revenue growth reduce given the comparatives of the exceptionally strong second half sales in 2020. Revenue in the second half was also impacted by the added challenges of temporarily reduced available capacity following the fire affecting a small section of the Erith CFC, and the well documented shortages of labour in the UK retail industry. However with increased capacity overall through three new CFCs and more normalised shopping behaviour, average orders per week for the full year grew to 357,000 (+11.9% year-on-year and +16.3% against 2019) with active customers growing to 832,000 (+22.4% year-on-year from 680,000 at the end of 2020), as we invested in marketing activity to drive long-term stable growth.

Gross Profit and Other Income

Gross profit excluding other income grew by 10.9% to £737.5 million driven by a combination of higher order volumes, improved product mix, changes in sourcing arrangements and cost savings. Supplier funding income of £80.9 million grew by 16.9% compared to 2020 due to business growth and sourcing negotiations. Cost of sales efficiencies have allowed us to invest in retail prices and at the same time improve gross margins (including other income) year-on-year to 35.9% (2020: 33.6%). The change in treatment of payment processing costs from distribution costs to cost of sales has brought the gross margin down by 0.6% for both 2020 and 2021.

Distribution Costs

£ million	2021	2020 (restated)	Change
CFC costs	**180.1**	158.0	14.0%
Trunking and delivery	**250.8**	235.6	6.5%
Other operating costs[1]	**105.8**	84.3	25.5%
Total Distribution costs[1]	**536.7**	477.9	12.3%

(1) Payment Processing costs have been reclassified for 2020 from distribution costs to cost of sales, to more accurately reflect the nature of these costs

Distribution costs primarily consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the UK Logistics operation of the Ocado Group.

CFC costs increased by 14.0% to £180.1 million compared to a growth in average orders per week in the period of 11.9%. The higher rate of cost growth compared to order volume growth reflects the cost inefficiencies incurred due to the relative immaturity of the three new CFCs launched in the year. CFC costs were also affected, particularly in the second half, by the disruption of operations in Erith following the fire that took place in July, together with the additional temporary incentives to attract and retain staff in an increasingly competitive labour market. Despite the labour challenges and disruption in Erith, overall productivity improved, with Units per Hour ("UPH") in mature sites improving year-on-year by 0.6% to 170. It is worth highlighting that the three new CFCs in Bristol, Andover and Purfleet achieved this level of performance within 12 months of going live.

Trunking and delivery costs increased by 6.5% to £250.8 million, below order growth and with total cost per order delivered reducing by 5.3% year-on-year. Savings from Covid-19 related costs which did not repeat in the current period were more than offset by the impact of deliveries per van per week reducing to 177, as a result of surplus vans driven by a challenging labour market, and investments in labour incentives in the second half of the year.

Other operating costs of £105.8 million (2020: £84.3 million) include the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics. The increase is primarily due to the increase in OSP fees payable to UK Solutions from additional Erith ramp up capacity, and the new CFCs in Bristol, Andover and Purfleet in the period.

Marketing costs increased by £18.2 million to £40.3 million, increasing as a percentage of revenue to 1.8% (2020: 1.0%) with the launch of our first ever multi-media brand campaign in May, "There's An Ocado Just For You", to drive increased brand awareness and drive new customer acquisition. The number of active customers increased by 22.4% year on year to 832,000. In the prior year, marketing spend was lower than historic levels primarily due to very low levels of new customer acquisition.

Administrative costs increased by £8.3 million to £94.9 million, supporting underlying and future business growth. Key investments have included strengthening the buying team, which contributed to a strong margin performance in the period. This was partially offset by a reduction in costs relating to the senior management incentive scheme, compared to the prior year.

EBITDAⒶ

EBITDAⒶ for the Retail business was £150.4 million (2020: £148.5 million). Amounts recoverable under business interruption insurance for Andover and Erith are included in Group exceptional items, and therefore are excluded from the Retail segmental result. Costs related to the exit of long term agreements for IT services of £4.6 million are also included in exceptional items.

Key Drivers

The following table sets out a summary of selected unaudited operating information in the period:

	2021	2020	Change[1]	2019	Change[1]
Active customers (000s)[2]	**832**	680	22.4%	795	4.7%
Revenue	**2,289.9**	2,188.6	4.6%	1,618.1	41.5%
Average orders per week (000s)	**357**	319	11.9%	307	16.3%
Average basket value (£)[3]	**129**	137	(5.8%)	106	21.7%
Average selling price (£)[4]	**2.44**	2.42	0.8%	2.30	6.1%

(1) Change % compares 2021 against the relevant year
(2) Active customers are classified as active if they have shopped at ocado.com within the previous 12 weeks
(3) Average basket value refers to results of ocado.com
(4) Average selling price is defined as gross sales divided by total eaches

Finance Review

UK Solutions & Logistics

£ million	2021	2020 (restated)	Change
Fee revenue[1]	149.7	117.1	27.8%
Cost recharges[2]	560.7	537.2	4.4%
Revenue	710.4	654.3	8.6%
Other income, net of cost of sales	3.5	3.4	2.9%
Distribution costs[3], [4]	(562.1)	(539.2)	4.2%
Administrative costs[3], [4]	(83.3)	(74.1)	12.4%
EBITDAⒶ	68.5	44.4	54.3%

(1) Fee revenue includes fees charged to Ocado Retail of £120.5 million which eliminates on consolidation
(2) Cost recharges include cost recharges to Ocado Retail of £445.8 million which eliminates on consolidation
(3) Distribution and administrative costs excludes depreciation, amortisation and impairment
(4) Distribution and administrative costs have been re-presented for FY2020 to reflect an updated split of activities in the new international organisational structure, with no overall impact on Revenue and EBITDA

UK Solutions & Logistics saw a good performance in the period, with customer fee revenue (from Ocado Retail and Morrisons) increasing by 27.8% to £149.7 million as 9 modules of additional sales capacity went 'live' during the year bringing total year-end 2021 'live' modules to 49 compared with 42 at year-end 2020. Total throughput in CFCs grew by 3.6% to 1.27 billion eaches picked, an average of 462,000 orders per week across Ocado Retail and Morrisons. With the addition of three new CFCs in Bristol, Andover and Purfleet, live CFCs at the end of the period will have a total capacity of around 750,000 orders per week at maturity (on a pre-Covid basket basis).

Cost recharges to our UK partners increased by 4.4% to £560.7 million. The higher rate compared to volume throughput reflects the higher costs as our new sites ramp up to full efficiency, and the investments made in the period to strengthen our operational employee value proposition to respond to the challenges of the UK labour market throughout the second half of 2021. This impact is partially offset by improvements in CFC efficiency for our more established CFCs.

EBITDA increased from £44.4 million to £68.5 million as a result of the increase in fees from Ocado Retail and Morrisons. The growth in EBITDA accelerated faster than the growth in fee revenue driven by the higher proportion of additional capacity fees relating to the three new CFCs that went live in the period yet to ramp up in cost and utilisation, partially offset by the continuing investment in, and rollout of, our Ocado Smart Platform ("OSP") software.

Revenue

Revenue from the UK Solutions & Logistics business increased by £56.1 million to £710.4 million, an increase of 8.6%.

Fee revenue comprises the fees charged to our UK partners Ocado Retail and Morrisons for access to Ocado's technology platforms, capital recharges, management fees and research and development (fees charged to Ocado Retail are eliminated on Group consolidation). Total fees grew by 27.8% to £149.7 million, with fees to Ocado Retail growing broadly in line with overall live module capacity growth, including three new CFCs delivered in the period, and with additional fees arising from the return of Morrisons to the Erith CFC in February 2021, following the end of an agreement to temporarily release the Morrisons' Erith capacity back to Ocado Retail following a fire in the Andover CFC in February 2019.

Cost recharges represent the relevant operational variable and fixed costs recharged by the UK Logistics operation to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on Group consolidation). These predominantly relate to fulfillment and delivery operations included in distribution costs, but also include certain central, head office activities, and transitional services fees to Ocado Retail reported within administrative costs. Cost recharges grew by 4.4% due to the increased costs at our new CFCs at Andover, Bristol and Purfleet as they ramp up to full capacity, and the increased costs of labour in a challenging market, particularly for LGV and delivery drivers.

Other Income, Net of Cost of Sales

Other income, net of cost of sales, was £3.5 million (2020: £3.4 million). Other income primarily relates to Erith and Dordon property rental costs charged to Morrisons.

Distribution and Administrative Costs

Distribution costs comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons, and engineering and other support costs for the provision of the contracted services, for which fees are charged.

Total distribution costs grew by 4.2% to £562.1 million (2020: £539.2 million), against a growth in average eaches shipped per week (total CFC throughput) of 3.6% to 24.5 million (2020: 23.6 million eaches per week). Distribution costs grew ahead of the growth in eaches delivered due to cost inflation and costs incurred, largely temporary in nature, to address labour shortages. This was particularly prevalent during the second half of the fiscal year and one which became an increasingly important issue for the industry throughout 2021 following lockdown easing and post-Brexit labour pool changes. This resulted in us taking a number of measures to hire and retain LGV and delivery drivers during the year, including raising hourly rates and sign-on bonuses.

Productivity improvements saw the average number of Units per Hour ("UPH") in mature CFCs (Hatfield, Dordon and Erith) improve year-on-year to 170 in the period (2020: 169). Since opening in February, our first mini CFC in Bristol has achieved UPH of 164, and those in Andover and Purfleet are already ahead of our original expectations. UPH for the year of 170 was impacted by the disruption caused by a fire in Erith in July 2021 which impacted available capacity for the remainder of the year. Excluding this period of disruption, UPH for the year was 172.

Trunking and delivery operations saw average deliveries per van shift improve across both UK partners, driven by more normalised shopping behaviour during the week enabling roster improvements. These productivity improvements were more than offset by a fall in deliveries per van per week to 177, reflecting a decision to retain a surplus of vans to mitigate supply uncertainty, as well as investments in labour incentives in the second half of the year.

Distribution costs also include the engineering costs of operating CFCs for which a fee is charged to our UK partners. Due to the immaturity of the three new CFCs launched in the year, these costs were naturally higher on a cost per each basis whilst these CFCs ramp up volumes but we maintain a largely fixed level of engineering support. By the end of the year however, our Bristol CFC was operating at a similar engineering cost per each level as the Erith CFC, which itself saw engineering cost per each fall by 36% year-on-year despite the impact of the fire.

Administrative costs consist of direct and centrally allocated head office costs (some of which are recharged to Ocado Retail and Morrisons) and an allocation of central technology costs. Administrative costs grew by 12.4% to £83.3 million (2020: £74.1 million), primarily as a result of the allocation of additional headcount and technology resources to support and improve the platform and infrastructure required for UK growth. Total technology headcount for the Group increased to 2,600 by the end of 2021, compared to 2,100 at the same point in 2020.

EBITDAⒶ

EBITDAⒶ from UK Solutions & Logistics activities was £68.5 million, an increase of £24.1 million, driven by the growth in fees from additional Ocado Retail capacity and the re-entry of Morrisons into the Erith CFC. The value of Morrisons fees foregone prior to re-entry into Erith forms part of the business interruption insurance claim for Andover. Amounts recoverable under this claim are included in exceptional income, and therefore are excluded from the UK Solutions & Logistics segmental result.

Key Drivers

The following table sets out a summary of selected unaudited operating information in the period:

	2021	2020	Change
Total eaches (million)	1,273.3	1,229.1	3.6%
Orders per week (000s)	462.0	416.4	11.0%
Mature site UPH[1]	170	169	0.6%
Average deliveries per van per week	177	184	(3.8%)

(1) Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel.

International Solutions

£ million	2021	2020 (restated)	Change
Fees invoiced[1]	143.0	123.9	15.4%
Revenue[2]	66.6	16.6	301.2%
Cost of sales	(8.5)	(6.9)	23.2%
Distribution costs[3]	(25.6)	(8.6)	197.7%
Administrative costs[3]	(151.8)	(84.4)	79.9%
EBITDAⒶ	(119.3)	(83.3)	43.2%

(1) Fees Invoiced represents design and capacity fees invoiced during the year for existing and future CFC and in-store fulfilment commitments. These are recognised in the Income Statement according to IFRS15 once a working solution is provided to the customer
(2) Revenue includes £9.6 million revenue from Kindred Systems, and £8.1 million of equipment sales to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in cost of sales, with the resulting impact on EBITDA of nil
(3) Distribution and administrative costs exclude depreciation, amortisation and impairment

During the 2021 financial year, we went live with our first CFCs in the US for Kroger in Monroe, Ohio, and Groveland, Florida. These facilities were opened on time, on budget, and continue to ramp up in line with partner expectations. Combined with the existing international CFCs with Groupe Casino in Paris, and with Sobeys in the Greater Toronto area that opened in the second half of 2020, the International Solutions business has started to deliver material revenue for the first time, with revenue in the period of £66.6 million. Since year end we have gone live with our first CFC with ICA Gruppen in Stockholm, the second CFC with Sobeys in Montreal and third CFC with Kroger in Atlanta, Georgia. We are expecting a further 5 Kroger sites to go live in the remainder of the 2022 financial year. This means that by the end of 2022 we will have 12 live international sites (the 4 we started the year with plus the 8 that are going live this year). We have a strong pipeline of further CFC commitments in addition to significant in-store fulfillment capabilities to be delivered across a number of our existing partners, including a new partnership with Alcampo that was signed in July 2021.

We continue to invest in the Ocado Smart Platform and build the support functions to support rapid international expansion with distribution and administrative costs growing to £177.4 million from £93.0 million in 2020, primarily reflecting the increase in technology costs allocated to the segment. Losses in the period grew from £(83.3) million to £(119.3) million.

International Solutions also includes revenue from contracts with third party customers, the largest being Gap, of Kindred Systems following completion of this acquisition in December 2020. We have made good progress integrating the team and creating collaborative ways of working. Whilst we have seen a slower ramp up in revenue to date compared to original expectations, we remain encouraged by the long-term opportunity for Kindred's robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

Fees and Revenue

Fees invoiced for the year totalled £143.0 million (2020: £123.9 million), and includes design and capacity fees invoiced across a number of clients relating to existing and future CFC and in-store fulfillment commitments, including our new partnership with Alcampo, and fees associated with the go-live of operations with Kroger.

Under revenue recognition rules, fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the CFC "goes live". At the end of the period cumulative fees not yet recognised as revenue amounted to £337.6 million.

Revenue in the period of £66.6 million reflects ongoing capacity fees and amortised amounts relating to design and upfront fees across our current operational partners, Group Casino; Sobeys; and Kroger. In addition to revenue contribution of £9.6 million from Kindred Systems, International Solutions revenue also includes £8.1 million relating to the sale of equipment to a number of partners that is recognised as revenue. This has nil impact on EBITDA.

Finance Review

Distribution Costs

Distribution costs primarily consist of the engineering and technology costs of operating the OSP platform and CFCs for our international clients. These costs grew from £8.6 million in 2020 to £25.6 million in 2021 as a result of the go-live of operations for the first two CFCs with Kroger, and the annualisation of the first CFCs for Group Casino and Sobeys that opened in 2020, all of which remain in a maturing growth profile and so are not indicative of the target model.

Administrative costs

Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised costs of employees who are developing the OSP platform, such as research costs. These costs grew from £84.4 million in 2020 to £151.8 million in 2021 as we continued to increase our investment in building our long-term OSP capabilities for our partners, across both CFC and in-store fulfillment solutions.

EBITDAⒶ

EBITDAⒶ from our International Solutions activities was a loss of £(119.3) million (2020: £(83.3) million), principally due to the increased investment in our teams and technology to support our international growth ambitions, and the support costs relating to new CFCs.

Kindred

We have made good progress integrating the team and creating collaborative ways of working. Whilst we have seen a slower ramp up in revenue to date compared to original expectations, the business has performed well over the second half of the year, with 280 live robots operating within third party customer locations delivering revenue of £9.6 million. More than 1.2 million items a day were sorted by our robots for a number of days in November and we continue to develop our induct product, having operated a proof of concept robot with a significant player in the logistics market during the peak end of year season. Following integration, we remain encouraged by the long-term opportunity for Kindred's robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

Haddington

Haddington Dynamics is now fully integrated into our technology division. Since acquisition, we have continued to invest to further develop a highly dextrous, lightweight, low-cost robotic arm which is a core component for robotic picking. The unique combination of the arms' design and construction are critical to unlocking the potential for the future of our on-grid robotic pick.

Key Drivers

The following table sets out a summary of selected unaudited operating information in the period:

	2021	2020	Change
Invoiced fees (£ million)	**143.0**	123.9	15.4%
No. of modules (live)[1], [3]	**12**	4	200.0%
No. of modules ordered[2], [3]	**145**	109	33.0%

[1] A module is considered live when it has been fully installed and available for use by our partner
[2] A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed and invoiced
[3] A module of capacity is assumed as approximately 5,000 eaches per hour dependent on the specific metrics of a partner

Group and Other

The 'Group and other' segment represents revenue and costs which do not relate to the Retail, UK Solutions and Logistics, and International Solutions segments. This includes Board costs, the consolidated results of Jones Food Company, and MHE rental income. This segment reported an EBITDAⒶ loss of £(38.6) million in the current period (2020 loss: £(36.5) million). This loss includes an increase in share-based senior management incentive charges, charges relating to deferred consideration in respect of the Kindred Systems and Haddington Dynamics acquisitions, and losses recognised for Jones Food Company in the period.

£ million	2021	2020	Change
Board costs[1]	**(12.1)**	(8.6)	40.2%
Share-based payments[2]	**(29.3)**	(25.7)	13.6%
Jones Food Company and other ventures[3]	**(5.6)**	(3.0)	84.8%
FX loss on hedging contracts for acquisitions	**–**	(10.8)	(100.0%)
Other[4]	**(6.8)**	(2.4)	183.3%
Group and other costs	**(53.8)**	(50.5)	6.5%
MHE rental income	**10.3**	10.3	(0.7%)
Research and development credit ("RDEC")	**4.9**	3.7	33.7%
Group and other EBITDA	**(38.6)**	(36.5)	5.8%

[1] Board costs include Salaries, Bonuses and Fees for Directors totalling £9.4 million (FY20: £7.3 million); Director Insurance costs of £1.8 million (FY20: £0.3 million) and other Board costs of £0.9 million (FY20: £1.0 million)
[2] Of the share-based payment charges for the Group, £12.5 million is allocated out to other segments and £29.3 million remains in the Group segment.
[3] Ventures relates to the profits and losses on our share of investments and joint ventures during 2021. The most significant is Jones Food Company where we recorded losses of £3.3 million (FY20: £2.1 million loss). The others are: Infinite Acres / 80 Acres, for which we recorded losses of £1.9 million (FY20: £0.9 million loss); MHE JVCo, for which we recorded profits of £0.2 million (FY20: £0.5 million profit) and Karakuri, for which we recorded losses of £0.6 million (FY20: £0.5 million loss)
[4] Other costs include residual amounts relating to the Fabled sale in 2019 and a small share of other support costs which are allocated to the Group segment.
[5] Rental income totalling £10.3 million was received from MHE JVCo, a joint venture with Morrisons.
[6] Research and development subsidies totalling £4.9 million were received in 2021. These are granted by HMRC as a fixed percentage on the value of qualifying R&D expenditure, payable as cash.

Exceptional Items

£ million	2021	2020 (restated)[1]
Andover CFC		
Insurance reimbursement	**78.6**	103.9
Other exceptional costs	**(5.6)**	(4.0)
Total Andover exceptional	**73.0**	99.9
Erith CFC		
Insurance reimbursement	**2.0**	–
Other exceptional costs	**(10.1)**	–
Total Erith exceptional	**(8.1)**	–
Impairment of certain intangible assets associated with Software-as-a-service arrangements[1]	**(13.3)**	(8.3)
Gain on disposal of Speciality Stores Limited ("Fetch")	**1.0**	–
Gain on disposal of investment in Infinite Acres Holding B.V.	**5.0**	–
Litigation settlement	**1.8**	–
Litigation costs	**(28.9)**	(2.7)
Changes in fair value of contingent consideration	**16.9**	7.4
Development of ORL IT systems	**(4.6)**	–
Total exceptional items	**42.8**	96.3

[1] During the period, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangement. As a result of the Group's change in accounting policy, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item. This restatement has decreased the Group's loss for the prior period by £8.3 million and a corresponding decrease in the net exceptional income for the same amount. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.

Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

Insurance Reimbursement

Insurance reimbursements of £78.6 million in the period (2020: £103.9 million) comprise of reconstruction and other incremental costs of £44.6 million and reimbursement for business interruption losses of £34.0 million. Total income recognised to date, including prior periods, is £206.3 million. The difference between the value of the claim that has been recognised to date, based on discussions with our insurers, of £206.3 million and the reimbursement received to date of £168.8 million has been recorded as accrued income of £37.5 million, of which £15.0 million has been received post year end and the balance relates to the property damage element of the claim.

The Group expects to receive further insurance reimbursement relating to reconstruction costs and business interruption losses. Claim negotiations are ongoing. It is expected that income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred. The amounts recognised at FY21 year-end relates to the virtually certain amount as of that date.

Other Exceptional Costs

These include, but are not limited to, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs.

Erith CFC

In July 2021, a fire in the Erith CFC resulted in the full closure of the site for a period of 2 weeks and a restriction on available capacity for the remainder of 2021. An independent report issued in October 2021 concluded that the initial cause of the fire was a highly unusual and unlikely collision, triggered by a specific set of circumstances that was the only outcome of its type over the course of the billions of moves made collectively by the 400 series of bots operating in Erith. The 400 series bot has now been modified and upgraded to remove the risk of recurrence of this type of incident. This collision would not be possible in Ocado's 500 series machines that have been in operation across our CFCs globally since October 2020.

Insurance Reimbursement

As with the Andover CFC incident, the Group has comprehensive insurance and claims for building and stock damage with regards to the Erith CFC, and business interruption have been formally accepted by the insurers with a total income recognised to date of £2.0 million.

Other Exceptional Costs

The impact of stock and fixed asset write-offs and other incremental costs associated with the fire are estimated to be around £10 million. In addition, operating losses due to the business disruption, primarily lost orders, caused by the fire are estimated to be around £10 million. These losses have adversely impacted EBITDA for the current financial year.

As above, amounts recovered under our insurance cover, net of deductibles, will be treated as exceptional income. The resulting net cost to Ocado, not covered by insurance, is currently estimated to be around £10 million.

Implementation of SaaS Accounting Guidance

During the fiscal year, the Group implemented various Software as a Service "SaaS" solutions across the business (the primary one being Oracle Cloud Fusion as our finance platform). Given the IFRS Interpretations Committee ("IFRIC") agenda decision, we have chosen to update our accounting treatment and policy for IAS38 Intangible Assets accordingly.

We have determined that £13.3 million of SaaS related costs (incurred and capitalised during FY21) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale. A total of £5.9 million of SaaS costs are retained on the balance sheet as an intangible asset.

As a result of the Group's change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed as an exceptional item.

Finance Review

Gain on Disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail Limited completed the sale of the entire share capital of Specialty Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings") resulting in a gain on disposal of £1.0 million in the year.

Gain on Disposal of Investment in Infinite Acres Holdings B.V.

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres' issued share capital, resulting in a gain on disposal of £5.0 million. 80 Acres was one of the three joint venture partners in Infinite Acres. The company builds and operates vertical farms.

Litigation Costs and Litigation Settlement

Litigation costs principally related to patent infringement litigation between the Group and AutoStore Technology AS. Litigation costs also include the costs of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited "T0day", in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property. These costs are considered to be material and one-off in nature and are therefore treated as exceptional items.

In June 2021, the proceedings against Jonathan Faiman, Jonathan Hillary and T0day were settled. The defendants gave commitments to Ocado and the Court to refrain from using Ocado confidential information and IP, to destroy c.500 files under the supervision of an independent party, and to pay compensation to Ocado. They paid £1.75 million to the Group as part of the settlement, in addition to the £0.4 million previously recovered from Mr. Hillary under the malus and clawback provisions of the Group's incentive scheme.

Litigation costs of £27.9 million have been incurred during the year in connection with the Autostore litigation, which have been recorded as an exceptional expense. Further updates are captured in the subsequent events section below. Given the ongoing nature of this litigation, the outcome is currently uncertain and not quantifiable at this time, and so the Group has not recognised a contingent asset or liability in respect of the action.

Change in Fair Value of Contingent Consideration

In 2019 the Group completed two transactions. In August 2019 the Group completed the sale of 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S") and in July 2019 the Group completed the sale of Marie Claire Beauty Limited (trading as "Fabled") to Next plc. Part of the consideration agreed for each of these transactions was contingent on future events. The Group holds contingent consideration at fair value, and revalues it through the profit and loss account at each reporting date. This resulted in a gain of £16.9 million (FY2020: £7.4 million), principally in respect of the unwind of the discount on the present value of these balances, recognised as a credit against exceptional administrative expenses during the period.

Development of ORL IT Systems

This relates to the £4.6 million of costs incurred in respect of one-off development and introduction of ORL IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its materiality.

Depreciation, Amortisation and Impairment

Total depreciation, amortisation and impairment costs were £238.4 million (2020: £168.9 million), an increase of 41.1% year-on-year, and includes depreciation of property, plant and equipment of £84.4 million (2020: £57.2 million), depreciation of right-of-use assets of £65.6 million (2020: £57.3 million), amortisation expense of £78.0 million (2020: £49.0 million), and impairment costs of £10.4 million (2020: £5.4 million).

The increase was principally driven by the annualisation of CFCs going live in the prior period as well as CFCs going live in 2021 in the UK and internationally (£30.3 million including right-of-use leases). The remaining movement is driven by amortisation of technology projects following the go-live of CFCs in the period (£22.7 million) and our investment in Kindred & Haddington (£7.5 million).

Net Finance Costs

Net finance costs of £42.3 million reduced by £10.5 million (2020: £52.8 million) largely reflecting unrealised foreign exchange gains in the year of £19.3 million (2020: £(2.4) million loss) on foreign currency denominated cash and intercompany balances. This was partly offset by the costs incurred with the issue of a £350.0 million unsecured Convertible Bond in June 2020 and the issue of £500.0 million of Senior Unsecured Notes in October 2021 offset by the redemption of the existing £225.0 million Senior Secured Notes. Gross debt increased as a result to £1,828.4 million at the end of the period (2020: £1,405.2 million). The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments and accrued interest.

Share of Results from Joint Ventures and Associates

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group's share of MHE JVCo profit after tax in the period amounted to £0.2 million (2020: £0.5 million). The Group's interest in Infinite Acres Holdings BV contributed a loss of £(1.9) million to the Group's results in the period (2020: £(0.9) million). The Group's interest in Karakuri Limited contributed a loss of £(0.6) million in the period (2020: £(0.5) million loss).

Loss Before Tax

The loss before tax for the period was £(176.9) million (2020 - restated: loss of £(52.3) million) after including the impact of depreciation, amortisation and impairment costs of £238.4 million (2020: £168.9 million), and net finance costs post-exceptionals of £42.3 million (2020: £52.8 million).

Taxation

The Group's reported total tax charge for the period was £8.8 million (2020: £25.6 million reported tax charge). This charge includes a UK corporation tax charge of £7.7 million (2020: £18.3 million) in respect of the Retail business. The reduction in the tax charge in Retail is due to availability of higher capital allowances on our investment in fixed assets. A deferred tax charge of £0.4 million (2020: £6.6 million) was recognised in the period arising from the future change in the UK corporate tax rate from 19% to 25% with effect from 1 April 2023, and from expected overseas tax credits. At the end of the period, the Group had £677.7 million (2020: £407.4 million) of unutilised carried forward tax losses.

Dividend

During the period, the Group did not declare a dividend (2020: nil).

Loss Per Share

Basic and diluted loss per share were (30.18)p (2020: restated: (18.70)p).

Capital Expenditure

Capital expenditure totalled £680.4 million in the year (2020: £525.6 million) as we continued to develop new CFCs both in the UK and with our International retail partners. We also continued to invest in technology to support our OSP growth ambitions, and also within our Group support functions.

£ million	2021	2020[4]
UK Operations	**250.0**	205.8
International CFCs	**273.2**	190.6
Technology, Fulfilment Development and Innovation	**157.2**	129.2
Total capital expenditure[1], [2], [3] (including MHE JVCo)	**680.4**	525.6

(1) Capital expenditure includes tangible and intangible assets
(2) Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements
(3) Capital expenditure includes MHE JVCo capital expenditure in 2021 of £2.8 million and in 2020 of £3.4 million
(4) 2020 reflects changes in the allocation of certain expenditure between UK Operations, International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with 2021

In the period we invested £250.0 million in our UK operations (2020: £205.8 million), of which £166.8 million (2020: £161.3 million) relates to our CFCs in the UK. This includes £48.7 million for Andover and £53.9 million on Purfleet CFC which went live in the second half of 2021. Capital expenditure on Andover represents the gross costs to Ocado Group and is offset by the insurance proceeds received to date or anticipated in the future, and which is recognised as exceptional income as capital expenditure is incurred. A new CFC in Bicester will go live in 2022 which will increase total available capacity across both our UK retail partners to 800,000 orders per week at maturity. The remaining £83.2 million of UK operations capital expenditure includes the costs associated with the Erith fire of £7.8 million that are the subject of a Group insurance claim, delivery vehicles £3.9 million, and investment of £14.1 million to upgrade some of our core office systems to support international expansion, including new finance, procurement and supply chain ERP systems.

Investment in developing international CFCs for our partners continues to accelerate as our committed pipeline grows. In the period our capital expenditure on international CFCs was £273.2 million (2020: £190.6 million), including £190.9 million related to the CFCs in North America, £14.8 million in Asia-Pacific and £52.6 million in Europe where our first CFC with ICA Gruppen went live in January 2022, together with further development and capacity expansion of Groupe Casino's first CFC in Paris. At the end of 2021, a total of 21 CFCs across the Group were in development or construction phase, including 7 for Kroger in the US.

We also continue to invest in the development of our own technology, particularly around the further development of the Ocado Smart Platform ('OSP'). We expanded technology and engineering headcount to over 2,600 staff as we increased investments to support the business' strategic initiatives. Total technology expenditure in the year was £255.0 million, of which £147.8 million was capitalised. The main areas of investment continue to be the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and existing partners' future CFCs. Within this CFC-focussed investment, £49.8 million relates to retrieval and handling robotics (for which total cash spend, including operating expenditure, in the period was £65.2 million), where we see a significant opportunity to drive further improvements in online grocery economics for Ocado, and our clients globally.

Investment in the development of fulfilment equipment totalled £11.8 million (2020: £10.0 million), enhancing our next generation fulfilment solutions for CFCs and delivery operations for all our Solutions partners, further reinforcing our 'lowest cost operator' pursuit.

Cashflow

£ million	2021	2020
EBITDAⒶ	**61.0**	73.1
Movement in contract liabilities	**107.0**	97.5
Other working capital movements	**(134.5)**	32.1
Insurance proceeds relating to business interruption	**30.0**	40.0
Finance costs paid	**(34.8)**	(25.8)
Taxation paid	**(26.2)**	(18.4)
Other non-cash items	**(18.5)**	26.9
Operating cash flow	**(16.0)**	225.4
Capital investment	**(690.7)**	(451.8)
Acquisition of Kindred Systems and Haddington Dynamics	**(189.7)**	–
Insurance proceeds received	**2.0**	25.0
Proceeds from disposal of 50% share in ORL	**–**	(13.1)
Proceeds from additional investment in Jones Food Company	**20.0**	–
Dividend from joint venture	**7.7**	7.7
Increase in net debt/finance obligations	**218.0**	881.6
Proceeds from share issues	**10.6**	657.5
Movement of short-term deposits	**370.0**	(260.0)
Other investing and financing activities	**10.6**	(3.7)
Movement in cash and cash equivalents (excl. FX changes)	**(257.5)**	(1,068.6)
Effect of changes in FX rates	**19.3**	(2.4)
Movement in cash and cash equivalents (incl. FX changes)	**(238.2)**	1,066.2

(1) EBITDAⒶ is stated before the impact of exceptional items

Finance Review

Operating cash flow during the year was £(16.0) million, a reduction of £241.4 million compared with the prior year (2020: £225.4 million). This year-over-year movement was primarily driven by a large working capital outflow (excluding movement in contract liabilities) during the year of £134.5 million compared to a working capital inflow of £32.1 million in 2020.

EBITDA of £61.0 million (2020: £73.1 million) reflects strong Retail trading performance, growth in International Solutions revenues, offset by investment in new capabilities and capacity. Cash received from our Solutions partners, excluding tax (shown in 'movement in contract liabilities') was £107.0 million (2020: £97.5 million). The increase is due to the on-going growth in the International Solutions business as the Group continues to receive stage payments across a number of clients as new CFC build programs continue to progress.

There was a net increase in other working capital (representing a net cash outflow) in the period of £134.5 million (2020: net decrease/cash inflow of £32.1 million). Driving this movement was an increase in inventories of £55.2 million (net cash outflow), which includes a reduction in inventory accruals of £30.1 million (2020: increase of £38.5 million) and additional investment in stock due to the go-live of three new CFCs for Ocado Retail during the year. Trade and other receivables increased by £77.6 million (2020: £59.2 million) which was principally due to prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction and additional accrued income in relation to supplier promotional activity in Ocado Retail. There was a small decrease in Trade payables of £1.8 million (net cash inflow), (2020: increase of £52.8 million) driven by the expansion of International Solutions activity, offset by a reduction in amounts owed to suppliers of Ocado Retail due to an exercise to improve payment terms.

Net taxation paid of £26.2 million (2020: £18.4 million) mainly reflects tax paid by Ocado Retail as a result of continued strong profitability (Retail EBITDA in the year was £150.4 million, (2020: £148.5 million)) and following the utilisation of all Retail carried forward tax losses in 2020.

Cash outflow for capital expenditure in 2021 amounted to £690.7 million (2020: £451.8 million) as the Group continues to invest for future growth, incurring additional investment in new CFCs both in the UK and internationally, developing next generation fulfilment solutions, and investing in our central support capabilities. The acquisition of Kindred and Haddington at the beginning of 2021 was financed from internal cash resources and was an outflow of £189.7 million.

Net debt and financing cash flow for the period was £218.0 million (2020: £881.6 million), primarily reflecting the proceeds of the £500.0 million of Senior Unsecured Notes issued in October 2021 offset by the redemption of £225.0 million of Senior Secured Notes and associated fees. During the year £370.0 million was transferred from short-term deposits to Cash (2020: £260.0 million transferred to short-term deposits from Cash).

The inflow from other investing and financing activities of £10.6 million (2020: outflow £3.7 million) includes the receipt of £33.9 million in respect of contingent consideration and the receipt of £20.0 million from a new investment partner into Jones Food Company, a vertical farming company whose results are fully consolidated in Ocado Group. This was offset by investments of £10.0 million in each of Oxbotica and Wayve, two leading autonomous vehicle software companies, with an ambition to enable our partners that use the Ocado Smart Platform to reduce the costs of last-mile delivery and other logistics operations.

Balance sheet

£ million	28 Nov 2021	29 Nov 2020 (restated)
Assets		
Goodwill	**144.8**	4.7
Other intangible assets	**345.2**	231.2
Property, plant and equipment	**1,257.8**	785.0
Right-of-use assets	**494.6**	385.0
Investment in joint venture and associate	**26.5**	41.5
Trade and other receivables	**324.4**	204.8
Cash and cash equivalents	**1,468.6**	1,706.8
Other financial assets	**212.6**	568.8
Other	**109.1**	77.0
Total assets	**4,383.6**	4,004.8
Liabilities		
Contract liabilities	**(378.5)**	(299.3)
Trade and other payables	**(393.2)**	(422.9)
Borrowings	**(1,300.0)**	(997.4)
Lease liabilities	**(528.4)**	(407.8)
Other	**(74.1)**	(44.3)
Total liabilities	**(2,674.2)**	(2,171.7)
Net assets	**1,709.4**	1,833.1

Goodwill increased by £140.1 million to £144.8 million as a result of the acquisitions of Kindred Systems Inc. and Haddington Dynamics Inc. Goodwill represents the future benefit of new technology, the ability to attract new customers, and future synergies through Ocado Group plc cost savings. Goodwill arising on these acquisitions has been allocated to the UK Solutions & Logistics and International Solutions segments. After testing the recoverability of the goodwill, no impairment charge has been recognised.

Property, plant and equipment, and intangible assets (excluding goodwill) increased by £586.8 million to £1,603.0 million (2020: £1,016.2 million). Included within property, plant and equipment and intangible assets is capital work-in-progress of £482.3 million (2020: £339.2 million) where depreciation has not yet commenced. The increase year-on-year relates to international CFCs, predominantly Kroger sites not yet live, alongside our second Sobeys CFC, and the various UK CFCs that are in progress.

Trade and other receivables increased by £119.6 million to £324.4 million (2020: £204.8 million) driven by a growth in prepayments relating to a number of initiatives relating to the manufacture of capital assets such as advance payments, prepayments for long lead items and a virtual warehouse to hold some assets prior to delivery to CFCs under construction. There were also increases in the amounts owed by Solutions clients and an increased tax debtor for Ocado Retail. Included in trade and other receivables is £70.7 million (2020: £73.8 million) of amounts due from suppliers in respect of commercial and media income, of which £50.9 million (2020: £56.3 million) is within trade receivables, £19.8 million (2020: £17.5 million) within accrued income.

The Group had **cash and cash equivalents** totalling £1,468.6 million (2020: £2,076.8 million including treasury deposits) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,828.4 million (2020: £1,405.2 million), with net debt at the period-end of £(359.8) million (2020: £671.6 million net cash). We believe that the year-end cash and cash equivalents provide sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term. As we implement our growth plans, we expect further funding will be required in time to deliver additional CFC investments.

£ million	2021	2020
Cash and cash equivalents	**1,468.6**	1,706.8
Other treasury deposits	**–**	370.0
Total	**1,468.6**	2,076.8

Total contract liabilities of £378.5 million (2020: £299.3 million) relates to Solutions contracts, payments made for performance-based delivery, or progress payments on ongoing service delivery. Where invoicing is greater than the revenue recognised at the end of a period, a contract liability is recognised for the difference. Within accrued income, £0.2 million (2020: £1.6 million) is due from our Solutions customers.

Trade and other Payables decreased by £29.7 million to £393.2 million due to decreases in supplier payables.

Borrowings increased to £1,300.0 million (2020: £997.4 million) following the successful raise of £500 million of Senior Unsecured Notes in October 2021, of which part of the proceeds were used to repay the remaining £220.8 million balance from the £225.0 million senior secured notes that were raised in June 2017.

Lease liabilities increased to £528.4 million (2020: £407.8 million) driven by growth in CFCs and necessary vehicles to support our expanding network.

Net deferred tax moved by £21.5 million from a net asset of £4.3 million to a net liability of £17.2 million mainly due to the recognition of a deferred tax liability on the fair value adjustment for intangible assets arising on new business acquisitions in the US. UK deferred tax assets have reduced due to the net impact of the capital allowance super-deduction and the future UK corporate tax rate change, both announced in the March 2021 Budget, while overseas deferred tax assets have increased due to recognising deferred tax on some tax losses.

Subsequent Events

Autostore Litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company then owned by the United States private equity firm Thomas H. Lee Partners, L.P., filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission, and the United States District Court for the Eastern District of Virginia. The Group initially learned of the filing of these claims through the media. Once the position had been examined we notified the market that we did not believe Ocado has infringed any valid patent rights of AutoStore.

Later that month AutoStore applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system. The UK IPO declined to hear the entitlement application, with the consent of both parties, and Autostore subsequently filed the same claim in the High Court. No directions hearing has yet taken place in respect of that claim, and we do not expect it to come to trial before 2023.

The Group's initial analysis on patent infringement still holds true. Ocado is confident in the merits of its defences and in the integrity of its existing portfolio of IP, together with the disciplined approach taken to building its capabilities over the last 20 years. It is taking appropriate action to defend against these claims and to protect its own intellectual property rights.

The Group has subsequently brought two separate proceedings against AutoStore in the United States: the first a patent infringement claim; the second an antitrust claim. In the antitrust claim, the Group has alleged, based on the evidence available, that four of the five AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office.

The Group filed Opposition proceedings in the EPO against all six of the Autostore patents asserted against us in the UK Proceedings. Three of the six patents have thus far been revoked by the EPO, two have been maintained (one only on condition that narrowing amendments were made) and the final patent will not be considered until the end of 2022. On 21 January 2021, proceedings by AutoStore and another party to declare invalid the Ocado's European patent for its Single Space Bot (part of the OSP system) was rejected by the European Patent Office, and the patent was declared to be novel, inventive and valid. A further attempt by Autostore to invalidate an Ocado patent on an element of the OSP system failed in June 2021.

On 13 December 2021, the judgement of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. The judge's findings have been appealed to the ITC. The final ITC decision will not be issued until April 2022, however Ocado continues to have faith in the merits of its position and the correctness of the judge's findings. Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe.

AutoStore's 1 October 2020 infringement claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). On 14 January 2022, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counterclaim in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

The trial is scheduled to begin in the High Court in two parts, on 18 March and 28 March respectively. Autostore applied in late January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until 2023.

Ocado filed claims against three Autostore companies in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). The German system is bifurcated in that the question of validity of IP rights is adjudicated separately from the question of infringement of those rights. Our infringement claims have been stayed pending the determination of the validity hearing.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims.

Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor contingent liability.

Update on Convertible loan note with Wayve Technologies Limited

On 7 January 2022, Wayve Technologies Limited ("Wayve"), a company in which the Group holds a minority interest, successfully completed its Series B Fundraising. This resulted in the Group's convertible loan note converting into equity. There is no impact on the Group's warrants in Wayve. Following the conversion of the notes, the Group holds 2.17% of the total issued share capital of Wayve.

Section 172(1) Statement

Promoting the success of the **Company** for the **benefit** of all its stakeholders

Ocado's vision is "to be the indisputable leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond". In order to deliver on this vision, we must understand who our stakeholders are, build relationships with them and ensure we deliver on what matters to them. We rely on the confidence and trust of our stakeholders to operate sustainably in the long term.

The Board of Ocado Group plc is subject to all of the duties codified in law, which includes the duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and the matters set out in Section 172(1) of the Companies Act 2006 ("Section 172(1)").

The Board considers its duties under Section 172(1) at each Board meeting. A reference to Section 172(1) and the duty to consider stakeholder interests is highlighted in each meeting and recent changes to the structure of Board papers formalises the requirement to provide an assessment of the effect on stakeholders in proposals submitted to the Board. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected. These decisions are recorded in the Board meeting minutes.

The Board recognises the risk to the long-term success of the Group if its relationships with stakeholders are affected. However, the Board and the Group as a whole was quick to respond to the challenges created by the global pandemic and it has made and developed even stronger working relationships during this challenging time.

In the 'What ESG means to us' section on page 14, we detail those ESG issues most material to Ocado Group, drawing on a materiality assessment undertaken in 2020, the Board has approved a refreshed ESG strategy consistent with our mission to 'change the way the world shops, for good'.

The Group has adapted to a change of working practices throughout the year and keeps engagement practices under review. The Board use a range of engagement mechanisms in order to understand and consider our stakeholders' views in the oversight and decision-making of the Board. In some cases, the Board engages directly with stakeholders (predominantly with the workforce and with investors), but there is also significant engagement at both the Senior Management and operational level of the Company. The Board maintains oversight of this engagement and generally one Executive Director sponsors and supports Senior Management with respective stakeholder relationship management. Further, the Board receives reports and updates on such engagement from management and is given the opportunity to challenge these findings at Board and Committee meetings. This information is used to inform discussion and decision-making.

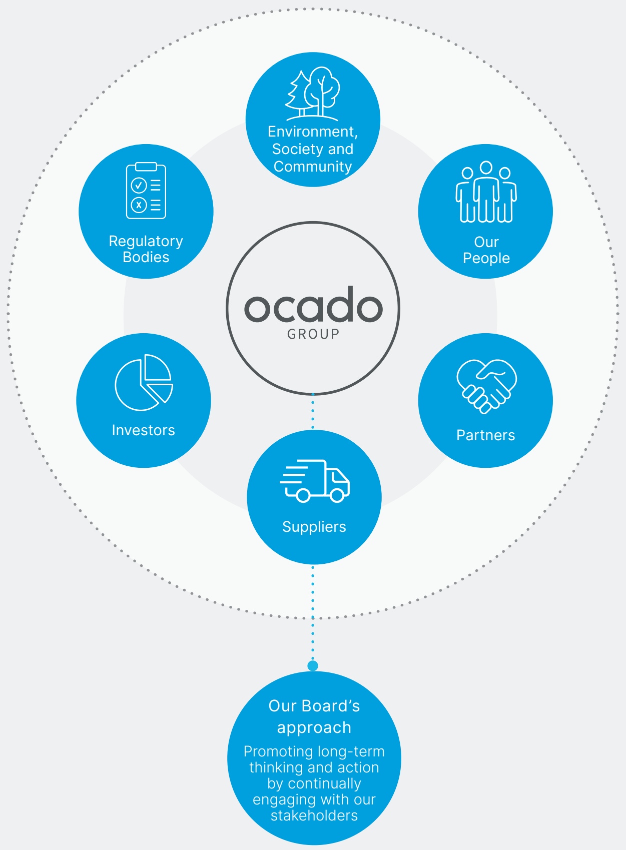
In assessing the composition of the Board, the Chair and the Nomination Committee are keen to ensure that the skills and experience of the Board match the interests of those principal stakeholders.

See the table on pages 117 and 118 for Key Board activity, Principal Decisions, Section 172(1) factors and the corresponding case study.

Further information can be found in Engaging with Our Stakeholder Groups on pages 60 to 65, Board Activity and how it links to culture on page 109.

Read more about what ESG means to us and our stakeholders on pages 14 and 15 and for more on our TCFD reporting on page 69.

Our Key Stakeholders



Whilst the Board does not currently identify formal metrics to assess the effectiveness of its engagement with all of its stakeholders, it does have clear lines of communication with all of its stakeholder groups and is confident that through these methods any issues and concerns are identified and addressed. As referred to in the Strategic Report, the ESG Committee has plans to put robust ESG KPIs into place in the year ahead. The Board reviews a detailed analysis of its stakeholders annually and, from this and by considering the Group's strategy and wider market conditions, is able to identify whether there have been any changes to the material interests for each stakeholder. From this, the Board identifies whether the engagement mechanisms with them are still relevant and effective.

This Statement incorporates and should be read in conjunction with 'Engaging with our Stakeholder Groups' on the following page and with the table on page 117 which demonstrates key Board activity and principal decisions taken during the year and specifically how they take into account Section 172(1) (a) to (f).

Ocado Retail Limited ("Ocado Retail")

We recognise Ocado Retail as a unique stakeholder for the Group. Ocado Retail is a 50:50 joint venture, which was formed in August 2019 between Ocado Group and M&S. It combines Ocado Retail's leading UK online grocery service with the M&S food innovation expertise and extensive customer base, to create an unparalleled proposition for the UK consumer. Powered by Ocado Group's OSP and logistics services, the joint venture is set to continue to transform online grocery in the UK.

Ocado Retail has its own governance framework which sits independent to either of its shareholders. For more detail on this see the Ocado Retail website at ocadoretail.com and the Ocado Retail Limited Annual Report and Accounts.

Our Board engages regularly with Ocado Retail, receiving updates from CEO Melanie Smith at a number of Board meetings. The report provides detail on trading performance of the business, the progress against the strategic priorities, as well as updates on employee engagement, customer behaviour and supplier relationships.

Group CEO Tim Steiner is the Chair of Ocado Retail, maintaining an oversight of the key operations of Ocado Retail and supporting the strategic relationship between the Group, Ocado Retail and M&S.

For more information on Ocado Retail, see page 44.

For more information for Conflicts of Interest, see page 115.

Further information as to how the Board has had regard to S172(1)(a) to (f) can be found in the following pages:

Engaging with Our Stakeholder Groups

The table below highlights some of our key stakeholders. We discuss why these stakeholder groups are so important to us and outline some of the key issues that we believe that are material to each stakeholder group. Further, we outline both how the organisation and, more specifically, the Board engage with these groups.

See the table on page 117 for key Board activity and principal decisions in the year taken in 2021 and S172(1) factors and corresponding case study.

Our People

Why We Value Them

Our people bring a diverse range of experience, expertise and perspectives that contribute to the values and culture of Ocado, and are essential for the delivery of our strategic objectives. It is vital for Ocado's continued success that we maintain an environment where our people feel valued, motivated, and able to thrive.

Material Interest

- The Group caring about their wellbeing.
- Being offered flexibility and choice.
- Having opportunities for growth and development.
- An inclusive and diverse working environment.
- Fair reward and recognition.
- Having a voice and feeling heard.

How the Group Engages

Our continuous listening strategy ensures that we champion the voice of our people and put them at the heart of everything we do.

- Our new listening and engagement platform, Peakon, enables us to continuously gather employee feedback and take more timely, responsive and focused action. All our people have the opportunity to confidentially share their views, and our managers and leaders have the ability to engage and plan action on insights shared. Over 12,000 of our people have shared their views, providing thousands of feedback comments that help improve our people's experience of working at Ocado Group. This year, 1,475 managers actively used Peakon to listen and engage with their teams.
- We have regular engagement with employee representatives across our organisation to explore and understand feedback from our people, including:
  – Engaging with 70 listening champions across our global client business who work with their leadership teams to explore listening and engagement insights and plan positive action.
  – Supporting and engaging with 80 employee representatives in our Logistics Council. This year, we've held 74 meetings and held working groups on key topics such as routing and rosters. The biannual National Logistics Council meeting is attended by our Designated Non-Executive Director for workforce engagement and Ocado Group Executive Directors from the Board.
  – Enabling and championing our inclusion communities and our Designated Non-Executive Director for workforce engagement meets with community chairs biannually.
- The Speak Up whistleblowing hotline allows employees to confidentially raise any concerns or issues.
- Various methods are used to communicate to all employees, including Slack, which connects employees globally, enabling people to communicate and collaborate, and simplify working together; Fuse, our Company intranet system, which provides a range of useful information for employees and updates on the performance of the Company and other business matters.

How the Board Engages

- Andrew Harrison, the Designated Non-Executive Director for engagement, regularly engages with our people and people experience teams, including:
  – Chairing the biannual National Logistics Council meeting;
  – Engaging with the inclusion communities and meeting biannually with the community chairs; and
  – Monthly meetings with the Heads of People and Global Culture, Engagement and Development teams to review listening insights and plan proactive engagement.
- CEO Tim Steiner and the Executive Group provide regular live updates via our extensive livestream programme, which provides in-the-moment engagement with our Executive Directors globally and locally, enabling employees to ask questions on topics of interest.
- All significant new policies are considered by the Board, notably, our Work from Anywhere Policy. For those who can work remotely, we have enhanced our agile ways of working, offering our people the choice to work from another location or country for up to 30 calendar days in a calendar year. This was introduced in June 2021 following Board endorsement, opening up a worldwide workspace and giving our people the freedom to be closer to family, expand their horizons or simply have a change of scenery.
- Update reports at each Board meeting on people matters including culture, wellbeing, diversity, talent and engagement.
- Regular updates to the Board on health and safety matters. This year, regular updates were given and discussions undertaken on the introduction of measures to protect employee health in light of Covid-19.
- Regular Board discussions were had on the Group's response to market challenges for recruiting, engaging and retaining our employees, and particularly in areas of high business growth notably Technology and Ocado Logistics.

Investors

Why We Value Them

Our current and potential investors ensure our continued access to capital. It is important to maintain regular and constructive dialogue to communicate Ocado's strategy and business objectives in order to promote investor confidence.

Material Interest

- Financial and operating performance of the business.
- Understanding the purpose, values and culture of the Company.
- Understanding the risks and opportunities that affect Ocado's strategy and performance.
- Long-term sustainable and profitable growth of the Company.
- Good governance and transparency.
- Competitive advantage of technology.
- Execution risk.
- Talent acquisition.
- Climate change; notably carbon emission and the move to TCFD reporting.
- Diversity and inclusion and, in particular, the gender imbalance on the Board.

How the Group Engages

- Regular discussions with, and briefings for, investors and analysts including investor roadshows to discuss deals such as the debt raising.
- Broker hosted Fireside chats with Stephen Daintith and/or Tim Steiner.
- Information is provided to shareholders, potential investors and investment analysts regarding our strategy, performance and business through our website (which has been relaunched this year), press releases, regulatory news announcements, shareholder circulars and quarterly, half year and annual results.

How the Board Engages

- Introduction meetings for those shareholders who have requested them with our new Chair and CFO.
- Our Directors and Investor Relations team attend investor conferences and one-to-one investor meetings and respond to particular shareholder queries to communicate our business and understand the interests of our investors. Due to Covid-19 restrictions, most engagement events this year have been held digitally, which brings the added benefit of being inclusive and making additional meetings possible.
- The Board reviews and approves material communications to investors, such as trading updates, results announcements, the Annual Report and Accounts, and significant business events.
- Engagement by Committee chairs on significant matters related to their areas of responsibility.
- Regular updates to the Board on market sentiment, investor relations activity, and share price performance.
- Due to Covid-19 restrictions, the normal full Director attendance at the 2021 Annual General Meeting was not possible; however, all Directors attended either virtually or in person.
- Direct conversations between investors and both the Group Company Secretary and the Remuneration Committee Chair as part of the AGM preparation with discussion topics including gender on the Board and wider remuneration discussions.
- Consultation with shareholders on the 2022 Remuneration Policy. For more detail see pages 147 and 176.
- The Board has formed an ESG Committee which has TCFD reporting as one of its responsibilities.

STRATEGIC REPORT
Contents

Engaging with Our Stakeholder Groups

Partners

Why We Value Them

Building trusted partnerships through ongoing dialogue and shared learnings helps us to better understand the needs of our partners and to develop and improve our offering to continue to provide cutting-edge solutions.

Material Interest

- Innovation.
- A flexible offering of potential options for fulfilment.
- Product development.
- Quality and financial performance.
- Supply chain management.
- Building a long-term relationship.

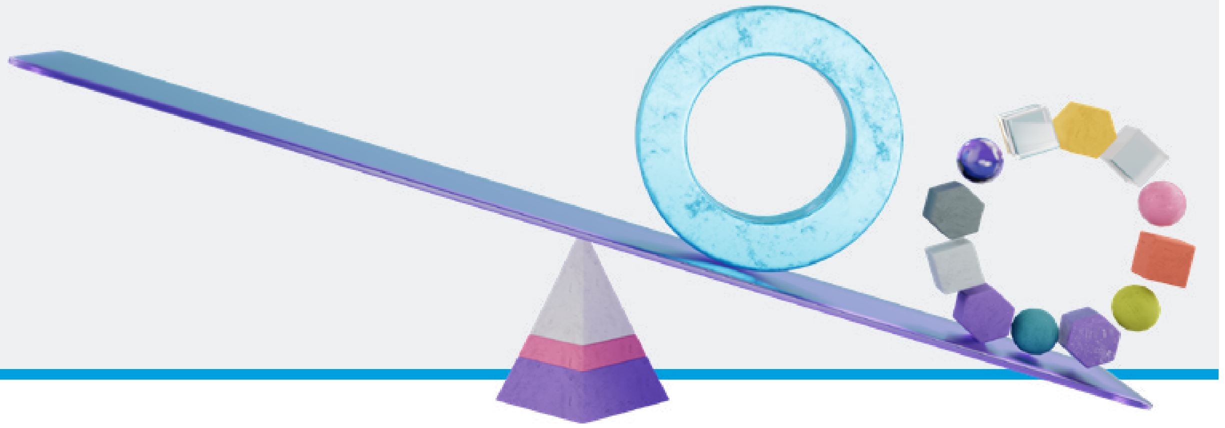
How the Group Engages

- Direct engagement with Senior Management, procurement managers and commodity managers, as well as broader engagement in operations across the business as relationships with our partners develop, and the global CFCs are becoming operational.
- Corporate responsibility and ethics reporting.
- Setting KPIs and providing feedback during ongoing projects.
- Bringing together representatives from all our global partners as part of the OSP Leadership Club to work collaboratively and discuss experiences of shared importance, building our understanding of partners' needs.
- Working with our partners on press releases and updates on projects undertaken.

How the Board Engages

- Our Chair, Rick Haythornthwaite, travelled to Sweden earlier in the year with other members of the Board and Senior Management, and met with one of our partners, Kroger, looking at our latest generation of hardware design that uses additive manufacturing.
- Regular Executive Director engagement with the senior executives of partners, including quarterly executive leadership meetings between all global partners.
- Board review and approval of any significant partnerships or orders by current partners.
- Update reports at each Board meeting on partner relationships and progress of their operations and ongoing projects.

There were not as many Non-Executive Director visits to partner sites as we would have liked during the year due to pandemic restrictions, but these will resume as soon as it is safe to do so.



Suppliers

Why We Value Them

A strong supply chain is critical to our business as we rely on our suppliers to be able to meet the needs of our partners and ensure that we can meet our shared targets for growth and development across our network.

Material Interest

- Building a long-term relationship.
- Success and growth of Ocado's business.
- Fair trade.
- Social, environment and ethical impacts.
- Equitable supply chain practices and anti-bribery and corruption policies in place.
- Ability to collaborate.
- Prompt and accurate payment.

How the Group Engages

- Our on-boarding process provides two-way communication to build relationships with our suppliers, and through auditing across our supply chains we can ensure that high standards are maintained.
- We are currently developing a supplier on-boarding manual to help suppliers understand and meet Ocado's required standards.
- Corporate responsibility and ethics reporting.

How the Board Engages

- Regular reporting to the Board by management on managing supplier relationships and efforts needed to ensure continuity of supply of key components and delivery of products and equipment to new and expanding sites; a particular focus this year given the difficult global trading conditions experienced. Reviewing contingency arrangements for alternative suppliers and manufacturers for the North America business given the potential impact of the ongoing Autostore litigation.
- Direct engagement with the senior executives of suppliers by our Executive Directors, and regular contact with suppliers from our procurement managers provides an ongoing dialogue to address any issues or potential issues. For example, Tim Steiner and Mark Richardson enjoy a peer-to-peer level relationship with key suppliers including Flex and Jabil. Once Covid-19 restrictions were lifted, they were able to meet with the sector president at Flex to review performance and discuss matters such as threats in the external market and to discuss the future relationship. A similar meeting is being planned with Jabil in the new year.
- Executive Director sponsorship of the Senior Management relationship with Suppliers (Solutions). For example, Senior Management holds quarterly business reviews ("QBR") with key suppliers (determined by turnover and business risk). If there are any material changes to these relationships, these are fed directly back to the executive sponsor, namely Mark Richardson. Further, the outcome of these QBR engagements are fed directly to the Board by way of formal reports.
- The Board oversees prompt payment practices. Filings are made every six months and in line with government requirements must be approved by a named Director prior to filing. Currently these filings are approved by Stephen Daintith.

Engaging with Our Stakeholder Groups

Environment, Society and Community

Why We Value Them

Making a meaningful contribution to the wider society enables us to create stronger communities and have a positive environmental and social impact. Engagement with non-governmental organisations and community groups helps us to understand our impact on the wider society and the ways in which we can work together to make a valuable difference.

Read more on What ESG means to us on page 14 and on Corporate Responsibility including carbon efficiency improvements, GHG Emissions and TCFD reporting on pages 66 to 72.

Material Interest

- Environmental and social issues, including climate change, carbon emissions, food and road safety, human rights, waste management, and recycling.
- Legal and regulatory compliance of the business.
- Responsible sourcing and procurement practices.
- Having a positive impact on the community.
- Environmental and socially responsible business practices and credentials.

How the Group Engages

- Corporate Responsibility reporting on our website, including carbon, modern slavery, education and Code for Life, as well as the Ocado Foundation.
- Code for Life as a free education resource for children, students and teachers. Significant changes to Code for Life in the last 12 months, has given a complete refresh, with more metrics being reported, and a greater encouragement to independent learning for student, parents and teachers keen to learn.
- The Ocado Foundation, the home of Ocado Group's charity, employee and philanthropic activities.

How the Board Engages

- Executive sponsorship of the ESG Committee by both Neill Abrams and Stephen Daintith. Senior Management frequently meet with investors to discuss their concerns including carbon, responsible sourcing as well as broader ESG concerns. During the year, it was evident that a big concern of investors on these issues was how we were managing carbon as a rapidly growing business.
- Our Chair, Rick Haythornthwaite also accompanied Senior Management and met with Blackrock earlier in the year to discuss diversity and inclusion, carbon and the new Corporate Responsibility strategy "Ocado Unlimited".
- Neill Abrams met with several MPs in light of the Covid-19 pandemic to discuss issues that concerned both the MPs and their constituents during a period of great unrest for the grocery industry. Reaffirming relationships and forging new ones with newly appointed MPs was valuable in discussing current and future risks to our business, including that of local community issues, wider concerns regarding responsible sourcing and pay, as well as a greater understanding of work and activity by Ocado in their local constituencies.
- Rick Haythornthwaite and Neill Abrams, together with Senior Management, met with Andrew Griffiths, UK Government Net Zero Business Champion, as part of our campaign to be net zero carbon emissions by 2040.
- As a result of the engagement with this stakeholder group, key issues and recommendations they have raised (including carbon emissions, diversity and inclusion and corporate responsibility) alongisde the materiality assessment that we carried out in 2021 with all of our key stakeholder groups, have formed the consideration of our ESG Strategy.

Regulatory Bodies

Why We Value Them

Active and regular engagement with the government and our regulators globally helps to ensure we understand changing regulatory requirements and can maintain a constructive dialogue to meet these requirements.

Material Interest

- Legal and safe operations and compliance with relevant regulations.
- Worker pay and conditions.
- Waste management and environmentally sound practices.
- Consumer protection.
- Food and product safety.
- Health and safety.
- Brexit compliance and monitoring.
- Privacy and security.
- Global perspective.

How the Group Engages

- Direct engagement with regulators, mainly written, including seeking sign-off approvals, reporting breaches, annual technical submissions, making formal requests for information, and compliance with investigations. The range of concerns include operational safety concerns in the Ocado Logistics business, fire and construction compliance for new CFCs and installations and compliance with personal data and security requirements for the OSP business.
- Establishing and maintaining key contact relationships with the Company's main regulators.
- Confirmation and updates on the Company's compliance with regulations through our website, regulatory news announcements and the Annual Report.
- Engagement with the British Retail Consortium, Tech UK, and other trade associations, including, this year, over the grocery retail industry's response to Covid-19.
- As our operations are becoming more global there is an increasing focus on the need to engage with local regulators globally and how best to achieve this.

How the Board Engages

- The Board oversees the regulatory and compliance framework.
- The Board is informed of relevant governance, legal, regulatory and compliance matters, including updates on preparations for the UK's withdrawal from the EU during the year.
- The Board receives regular updates relating to regulatory issues concerning operational and construction safety incidents, fire and food safety compliance in CFCs and data privacy and security issues and investigations.
- As is usual practice, direct engagement with regulators is not necessarily required by the Board who delegate the various regulatory relationship management to the appropriate Senior Managers.

Corporate Responsibility

Our strategy for moving towards a **sustainable future** is Ocado Unlimited

This strategy continues to hold the UN Sustainable Development Goals ("SDGs") as a central framework, and we have strong commitments in support of the SDGs.

Our alignment to the UN SDGs:

4 QUALITY EDUCATION

Ensure inclusive and equitable **quality education** and promote lifelong learning opportunities for all

Our Commitments

Share our skills and capabilities to ensure that everyone can learn today the life skills they will need tomorrow

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to **affordable, reliable, sustainable and modern energy** for all

Our Commitments

100% renewable purchased electricity sources by 2023

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable **economic growth, full and productive employment and decent work** for all

Our Commitments

Work in partnership with our high risk and strategic suppliers to assess and manage our global supply chains

10 REDUCED INEQUALITIES

Reduce inequality within and among countries

Our Commitments

Provide opportunities to address basic life skills. Prepare the next generation for a tech-first world and increase homegrown talent

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure **sustainable consumption and production** patterns

Our Commitments

Undertake a supply chain risk mapping exercise, using third-party expertise, based on country and product categories

13 CLIMATE ACTION

Take urgent action to combat **climate change** and its impacts*

Our Commitments

Become a net zero business in our operations by 2035 and value chain by 2040, and in the coming year will publish waste, water and biodiversity strategies

Ocado Unlimited has three pillars.

Each pillar identifies the areas where we have a significant impact, a great opportunity to make a difference and an ability to use our expertise for greater environmental and societal change.

Ocado Group Corporate Responsibility Strategy:

In support of the wider ESG work, much of the CR Strategy aligns closely with progress made in the roadmaps and workshops undertaken as part of the ESG strategic roadmap. Notably, carbon and energy efficiency, as well as responsible sourcing and local community engagement. Further details can be found below and in the Strategic Report section on pages 14 and 15.

1 Natural Resources

We will use our expertise and insight to enable partners to reduce their impact on the planet, whilst radically reducing the impact of our own operations.

Focus Areas:

Climate – responding to the climate crisis and mapping our resource usage

Operations – reducing the climate impact of our operations

Innovation – investing in new technologies and innovating for good

2 Skills for the Future

We will share our skills and capabilities to ensure that everyone can learn today the life skills they will need tomorrow, providing opportunities to address basic life skills where we feel, as a business, we can contribute time or expertise.

Focus Areas:

Enabling – reading as a basic necessity to get on in life

Safety – keeping the communities we live and work in safe

Connected – getting people online and targeting the digital divide

Digital literacy is not just for software developers and engineers, it's a skill that everyone needs to participate fully in society and the economy. Our goal is to empower others to get ahead in life, supercharging the next generation of talent with the most powerful tool we know: technology.

Focus Areas:

Accessibility – creating more equitable opportunities for marginalised groups

Motivation – inspiring the next generation of STEM leaders

Skills – upskilling learners and educators to be ready for the future of work

3 Responsible Sourcing

A tech company putting people first, we go further to create a positive impact for everybody across our supply chain.

Focus Areas:

Managing risk – mapping and assessing high risk products and materials

Modern slavery – tackling forced labour and human trafficking

Human rights – stepping up our commitments to human rights within our supply chain

Corporate Responsibility

1 Natural Resources

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

Energy efficiency and carbon emissions is one of our key material issues. It is underpinned by our carbon strategy which we published this year, and outlines our commitments to net zero in our own operations by 2035 and within our value chain by 2040.

The carbon strategy is underpinned by workstreams across the business, ranging from fleet and buildings to automation and real estate – building a solid foundation for low carbon and energy efficiency becoming 'business as usual'. Extensive work has been undertaken in carbon reporting and governance to build a framework that can subsequently be used beyond carbon for wider workstreams, notably the other materiality issues.

Our relationship with Ecometrica continued for the sixth year, providing a centralised data management system for carbon emissions from our CFCs, spokes and vehicles. Within 2021, we expanded our use of the system to include, for the first time, scope 3 reporting, and we intend to include this in future reports.

Compared to 2019/20 there has been a 8.08% increase in our location -based scope 1 and 2 total carbon emissions. The financial year included acquisition of two companies (Kindred and Haddington Dynamics), CFCs increasing in their ramp-up, as well as delivering more orders than ever. Our location-based intensity measure of tCO_2e per 100,000 orders has decreased from our 2012/13 baseline by 40.65% as we continued to invest in energy and carbon saving measures such as increasing our LED lighting use, continuing electric van trials and increased governance in this area. In 2020, due to the Covid-19 pandemic, our order sizes changed as customers purchased greater basket sizes. As a consequence, and in order to try and reflect the changing dynamic but continue to consistently report, we introduced a tCO_2e per 100,000 normalised orders, to more accurately reflect this. As the Covid-19 pandemic continued into 2021, we have continued this reporting for this financial year.

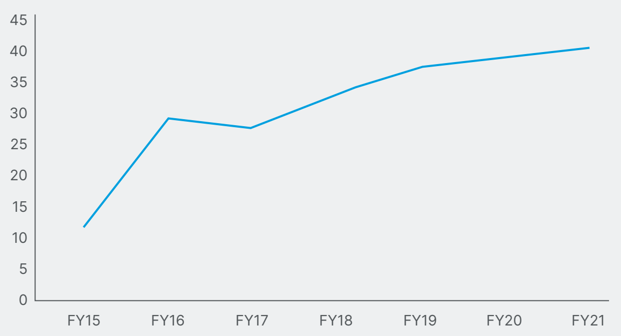
99.4% of our total energy consumption (from scope 1 and 2 sources) is UK based with only 0.6% being non-UK based. Our location-based scope 1 and 2 emissions are also predominantly UK based with 99.02% of our footprint originating here and only 0.98% from other worldwide operations. These emissions derive mainly from our fleet, accounting for 70.73%, followed by electricity at 19.20%.

This is the fifth year we partnered with The Carbon Trust to carry out a limited assurance engagement on selected GHG emissions data in accordance with ISO 14064:3 (see table below).

GHG Emissions

GHG Emissions (Tonnes CO_2e)	2020/21	2019/20	2012/13
Scope 1 – Direct	**94,912**	87,038	39,530
Scope 2 – Indirect			
Location-based	**22,549**	21,644	21,613
Market-based	**1,385**	729	N/A
Total Emissions (Location-based)	**117,461**	108,682	61,143
Intensity Measure (Tonnes of CO_2e/100,000 orders)			
Location-based	**489**	501	823.4
Market-based	**401**	404	N/A
Intensity Measure (Tonnes of CO_2e/Normalised 100,000 orders)			
Location-based	**415**	398	730
Market-based	**340**	321	N/A
Energy (MWh)	**470,313**	424,439	N/A

Carbon Efficiency Improvements



Under the SECR reporting requirements, we also include ORL's carbon footprint as a large unquoted company in the table (below).They are not reporting on any energy efficiency measures this year, but plan to in future reports. Their footprint is solely UK based and total energy consumption for 2020/21 is 1,697,458kWh.

Emissions (Tonnes of CO_2e)*	2020/21	2019/20
Scope 1	**116.73**	91.39
Scope 2 (location-based)	**215.17**	198.27
Scope 2 (market-based)	**–**	–
Scope 3 – business travel where responsible for fuel	**11.51**	7.70
Intensity measure – Tonnes CO_2e per 100,000 orders	**1.82**	1.77**

* Uses WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard revised edition methodology with an operational control approach, using UK government GHG conversion factors

** This figure has been restated since the previous annual report to include orders from Ocado Zoom.

We are delighted to have participated in CDP's Climate Change Disclosure Submission for the fifth consecutive year and to have achieved a score of a B.

B	B	B	B	C
21	20	19	18	17

CDP

470,313MWh
Global energy use in 2021 from scope 1 and 2 sources

Waste Management

We continue to ensure food waste is handled in a responsible manner, and we remain committed to ensuring that no edible food goes to landfill and all edible food is redistributed.

As in previous years, a very small amount of food items in our CFCs was wasted, a figure we continue to be proud of. During FY 2021, it remained at only 0.6% of sales.

During the year, we intend to produce and publish a waste strategy addressing operational waste, with metrics that will be reported on.

Read more about **Natural Resources** and our net zero targets at www.ocadogroup.com

Task Force for Climate-Related Financial Disclosure ("TCFD")

We recognise climate change as a principal risk for Ocado, posing a global threat and also a threat to our business and our supply chains. Further information is set out below on the risk and how we are addressing it, and in the How We Manage Our Risks section of this year's reporting. We welcome the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations and have updated our risk management process to enhance our assessment of the potential implications of climate change on our business and its operations. In addition, we have undertaken an independent gap analysis of our reporting against the TCFD recommendations to provide a roadmap for full alignment with the objective of how we can further improve our reporting and disclosures in respect of how we are addressing the risk of climate change. More detail is set out below.

Full TCFD disclosure will be provided in our 2022 Financial Statements which is the first year to which mandatory TCFD reporting applies under FCA guidance.

Governance

The Board recognises that, as a FTSE 100 company and given the far-reaching and global nature of our business, we need to be at the forefront of tackling climate change and support for the transition to the low carbon economy. It also recognises that we need to accelerate our position, and so have initiated a business-wide response to ensure a joined up approach to Net Zero. The Board takes overall accountability for the management of risks and opportunities, which includes climate change. Our Executive Board member, Neill Abrams, has responsibility for oversight of our climate change agenda and is chair of the ESG committee. He, along with Stephen Daintith, our CFO, maintains oversight of our Net Zero and climate risk management activities and reporting. Our committees are described in more detail within the Division of Responsibilities section.

The ESG Committee met four times during the year and received regular updates on our commitments and performance. The Risk Committee also received key updates twice during the year relating to the management of climate-related risks and opportunities this year, as part of TCFD and broader business and risk updates.

Strategy

We have conducted a risk assessment, in consultation with relevant stakeholders across the business, to identify climate-related risks and opportunities over the short, medium and long-term. When we approached this risk assessment with key stakeholders, short-term risks and opportunities were defined as 1 to 2 years, medium-term at 3 to 10 years and long-term as 10 to 25 years. The workshops identified a long-list of risks and opportunities based on the three TCFD recommended categories of acute physical, chronic physical and transition (policy and legal, technology, market and reputation) risks and opportunities.

The long-list was assessed and prioritised via interaction and workshops with key stakeholders across the business to highlight key climate-related risks and opportunities which have the greatest potential to impact Ocado. A sample of some of the most critical risks and their impact on our business, strategy and financial planning are detailed in the following table:

Risk	Impact
Persistent weather and potential to cause disruption to business operations	Chronic heat rises may impact food handling and delivery processes, on-site refrigeration operations and cost and CFC design.
Transition to Net Zero	Impact on vehicle fuelling choices as business may need to switch from diesel to hybrid and EV fleet with access to electricity and power.
Rising sea levels	Cost to protect certain existing sites and new site selection.
Water scarcity	Potential impact to CFC food safety operations such as totewashing.
Reporting standards	Impact on internal operations and costs for work to meet new standards. Potential risk of fines and penalisation for non-compliance.

We will undertake scenario analysis next year to assess the resilience of our organisation's strategy to some of these key risks and opportunities under different climate scenarios.

Risk

This year the Board recognised climate change as a principal risk for the business. An overall approach to risk management and a summary of our principal risks can be found on page 84 of this Annual Report. The Risk Committee reviews principal and emerging risks and how they are monitored. This is supported by our Audit Committee which provides overarching assurance.

During this past financial year, emerging risk assessments were carried out across the business in conjunction with key stakeholders to ensure that climate risks are captured and embedded within our enterprise risk management processes. Looking to the future we will continue to strengthen how climate risk resilience is identified, assessed and properly embedded in our business and across its value chain.

Metrics and Targets

We have reported on our scope 1 and 2 emissions on page 68, which summarises in a tabular format these emissions for our business. Further metrics and targets will be identified as we conduct further analysis into the climate-related risks and opportunities for Ocado. Once scope 3 reporting is completed, this will also allow us to align our carbon targets with the Science Based Targets initiative (SBTi) framework. We will aim to work collaboratively with partners, the wider industry and our suppliers in the process to report on, reduce and tackle scope 3 emissions in the future.

We are committed to becoming a net zero business in our operations and value chain. To do this, we will consider carbon in all relevant and critical decisions we make as a business. The action we take will drive us forward to achieve the two goals of our carbon strategy: To be a net zero business in our operations by 2035; and to be a net zero business within our value chain by 2040. Other published milestones on our journey to these targets include achieving a Net Zero fleet by 2035, and Net Zero dry ice by 2030. During the year we published that our location-based intensity measure of tCO_2e per 100,000 orders decreased from our 2012/13 starting point baseline by 41%.

Next Steps

Plans for the upcoming months include undertaking scenario analysis to further develop our understanding of key climate-related risks on the business; increase focus on scope 3 emissions reporting; and continue upskilling of our team and the Executive.

Corporate Responsibility

2 Skills for the Future

We are passionate about STEM and digital literacy. We believe these are the true foundations of the next generation, and upskilling children and young people with skills to enable them to flourish is the backbone of any responsible technology business.

Code for Life:

Code for Life has undergone significant changes this year, refreshing and revitalising it. It is now a key backbone of this pillar – something we are very proud of.

Skills for the Future in Action

Code for Life resources and games help make a career in computer programming possible. Students as young as five can have a go!

Initiated by our very own employees, volunteering their time outside of their core roles, Code for Life is aligned with the UK curriculum and supports both teachers and students with their programming journeys. Code For Life is used across the globe, including schools in Canada, the US, Brazil and Australia. The lesson plans and resources are free to access, forever.

TutorMate

TutorMate is a unique, online, remote reading support solution for 5–7 year olds in disadvantaged areas. It is the core programme of Innovations for Learning ("IFL"), a UK registered charity, established in December 2017, which believes in the power of literacy to transform lives.

Building on the success from last year's programme, 43 Ocado Group employees from all parts of the business across the UK have signed up to read remotely with primary school children for 2021/22. A total of 826 reading sessions took place with these children over the financial year, totalling 337 volunteering hours.

Ocado and TutorMate have also this year collaborated to develop ten story books for the TutorMate platform. These stories will be read by the thousands of children across the UK, US and Canada who use the TutorMate platform each year.

Funds that would usually be spent on printing hundreds of copies of our Annual Report and Accounts will be reinvested to produce digital books about robotics and automation.

61%
RETURNED

Code for Life year on year activity	Year 1	Year 2	Year 3	Year 4	Year 5
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Data type					
Registered users	34,994	49,201	66,026	92,535	101,751
Users returning within a year	**23,124**	**31,811**	**39,175**	**51,175**	**62,188**
Not returning (registered but never logged in)	11,870	17,390	26,851	41,360	39,563
Data source:	This data is collected on user registration and logging in, and stored in our Django database. Big Query and Data Studio are used to help with data analysis and visualisation. Data acurate as of November 2021.				

3 Responsible Sourcing

Since our transition from a retail business to a fully solutions and technology-based company, we have continued to assess how we manage our responsible sourcing commitments.

During this financial year, we had vendors from more than a dozen countries supply materials, components, systems and services to our company. These goods and services were used primarily in the engineering and construction of both electronics and buildings, installation of components and machinery, information technology, transport and logistics, fuel and professional services.

Responsible Sourcing is another material issue identified, and during 2021, we have continued to build on the roadmap and workshops undertaken, including working cross-functionally to understand our supply base, our risks and where there are opportunities to learn, collaborate and greater understand.

We remain committed to embedding responsible sourcing practices throughout our supply chain. Upholding human rights is important to us and is expressed in our Human Rights Policy and employee Code of Conduct. As our business continues to grow internationally, we recognise that we may open ourselves to the risk of adverse impacts to human rights. To ensure we continue to remain diligent, we have conducted an extensive review of solutions and initiatives for evaluating suppliers on their environmental and social performance. Implementing a robust due diligence process and enacting a culture of ethical procurement will be a key focus for us in 2022.

Like many other parts of Ocado Group, during this financial year, the procurement function has continued to undergo a massive transformation. We have recruited a new Head of Procurement Policy, whose focus will be to streamline the implementation of procurement policies and processes throughout the Group, being a key stakeholder the Corporate Responsibility department having worked closely with the new position to ensure that responsible sourcing considerations are included in the transformation process.

Read our most recent **Modern Slavery Act Statement** at www.ocadogroup.com.

For a second year, we have continued our membership with techUK, a trade organisation with over 800 member companies from the tech sector across the UK, and actively engage with their responsible business conduct group; focusing on human rights and environmental supply chain due diligence, ESG reporting, international labour laws and responsible sourcing of materials and minerals.

techUK

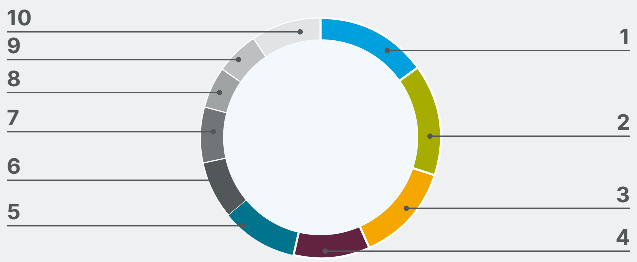
Corporate Responsibility

The **Ocado Foundation** remains the home of our charitable and fundraising activity, both internally and externally.

Employee Support

Once again, this year has come with many challenges for fundraising and volunteering. However, as always, the Ocado Foundation has supported our colleagues with their fundraising and volunteering endeavours. The figures below explain exactly how we have done this, from matched funding for voluntary hours to supporting great fundraising events wherever possible, along with donations to support education and communities totalling over £130,000.

Groups identified as a beneficiary across all funded projects (%)



1 Children	16	6 Disabled People	8
2 The General Public	16	7 In Poverty or Sick	8
3 Minority and LGBTQ+	14	8 Refugees	6
4 Young Adults	11	9 Women	6
5 Adults and the Elderly	11	10 Men	3

BizGive

In March 2021, Ocado Group joined forces with BizGive, an online platform for UK registered charities and community groups. The 'Ocado Foundation for Good' programme supports 'the many rather than the few' with grants of up to £1,000 via the BizGive platform. We help projects matching the core pillars of our responsible business: Skills for the Future, Natural Resources and Responsible Sourcing.

£16,478
Social Impact Grants disbursed

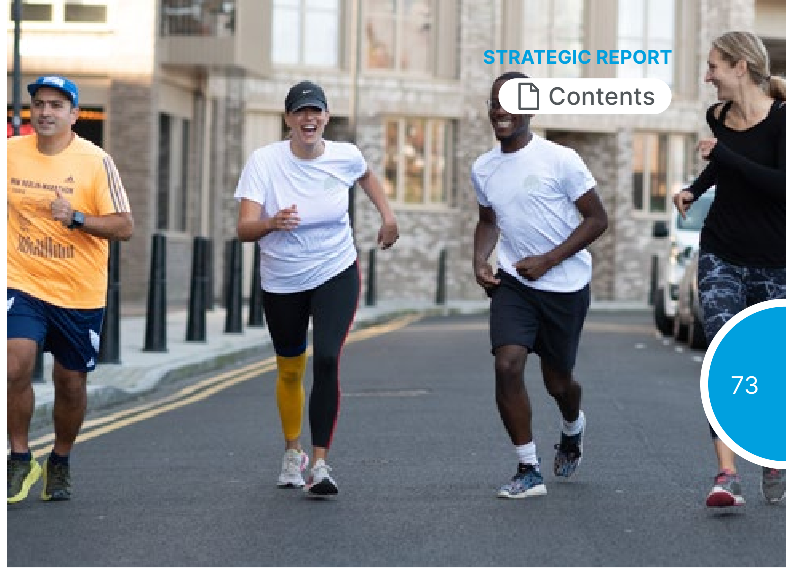
51,510
Planned Direct Beneficiaries

59,157
Planned Indirect Beneficiaries

1,287
Volunteering Hours

£135,369
Donations

280
Donated Laptops



Run Grateful

Ocado + Run Grateful Global Challenge

In February 2021, Ocado Group and Run Grateful connected with all our global employees through gratitude! The Ocado Foundation worked with Run Grateful to set a challenge of collectively walking or running 7,918 Gratitude miles – the diameter of the Earth.

What is a gratitude mile? It is a few minutes out of your day where you can combine movement, through a leisurely walk or run, with a conscious reflection on everything you're feeling grateful for in life. This resonated well with us as a business and is a programme we continue to support in 2022.

> "Connecting gratitude with my own movement over the years has brought incredible value, not only to me, but those around me, as everyone benefits if I am the best I can be more often than not.
>
> It's been incredible to work with the Ocado Group, it's been overwhelming seeing others connect with our work and share so much gratitude, especially in these uncertain times. Ocado Group has been a great partner and I thank them for believing in us and providing an opportunity for employees around the world to join us as we look to connect the world through gratitude and movement.

Mark White
Founder of Run Grateful

SHOWCASING

Resilience through Gratitude

Case Study Meet James Piper

James is an Ocado Group Product Manager based at our London office. Taking part in the Grateful Run this year enabled him to be part of a global Ocado Group team. He's passionate about looking after himself and enjoying life to the full. Running for four years, he started by setting himself a goal to run the London Marathon. Unfortunately, he suffered an injury just before the event; however, against these odds, he still managed to complete the marathon and raised funds for Age UK.

Shortly after the London marathon, James lost a very close friend to mental health; he then went on to complete a half marathon in their honour. During the pandemic, running and being grateful for life was a saviour for his own mental health.

- You can hear more about James's journey (podcast) **here**: buzzsprout.com/1751998/8368317.
- Please watch our inspiring Run Grateful video here: youtube.com/watch?v=t1s3l3pfXyA&ab_channel=RunGrateful.

Our People

We're building a **workforce** for the future

Our culture is one of the great differentiators that makes Ocado Group what it is today. Innovation, speed, smart risk taking, commercial acumen and the 'people experience' have endured 21 years, and are what we need to continue to be the amazing company that we are.

Our employees' commitment to deliver, in spite of the continuing global pandemic, has enabled us to continue to grow, innovate, find solutions and deliver world-class service.

We'd like to take this opportunity to thank every one of our Ocado Group colleagues. Our people demonstrated enormous and ongoing pragmatism and resilience as Ocado Group delivered more capacity than ever before to serve our global customers.

Our Culture

We pride ourselves on a culture in which we live our values and promote behaviours that support inclusion and equality. Working with our Designated Non-Executive Director for Workforce Engagement Andrew Harrison, we create a direct connection between our Board and our people to ensure that listening is at the heart of our business.

We call this the Ocado Spirit: it's what makes us special. It's the essence of life at Ocado Group and the glue that sticks us together. The Ocado Spirit is what's driven our success so far and is enabling us to grow and transform our business at pace globally – to build our success for the future.

We're in it together. Our inclusive community enables our people to feel a sense of belonging, part of one respectful and supportive team. We're empowered and valued, kind and understanding, honest and trusting – in it **together**.

We can be even better. We're a community of limitlessly innovative and ambitious people who drive positive change. We're pioneers, we break the mould, we push boundaries, learn fast from our mistakes and lead the way with our solutions. We inspire and challenge each other – to be even **better**.

We're proud of what we do. We deliver a fast, efficient and responsible service for our client partners, their customers and for each other. We always anticipate the future and own our decisions – **proud** of what we do.

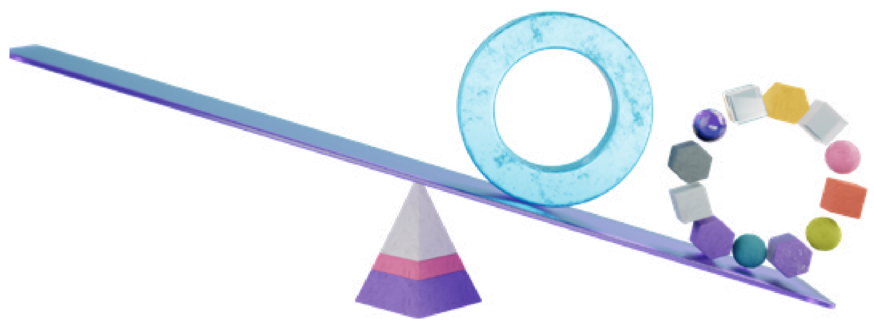
Our People Experience

We're always innovating and thinking one step ahead to deliver for our clients and their customers; this takes up a lot of energy. We work hard and at a pace few organisations can sustain as we scale globally; that's what makes us progressive. That's why we believe our current and future success is dependent on our people and we know that by putting them first, they will put our clients and their customers first.

Amazing people, **empowered**:

We empower our amazing people to bring their best selves to work. One size doesn't fit all, so we build in choice and flexibility, and focus on shaping an environment that is enabling and inclusive for all. To thrive while growing, we need to support our people to look after their whole self, so they feel happy and energised – that's what will make us successful.

Our message for our people is: **You matter**.



1. Listening to improve wellbeing

Ensuring our employees' wellbeing starts with an active listening approach. There is a variety of ways for our employees to provide feedback at Ocado Group, and our central Listening and Engagement team supports the organisation to ensure our employees' voices are heard and at the heart of everything we do.

In the last year, we launched Peakon, our organisation-wide listening tool, globally – alongside a network of Listening Champions to enhance our listening agenda. We also continue to support the UK Ocado Logistics Council to understand more about how colleagues experience life at Ocado and how to champion change.

Please see our **Statement of Employee Engagement** on page 111.

2. Building on flexibility

Insights from Peakon are shared with the Board and Designated Non-Executive Director for Workforce Engagement throughout the year to drive positive change and action. A big theme this year has centred on providing greater flexibility and choice to improve wellbeing at work and the Board has influenced and supported several key areas:

- **Flexible ways of working**
  - **Work from Anywhere** – for those who can work remotely, we have enhanced our agile ways of working offering our people the choice to work from another location or country for up to 30 calendar days in a calendar year. This was introduced in June 2021 following Board endorsement, opening up a worldwide workspace and giving our people the freedom to be closer to family, expand their horizons or simply have a change of scenery!
  - **Roster choice and flexibility** – following feedback from our delivery drivers on their shifts, 89% of our Customer service team members ("CSTMs"), on Core Roster received at least one in four weekends off in the latter half of 2021, an increase of 54% in the Summer Roster. Five-shift-per-week CSTMs (~80%) saw the biggest increase – 15% in Autumn 2020 vs. 80% in Autumn 2021.
- **Flexible benefits**
  - We launched our new Benefits+ tool in the summer, starting with our US-based colleagues. Engagement was high with almost 90% signing into the platform to look around and 80% signing up to additional services and benefits. Upon launch to our UK-based employees, our largest population, we recorded 70% signings with 21% submitting requests for additional benefits.
  - We also launched many new Ocado-funded and voluntary benefits including a salary sacrifice company car scheme that offers only electric or hybrid cars in the UK.
  - Enhanced parental leave – we conducted a global review of parental leave and pay entitlements, and increased them from January 2021, improving time and support for those combining work and family life.

Since launching Peakon last year we've captured, analysed and responded to tens of thousands of comments from our employees, as we expand our listening and feedback channels.

12,175
of our people have shared their views

Analysed over
186,000
feedback comments from our people

Held
74
Logistics Council Meetings to engage with our frontline

1,475
managers actively using Peakon to listen and engage with their teams

3. Wellbeing

Through listening, we're developing our health and wellbeing strategy. We are focused on putting the health and wellbeing of our people at the heart of everything we do through proactive support and stress risk management.

In addition to our global Employee Assistance Programmes, this year we launched a new global proactive and preventative wellbeing product that is available to all our people globally – Unmind – a digital mental health platform that provides guidance, tools and learning, as well as signposting our people to internal and external support, wherever they work.

unmind

- Our people have spent 35,000 minutes on the tools in the platform.
- 507 (93%) managers in Ocado Logistics completed mental health foundations training in Unmind.

Our People

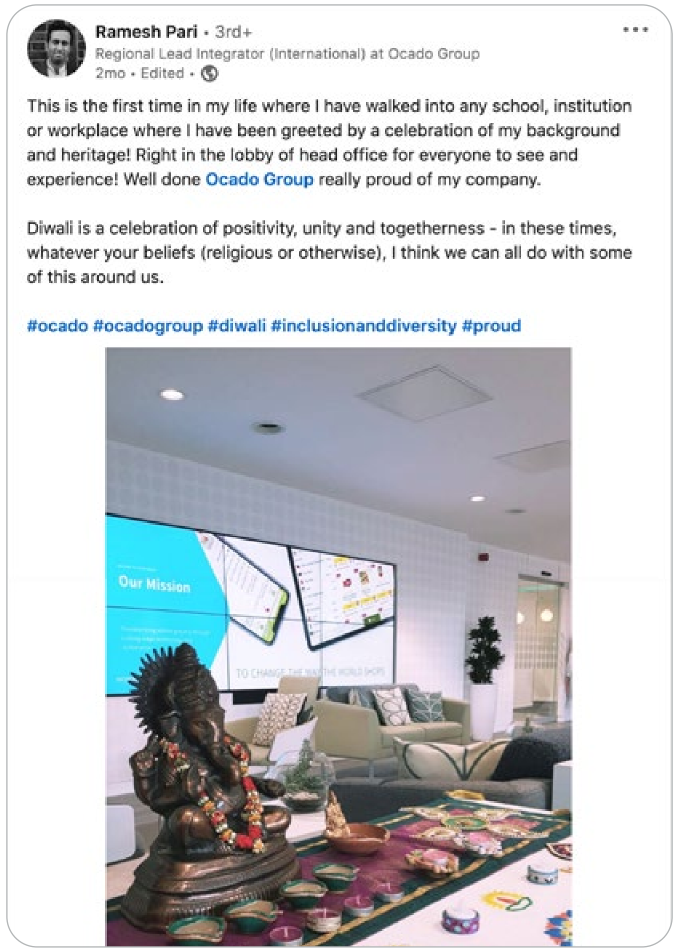
4. Inclusion to improve diversity

We are committed to ensuring that the Ocado Group workforce has the diversity of talent and expertise that it needs to enable the business to continue growing and innovating. Our Board recognises the importance of diversity and inclusion, both in the boardroom and throughout the organisation and are closely connected to the Global Culture and Inclusion team. This year, the proactive actions taken have included:

- Board review of diversity, equity and inclusion data insights;
- Board review and endorsement of the global inclusion strategy and action plans; and
- Non-Executive Director engagement with inclusion community groups.

Our inclusive culture is underpinned by a firm belief in providing an environment that allows our people to truly feel safe enough to be their authentic selves and is thereby connected to the health, safety and wellbeing of our people. Our drive to improve our inclusive culture is guided by our global inclusion strategy, which focuses on:

- **Fairness** – ensuring everyone is treated fairly and gets fair access to opportunities within Ocado Group.
- **Inclusivity** – encouraging acts of inclusion that help people feel like they belong.
- **Diversity** – enabling Ocado Group to establish a greater diversity of people across the business.
- **Foundations** – setting the foundations for data, processes and partnerships that will enable fairness, inclusivity and diversity.



Our plans need to be built on data and insight, not assumptions. This year, we have used our global listening survey to gather qualitative and quantitative information on perceptions of diversity, inclusion and fairness at Ocado Group. This has helped us form targeted actions and focus areas for FY 2022 and beyond, which were presented to and endorsed by the Ocado Group Board in July 2021.

Championing Inclusivity

Ocado Group Communities are groups of employees that are formed based on shared characteristics or common social interests. They serve as a platform for our people to connect, voice their opinions and create an opportunity to influence and create change.

Together, they create a strong sense of belonging and act as a driving force behind our inclusive culture. Our Core Communities are expanding so they can drive, influence and support our global inclusion strategy to create greater equity across under-represented groups. They are provided extra support, with access to central toolkits, and work closely with the Global Culture and Inclusion team to drive positive changes for the groups that they represent.

These Core Communities have been identified as LGBTQ+ (Pride at Ocado), Ethnic Minorities, Mental Health, Gender Equality and Parents. Communities for employees with Disabilities and a Faith group will be launched in 2022. We have worked with our Communities from across the globe to create a Culture Calendar, which identifies dates that are important to our people and core celebrations that support our strategic direction.

The Designated Non-Executive Director for Workforce Engagement meets with Community Chairs twice a year as part of our global inclusion governance forums.

Our inclusion communities are also helping to create connections every day.

Ensuring Fairness and Progressing Policies

Our Equal Opportunities Policy is dedicated to creating an environment for our employees that is free from discrimination, harassment and victimisation, reflecting our commitment to creating a diverse workforce and an inclusive environment that supports all individuals irrespective of their gender, age, race, disability, sexual orientation, or religion.

This year, we launched our Transitioning at Work Policy. We celebrated Transgender Day of Visibility with a colleague who shared her transition journey on our global communications platform, Fuse. Through a series of video stories that focus on belonging, we have brought to life our belief that no one should face prejudice and discrimination for simply being who they are.

5. Increasing diversity

The Ocado Group Board Diversity Policy set out commitments to diversity from the top. As set out in our global strategy, the Board is committed to supporting action to increase diversity across the broader organisation. Looking at the broader senior leadership population defined by the Hampton-Alexander review we have seen an improvement in female representation – moving from 24% in October 2020 (external report published February 2021) to 28% in May 2021. Moreover, where we have externally recruited new leadership talent at this level, 50% have been female. Recognising the need to better understand the diversity of our people, we have also introduced new optional diversity demographic data collection into Peakon this year, starting with the UK, US and Canada. In-depth analysis of this data is helping us understand how different groups are experiencing life at Ocado Group and inform further positive action we can take to support inclusion and increase diversity. Early insights from self-declared diversity data highlight that ethnic minorities are under-represented across our senior leadership population. We know we need to take more proactive action to increase gender and ethnic diversity at senior leadership levels. This year, we participated in Deloitte's Diversity on Boards Programmes, supporting the advancement of women and ethnic minorities in our senior leadership community. This is just one of several initiatives we are focused on to increase diversity across Ocado Group.

For more information on Board diversity see the **Governance Report** on page 122 and the **Nomination Committee** report on page 128.

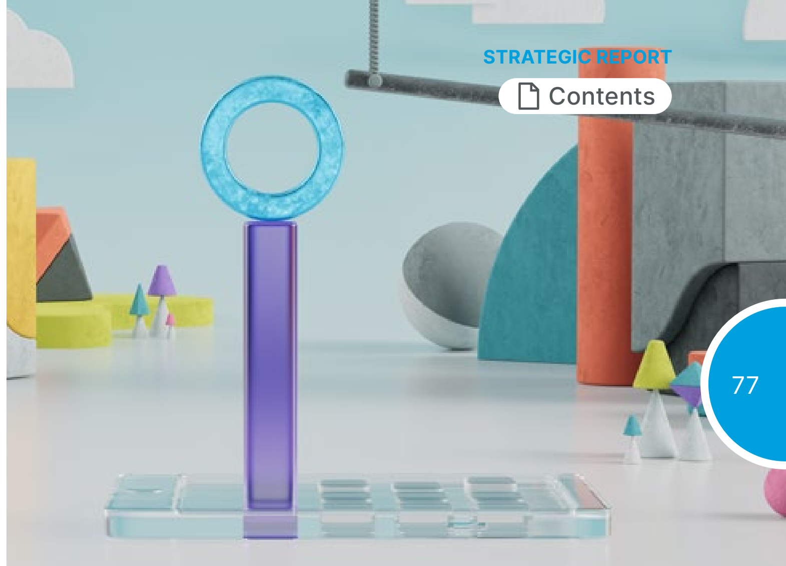
SHOWCASING

Leadership

Nurturing and growing under-represented talent

To show our commitment to more inclusion and equity within Ocado Group, we have extended our relationship with Moving Ahead from solely gender equality mentoring to also participate in their Mission Include programme.

This programme builds on the successful relationship with Moving Ahead and extends the programmes for all under-represented groups. This allows us to create a pipeline of future leaders with different lived experiences and grow our talent from within.



SHOWCASING

Leadership

Attracting **amazing** women in tech

The Gender community supports gender equality in all roles across Ocado Group. We want to help unlock everyone's full potential by bringing conversation and debate to the table around gender diversity in business.

One focus is growing female talent, especially in our main populations of logistics, engineering and technology, which are industries that struggle with gender diversity at all levels. This includes 'Women in Tech' mentoring programmes, partnering with 'SheCanCode', and investing in 'WORK180' to connect women with leadership roles in technology.

Our People

Learning and growing our shared ambition

Talent attraction and development are essential to enable and sustain our business growth. Our approach is focused on shaping a continuous growth environment where our people are always learning for themselves and from each other through iconic products.

Valuing Human Leadership

This year, we have also put a spotlight on connecting leaders (Board and Senior Management) and managers across the organisation, through new communities and communication channels. Bringing these populations together to share a clear vision of our business, now and for the future, is at the heart of Leader Connect and Manager Connect. Working together to identify and understand our business priorities, strategy and business deliverables, and the behaviours we need to be successful, is the focus of this group so together we can create an amazing experience for our people.

SHOWCASING

Leadership

In September we launched Leader Connect – a live, interactive event for 200 leaders in which our CEO and CFO shared their thoughts

Leaders were then supported to cascade clear strategic messages to their teams, functions and business areas to ensure the business is aligned.

Manager Connect is designed to help this vital group of employees to support themselves and their teams with three key elements: 'know, learn and do' shared through a monthly newsletter, Slack channel and digital 'knowledge hub' with access to more than 60 programmes delivered by ExecOnline.

We continue to grow our international clients and our acquisitions and, in this financial year, we have welcomed almost 3,000 new colleagues to Ocado Group around the world.

End of FY2021	Total No.	% New Starters
Client Business (Overall)	4,948	32%
Ocado Technology	2,316	22%
Client Services	1,009	49%
Group Operations	852	36%
Platform Implementation	645	32%
Ocado Solutions	126	54%
Logistics (Overall)	14,381	33%
Logistics (Monthly)	1,387	20%
Logistics (Hourly)	12,994	34%
(No Mission)	18	17%
Total	**19,347**	**32%**

Growing leaders and skills for the future

We recognise the need for proactive plans to identify, attract, retain and effectively deploy amazing talent to fuel our future growth. This requires robust succession plans and significant investment in senior leadership development. Our Board are engaged in plans to support talent and succession throughout the year. Actions have included:

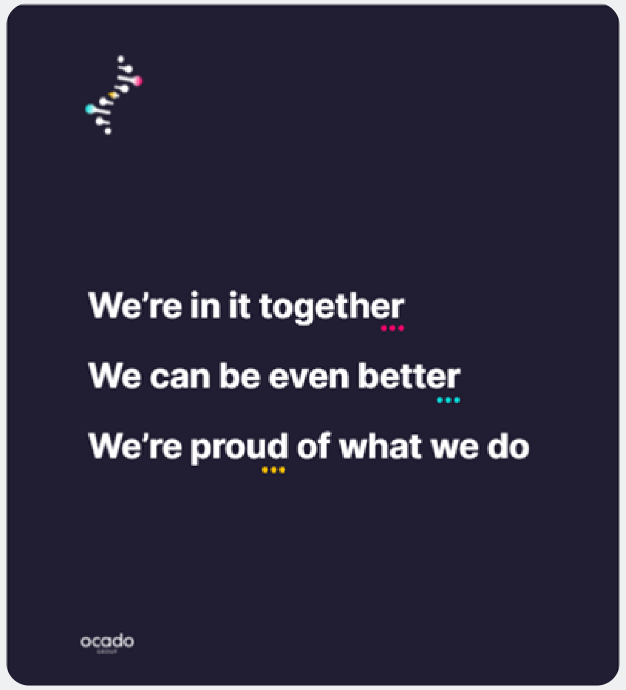
- Executive talent and succession review and development planning involving profiling, coaching and setting up mentoring relationships with the Board.
- Nomination Committee review of proactive plans underway to support talent, succession and diversity across Ocado Group.

This year, we worked with our Executive Directors, Senior Leaders and managers across the business to create the Ocado DNA. They told us there are certain things that have made Ocado great and that we must keep for the future. They also identified new behaviours to develop so that we continue to evolve our unique culture, or 'Ocado Spirit'. In challenging ourselves to decode this, we created the DNA behaviours.

These behaviours have been crafted to focus on what Ocado requires for the future, to help employees understand what is expected of them and support their future development.

They provide a consistent language about what makes Ocado special, so as we grow at pace across the globe, our DNA will keep us true to our purpose, mission and strategy.

We have plans to explore future embedding across Ocado Group in the year ahead.



Learn Fast, Fail Fast
Harness Collective Intelligence
Start with Possibility
Think Like a Chess Engine

Be Customer-Obsessed
Own Every Decision
Remain Confidently Humble

Believe in Belonging
Connect in Chaos
Champion Talent

STRATEGIC REPORT
Contents

SHOWCASING

Leadership

Emerging Talent

Our Graduate intake for 2021 grew to 98: an increase of 36% across our ten programmes.

These range from Group support schemes such as Finance and Business Management through to Operations roles within Logistics and our Engineering and Technology Schemes. Our Graduates continue to be an integral part of the success of Ocado, with many playing key roles in delivering our strategy and supporting our client partners' success. This is demonstrated by continued demand for our Graduates on placement and the request for a further increase to a cohort of 125 for September 2022.

In September 2021, we welcomed our first cohort of nine Apprentices to support the diversification of our Emerging Talent pipelines. Nurturing talent throughout an Apprenticeship gives us the opportunity to future-proof us when it comes to having job-ready employees to support our future talent needs. The launch of these programmes, which include Data Science, Data Analytics and Business Administration has allowed us to reach a wider emerging talent audience and support Corporate Responsibility initiatives as we focused on working with local colleges and higher education institutions.

Our People

Delivering, **for good**

We deliver the right thing in the right way for our people and our future. We harness our collective intelligence and listen, to deliver solutions that are a force for good in the communities in which we and our clients operate.

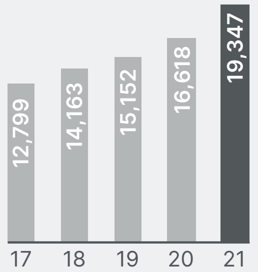
To attract those who possess these unique cultural attributes, we understand that employee benefits make an important contribution to both employee engagement and the attractiveness of Ocado as a place to work. We are committed to continuing to provide a competitive compensation package inclusive of salary, pensions and other benefits.

Critical to our DNA is sharing in our success, so Ocado encourages shareholding for its employees by offering free shares at 1% of salary to all employees, annually. We also offer both an employee Share Incentive Plan ("SIP") and a Sharesave scheme to all employees globally, which means now virtually everyone really can buy Ocado shares and become an owner of our Company.

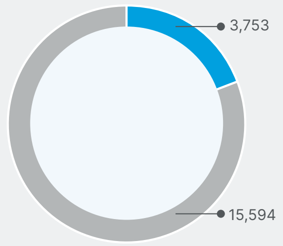
Spotlight on Leadership Diversity

We are focused on increasing diversity

Total Number of Employees



All Employees by Gender

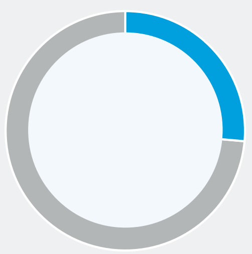


As %

Female 19.4

Male 80.6

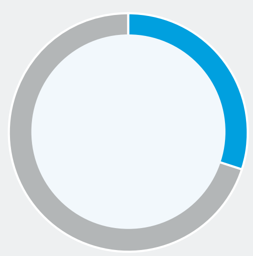
Senior Managers



Female 17

Male 47

Board



Female 3

Male 10

Creating community and connection

With so much newness, our focus has been on creating community and connection. We launched our global virtual reality onboarding experience that supports a truly global organisation. As a new joiner to the business, employees are invited to take part in a 'virtual experience' covering details about our purpose, mission and vision, as well as operations, overseas clients, leaders, values, employee experience and more. Our virtual reality onboarding allows new employees to select the language of their choice and at a time that works for them.

Case Study

The launch of the Ocado Employee Share Purchase Plan globally has resulted in an overall take-up of 50% across our non UK sites.

Breakdown by country:

Country	Eligible	Enrolled	Take-Up
Australia	15	8	53%
Bulgaria	158	79	50%
Canada	171	82	48%
France	89	26	29%
Japan	15	3	20%
Poland	579	359	62%
Spain	181	98	54%
Sweden	71	28	39%
US	332	129	39%
Total	1,611	812	50%

In order to help our employees engage fully with their benefits, wellbeing initiatives and share plans, we also began the roll-out of a new global benefits platform, Benefits+. We think our people are amazing so we have developed Benefits+ to empower them to keep being their best and giving their best everyday – in and out of work.

Everyone's different, so we are providing a range of choices in Benefits+ to cater for whatever is important to each of our employees. Benefits+ began rolling out in the US in the summer before reaching our largest employee population in the UK in September 2021 with an exceptional number of employees selecting benefits. Employees in the rest of Europe, North America, Asia and Australia will join the platform in 2022.

Our Code of Conduct

Our Code of Conduct supports our rapidly-growing business by cementing and expressing the importance of the principles we live and work by, as well as setting out our mission, values and Company policies all in one place.

The Code of Conduct explains how it is important for all of our employees to comply with our minimum standards and expectations. It is a useful reference point for aspects relating to individual conduct, working relationships and company property and resources, and it is centred on helping our people make the right decisions every day.

Our employees are required to complete annual Code of Conduct training, which includes passing a test, attesting to their understanding of and compliance with the Code and completing an Annual Compliance Statement confirming adherence across key areas of compliance.

We have three key global documents that are fundamental to the daily working life of all of our employees. Together, the Code of Conduct, the Global Employee Handbook and the Global Onboarding Programme communicate what life is like at Ocado and help establish our expectations and standards of conduct. The three documents are available for all employees via Fuse, our mobile-first communications platform.

Our Code of Conduct, and other key Policies and Statements such as those related to Anti-Bribery and Whistleblowing can be found in the Corporate Responsibility section of our corporate website.

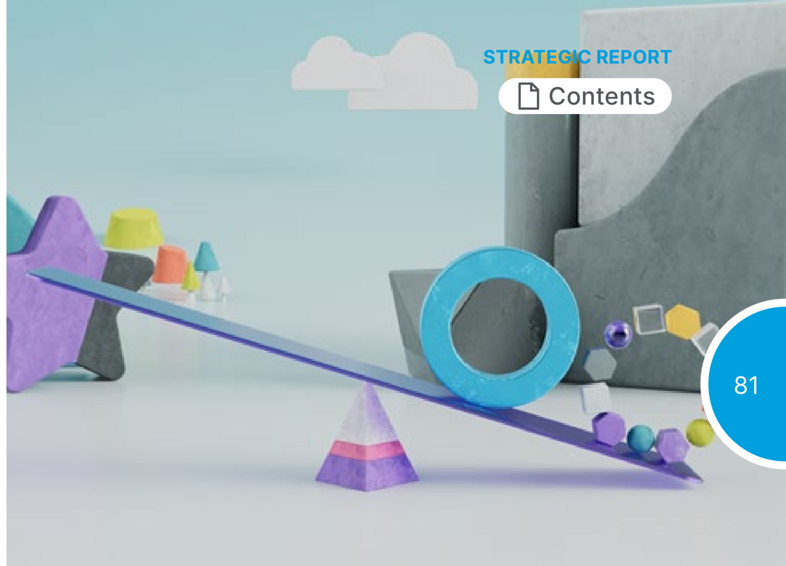
Whistleblowing

Our Code of Conduct makes it clear that we aim to conduct our business with the highest standards of honesty and integrity every day. We are committed to practising good business and we do this through creating an open and transparent culture in which to work.

To help our employees understand what whistleblowing is and to ensure everyone knows how to make a report and how those reports will be handled, we updated our Whistleblowing Policy and published this internally and externally on our Corporate Website. Our updated policy better reflects our growing global business, and should help make it easier to understand when and how to report suspected wrongdoing or dangers at work without the fear of retaliation or reprisal.

The launch of the updated policy was supported by an awareness campaign encouraging our global workforce to report wrongdoing to either their manager or their People Partner, or by using our confidential whistleblowing service operated by independent third-party specialist, Navex Global. Our whistleblowing initiative, referred to internally as "Speak Up", allows employees and third parties to report a concern by phone or the website at any time of the day or night throughout the year. Our employees can even scan a QR code on our on-site posters using their phone to access the service.

The Board, as well as the Risk Committee and Audit Committee, receives a quarterly compliance update, which includes high-level details of all whistleblowing reports received during the relevant quarter, as well as trend and thematic analysis.



SHOWCASING

Partnership

Helping **young people**

We're committed to help young people in our local communities to overcome employment barriers, so they can reach their full potential.

That's why we're proud to partner with the Kickstart Scheme to create up to 500 six-month work placements across five of our UK locations.

In November 2021, we were proud to welcome our first cohort of nine Trainee Personal Shoppers in our Hatfield CFC who joined us via our Kickstart programme.

The government-led programme offers new job roles for 16–24 year olds who are currently in receipt of Universal Credit. The programme is aimed at preventing young people who are currently unemployed from facing long-term unemployment. We are working with The Prince's Trust who deliver the work experience programme in partnership with us. We have secured over 500 Kickstart grants and the plan is to welcome Trainee Personal Shoppers at all UK CFC locations over the next few months.

Ethics and Compliance

We aspire to conduct business to the highest standards of honesty and integrity. This has never been more important as we expand and grow our business across the globe. To ensure that these standards are embedded across the business and are part of our culture, we have a compliance framework in place, consisting of policies, processes, guidance and training focused on a number of core compliance topics.

This year, we undertook a comprehensive cross functional risk assessment of the fraud risks across the business, as well as a maturity assessment of our compliance framework in the area of fraud prevention. This exercise culminated in an expansion of our fraud compliance framework with the launch of our new Fraud Prevention Policy, examples and red flag guidance and a fraud control plan, designed to map all aspects comprising our fraud risk management framework. A training programme for employees was also launched to help embed the key principles and how they apply at Ocado.

In response to the increasing scale and complexity of the business, we recognised the importance for a strong compliance process around conflicts of interest and responded to this by creating and launching a new global Conflicts of Interest Policy, supported by a reporting tool to enable any actual, potential or perceived conflicts of interest to be reported, recorded and managed as they arise both during and prior to employment. Supporting guidance was also created to assist our managers to manage and respond to conflict situations. Our approach to this topic was further enhanced by the creation of a Directors' Conflict of Interest and Related Parties Policy.

A number of our existing compliance policies were reviewed to ensure they remained fit for purpose for our growing organisation. Policies such as our Anti-Bribery and Money Laundering policies remain fit for purpose but our Delegations of Authority Policy was completely reworked in order to improve our decision making processes as we continue to scale our global business at pace. In addition, our Code of Conduct is currently being refreshed to reflect the progress and direction of the compliance framework and will soon be translated across all languages of our global operation. Further, all of our policies and associated guidance and tools can now be accessed via a compliance platform, which brings together all compliance materials in one carefully designed location, allowing employees easier access to all essential compliance materials.

The Policies Working Group continued to meet and expanded upon the positive steps taken in its first year of operation by creating and launching a Policy on Policies designed to govern the creation and update of policies, and to create good governance and uniformity in approach across the Group.

This year, we also established regular reporting on key compliance metrics to the Board, Audit Committee and Risk Committee with the aim of providing these forums with greater visibility of the compliance framework and plans and the associated KPIs. We also established regular reporting to the Risk Committee on the progress of the fraud compliance framework and response to the fraud risk assessment, with escalation to the Audit Committee as necessary.

Following on from the success of our inaugural business-wide compliance survey last year, we repeated the exercise this year in order to gauge the knowledge and awareness of the workforce on key compliance topics. The results demonstrated a strong increase in knowledge and awareness of compliance topics across the board. Through this exercise, employees were also given an opportunity to provide feedback around the compliance framework and related activities, and this information, together with information gleaned from various risk and maturity assessments, will inform our compliance roadmap for next year.

Anti-Bribery and Anti-Corruption

Last year, we introduced new Anti-Bribery and Money Laundering policies and, following a global review this year, these policies remain fit for purpose for our growing business. Our policies reiterate our zero-tolerance approach to bribery and money laundering, and outline the standards we expect of those working for us. The Anti-Bribery Policy also details our position in respect of giving and receiving gifts and hospitality, and provides guidance around how to report and record such matters. The Policy is also supported with guidance to reinforce the practical application of the Policy. New starters receive anti-bribery training as part of their induction programme, and existing employees receive training on the topic both biennially as part of our topic specific refresh programme, and annually as part of our wider Code of Conduct annual training programme.

Human Rights and Modern Slavery

Our commitment to protecting the human rights of our workforce is embedded within our Code of Conduct and Human Rights Policy. The Code and our relevant policies are designed to strengthen and sustain our culture of integrity, transparency and ensuring our workforce is respected and supported. We are also committed to ensuring that the workers in our supply chains are treated fairly. We have a zero-tolerance position with regards to slavery and human trafficking, which is set out in our Modern Slavery Statement, and we are committed to embedding responsible sourcing practices throughout our supply chain.

As we continue to develop our technological capabilities, we are mindful of the need to consider the ethical concerns surrounding technological advances and their social impacts. To ensure we remain diligent, we have continued to conduct materiality work and an extensive review of solutions and initiatives for evaluating our suppliers in the areas of environmental, social and governance.

For more details on our workforce policies and practices, see **Our People** section on pages 74 to 81.

For details of our Code of Conduct and our Whistleblowing "Speak Up" programme, see **Our People** section on page 81.

For more details on our supply chain, see **Corporate Responsibility** section on pages 66 to 68.

Our key policies and statements, including those related to Anti-Bribery and Whistleblowing, and Modern Slavery, can be found in the **Our Responsible Business** section of ocadogroup.com

How We Manage Our Risks

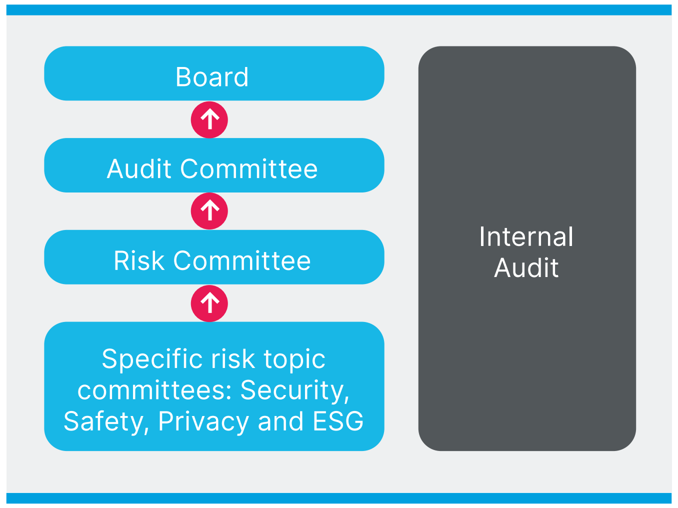
Ocado Group's risk management approach is designed to enhance the quality of our decision making to improve confidence in the delivery of our business objectives, protect the interests of our key stakeholders, and assist in the safeguarding of our people, reputation and assets.

Risk Management Governance

The Board is responsible for the review and approval of the risk management framework and Ocado Group's key strategic and emerging risks.

The Audit Committee, delegated by the Board, is responsible for the review of the effectiveness of risk management, the system of internal control, the monitoring of the quality of Financial Statements and consideration of any findings reported by the auditor, Deloitte LLP, in relation to Ocado Group's control environment and its financial reporting procedures. The review covers all significant controls, including financial, operational, compliance controls and risk management systems.

Overview of risk management governance structure



The Risk Committee reviews principal and emerging risks, monitors effectiveness of risk management across the Group and provides governance over programmes to strengthen our risk culture. This is supported by the Group Enterprise Risk team who are responsible for the application and maintenance of the Group's risk management framework, and for creating the risk management improvement programmes under Executive Director ownership.

Specialist risk committees and supporting second-line teams address topic specific risk areas such as information security, health and safety, and data privacy.

Internal Audit provides assurance on specific areas driven by a risk-based audit plan.

The key features of our system of internal control and risk management, including those relating to the financial reporting process, are:

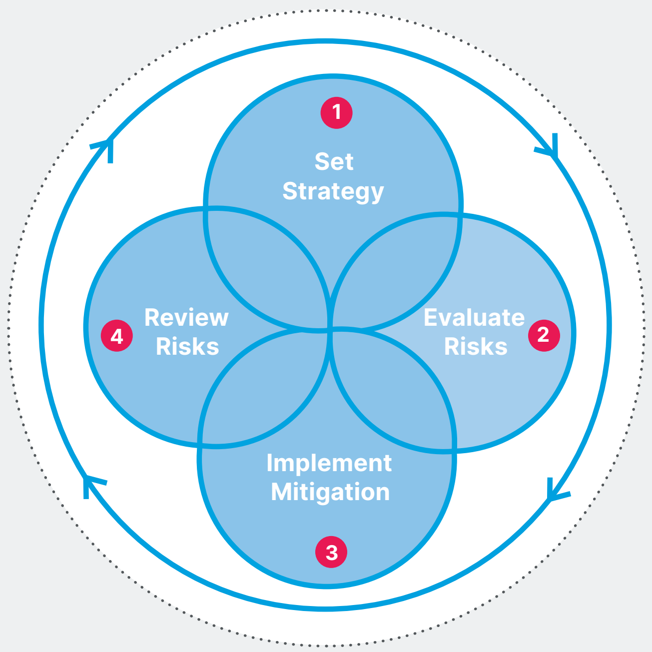
- An organisational structure with clear segregation of duties, control and authority, and a compliance framework covering all key areas;
- A system of financial reporting, business planning and forecasting processes;
- A Capital Expenditure Approval Policy that controls Ocado Group's capital expenditure and a post-completion review process for significant projects;
- Monitoring the progress of major projects by management and the Board;
- An executive-led Risk Committee and a Group Enterprise Risk team that oversees the risk management framework and monitors Ocado Group's risks;
- An Information Security Committee and Information Security team that oversees the risk management framework and monitors Ocado Group's information security;
- A Personal Data Committee and Data Protection team that support data privacy governance;
- An Internal Audit function that provides independent assurance on key risks, controls and programmes;
- A Treasury Policy overseen by a Treasury Committee that manages Ocado Group's cash and deposits, investments, foreign exchange and interest rates, so as to ensure liquidity and minimise financial risk; and
- Other control measures outlined elsewhere in this Annual Report, including legal and regulatory compliance, health and safety compliance, food and product safety compliance and business continuity planning.

Ocado Risk Management Process

The Ocado risk management process is designed to identify key risks and to provide assurance that these risks are understood and managed in line with the agreed risk appetite. The risk appetite is reviewed by the Board as part of its annual strategy review. The risk management process is aligned to our strategy, and each principal risk and uncertainty is considered in the context of how it relates to the achievement of the Group's strategic objectives.

The Risk Committee reviews an overall enterprise risk report twice a year and this is, in turn, discussed by the Audit Committee and the Board. The risk report captures the most significant risks faced by the business, including any emerging risks, and identifies the potential impact and likelihood at both the inherent level (before consideration of mitigating controls) and a residual level (after consideration of mitigating controls). The appetite for each key risk is also discussed and assessed with a target risk position agreed to reflect the level of risk that the business is willing to accept. This process for identifying, evaluating and managing the principal risks faced by the Group operated during the period and up to the date of this Annual Report. Such a system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Ocado Risk Management Process



1. Our strategy informs the setting of objectives across the business and is widely communicated.
2. Executive Directors evaluate the most significant strategic risks for the Group. In addition, each mission director or selected department head prepares a risk register for their respective division, identifying and highlighting their significant risks. The Risk Committee oversees risk control processes and risk analysis from each part of the business, and reviews these top down and bottom up representations to ensure that no significant risks have been omitted.
3. Mission director or department heads identify how they will manage, and accept or mitigate, their significant risks. These actions are then summarised into a description of the Group-wide mitigation process for each risk.
4. Group-wide risks and mitigation processes are regularly reviewed by the Risk Committee and Audit Committee.

Strengthening our Framework

As part of our continuous improvement approach to risk management, and aided by the appointment of a new Head of Risk in February 2021, we continue to develop our methodology and risk framework. This will enhance risk management in supporting effective decision making.

Improvements made during the year:

- Increased risk management resources enabling greater engagement and mitigation support across the Group;
- Introduced a central controls repository underpinning our SOC2 activity;
- Formalised governance over our principal risks programmes; and
- Developed and engaged a risk champions network to enhance our reach.

Key improvement projects underway:

- Programme for a global risk and controls tool, to provide a single information source and improved reporting;
- Increasing the operational maturity of our second-line functions;
- Formalising the use of leading-edge risk indicators;
- Embedding the systematic use of risk management within our strategic decision making; and
- Further alignment with TCFD, under our ESG programme, by assessing the impact of climate-related risks and opportunities and undertaking scenario analysis.

The strengthening of the financial control environment remains an area of focus for the Audit Committee and further activity was undertaken during the period to improve our controls; this is explained on pages 134 and 139 of the Audit Committee Report.

Principal and Significant Risks

The principal and emerging risks are discussed and monitored throughout the year to identify changes to the risk landscape. The Board carried out its assessment of principal risks and uncertainties towards the end of the period informed by recommendations from the Risk Committee.

Covid was identified as a significant risk last year, and it still remains elevated. The pandemic continues to impact economies and people. Uncertainty remains as to whether current strategies are sufficient to sustainably bring the pandemic under control across global markets and allow life to return to normal. The impact of the pandemic remains a consideration across many of the principal risks and our mitigation strategies for them.

Whilst the risk arising from the UK's exit from the EU has reduced since the prior year, the Group continues to monitor the ongoing impact and inform the assessment of our principal risks.

Climate change has become a widely acknowledged global emergency and a key priority for governments, businesses and citizens around the world. While risks relating to climate change and sustainability have previously been integral parts of several of our principal risks, we have now included climate change as a separate principal risk.

How We Manage Our Risks

We consider ESG being the work we do in the operational areas in respect to the environment, social and governance, critical to building sustainable value. As noted on page 14, monitoring and managing our material ESG issues are a strategic imperative. From a risk management perspective, these elements are considered individually in identifying and assessing the principal risks and are embedded throughout.

Set out overleaf are details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them. The risks are not set out in any order of priority or importance. In line with prior years, we consider our risks against our strategic objectives, and additionally, in the current year, we have aligned our risk lenses with our ESG materialities to consider both the risk and opportunity perspectives associated with these priorities. The residual (or post-mitigation) risk movement from the prior year for each principal risk and uncertainty has been assessed and is presented.

Emerging Risks

In analysing Ocado Group's risk universe, utilising both internal and external sources, a number of emerging risks have been identified that are deemed not to reach the designated threshold for a principal risk. These include the following:

- With a concentrated client and supplier base, we are at risk from challenges in their growth and performance or changes to their strategic priorities. Our long-term OSP partnerships rely on maintaining quality relationships with those clients; and
- Ocado Group needs external financing to support its existing plans. The ability to deliver these may be inhibited by a failure to obtain the necessary financing on acceptable terms, including due to external market conditions.

Details of consideration given to financing risks by the Company are set out in the **How We Manage Our Risks** section on pages 94 to 97.

For further information on the Group financial risk management, see pages 278 to 282.

Principal Risks

Talent and Capability

What is the risk

Our business operations and growth plans could be at risk from a difficulty finding and retaining sufficient employees to support our growth, in filling key positions and critical roles, a loss of top performers, a potential shortfall of future leaders, and an inability to embed diversity and inclusion.

How we manage it

- Developing and implementing strategic and tactical resourcing plans and monitoring the talent pipeline.
- Deploying talent development programmes and surveying employee opinions.
- Undertaking succession planning, periodically reviewing remuneration and incentives and proactively supporting diversity and inclusion.

Movement:

Target tolerance:

Flexible – To maintain our leadership position, we will take strongly justified risks and manage impact.

Emerging threats:

We operate in a competitive environment and risk will continue from existing sources e.g. the retention of Technology and Ocado Logistics employees. We anticipate threats will also evolve in areas such as integration of acquisitions.

Owner:

Chief People Officer

ESG materiality reference:

Talent Attraction and Development

Strategy reference:

Cybersecurity and Data

What is the risk

We risk the loss of critical assets and sensitive information as a result of a cyber attack, insider threat, or a data breach. This could result in business disruption, reputational damage, significant fines or the loss of confidential business information.

How we manage it

- Structuring IT systems to operate reliably and securely.
- Testing by third party.
- Overseeing an information security governance programme by the Information Security Committee.
- Monitoring security issues and responding to security incidents by a dedicated information security team.
- No customer payment card data is held in Ocado Group's databases.
- Overseeing the Group's privacy compliance programme by the Data Protection Officer.
- Planning Cyber incident contingency.

Movement:

Target tolerance:

Minimal – We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.

Emerging threats:

Cyber risk is constantly evolving, driven by technology advances and developments in the geopolitical environment. We anticipate continued risk from existing sources and incrementally from areas such as supply chain, an increasingly remote workforce, the use of AI and machine learning.

Owner:

CEO Ocado Technology

ESG materiality reference:

Cybersecurity; Data Privacy Management

Strategy reference:

ESG Materiality Key

- Environment
- Social
- Governance

Movement Key

- Increased
- Decreased
- No Change

Strategic Pillars Key

- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

How We Manage Our Risks

Safety and Wellbeing

What is the risk

Health, safety and wellbeing risks that can lead to the harm, injury, death, or illness of a worker in a workplace or to a retail customer of our product.

How we manage it

- Overseeing a Health and Safety governance programme by the Safety Committee.
- Monitoring and audit compliance by experienced technical experts against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health, fire and construction.
- Preparing training, risk assessments and safe systems of work by qualified staff to raise awareness and knowledge.
- Monitoring actively regulatory changes supported by external expertise and advice.

Movement:

Target tolerance:

Minimal – We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.

Emerging threats:

We anticipate continued risk from existing sources, with incremental threats arising directly and indirectly from the Covid-19 pandemic, increasing proximity of human and robot operations, and as a result of significant increase in CFC construction and installation activity across our regions.

Owner:

Group General Counsel

ESG materiality reference:

Occupational Health and Safety

Strategy reference:

Legal and Regulatory Non-Compliance

What is the risk

Ocado must comply with legislative and regulatory requirements both locally and internationally. Failure to comply could negatively impact our business model, our ability to conduct business and the viability of our Solutions deals, and also risks damage to our reputation, loss of stakeholder support and financial penalties.

How we manage it

- Monitoring of regulatory developments to ensure that changes are identified.
- Performing due diligence, territory research and seeking specialist advice for regulatory issues.
- Implementing a compliance framework of policies and procedures and employee training.

Movement:

Target tolerance:

Minimal – We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.

Emerging threats:

Listed company compliance is likely to increase in future as a result of new corporate governance regulations and TCFD reporting.

Owner:

Group General Counsel

ESG materiality reference:

Business Ethics and Governance

Strategy reference:

Supply Chain

What is the risk

Risks causing disruption to our extended and complex supply chain. Impacting responsible sourcing and adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue.

How we manage it

- Reviewing the risk matrix by supply chain and procurement areas to manage key suppliers and components.
- Taking an agile approach to manufactured products, including the ability to divert any product to sites with the most pressing requirements.
- Undertaking supplier assessments, due diligence and site audits during the development process.
- Monitoring supply chain demand against supply capacity constraints by the steering group.

Movement:

Target tolerance:

Flexible – We take strongly justified risks, accept some uncertainty and manage the impact.

Emerging threats:

The threat is continuing to increase, as a result of the ongoing impact of the Covid-19 pandemic, increasing demand and complexity of the supply network and regulations, and shortages in key components.

Owner:

Chief Operations Officer

ESG materiality reference:

Responsible Sourcing

Strategy reference:

Business Interruption and Catastrophic Events

What is the risk

Major service disruption, customer confidence and increased costs arising from a failure at key locations caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental means.

How we manage it

- Structuring IT systems to operate reliably and securely.
- Providing dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment.
- Progressing and updating our disaster recovery and business continuity plans.
- Providing for a high level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks.

Movement:

Target tolerance:

Flexible – We will only take risks that are strongly justified and we expect some periods of uncertainty.

Emerging threats:

Potentially arising from our operations, suppliers, customers or service providers, with increased interdependence across multiple sites and geographies, there is an increased complexity and scope for disruption.

Owner:

CEO Ocado Technology and Chief Operations Officer

ESG materiality reference:

N/A

Strategy reference:

ESG Materiality Key
- Environment
- Social
- Governance

Movement Key
- Increased
- Decreased
- No Change

Strategic Pillars Key
- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

ESG Materiality Key
- Environment
- Social
- Governance

Movement Key
- Increased
- Decreased
- No Change

Strategic Pillars Key
- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

How We Manage Our Risks

Product (OSP) Proposition and Commercial Viability

What is the risk

Our OSP offer, pricing and contractual terms do not provide adequate and sustainable returns for us and our shareholders and an attractive commercial proposition for our clients.

How we manage it

- Undertaking a full review of projected financial impact before signing any new partnerships.
- Monitoring periodically the financial model and delivery costs plus close relationship with our partners. Controlling the capital invested in our platform to carefully manage costs.
- Reviewing regularly the rate of software development via platform steering meetings.
- Scaling and reallocating our resources and capabilities to help meet Ocado Solutions project deadlines.
- Ongoing programme of design improvements for the platform.

Movement:

Target tolerance:

Cautious – We accept a limited tolerance for uncertainty in the management of our Commercial Viability and the selection of commercial terms. We will only accept risk if limited and heavily outweighed by benefits.

Emerging threats:

Threat levels are being heightened by increasing raw material and component scarcity, lead times and costs. This is compounded by demand for incremental functionality, risking early assumptions on efficiency gains. This is compensated by increased maturity of modelling and operational experience.

Owner:

CEO Ocado Solutions

ESG materiality reference:

N/A

Strategy reference:

Product (OSP) Delivery and Service

What is the risk

Implementation and service delivery do not provide the client with timely, consistently reliable performance at a level of quality to meet the needs of their end customers. This could lead to increased costs, reduced revenue and penalties.

How we manage it

- Ongoing monitoring of the key performance indicators and regular review meetings with Operational Management and the end customer.
- Continuing initiatives to improve operational performance of the CFCs and scaling of operations.

Movement:

Target tolerance:

Cautious – we have a preference for safe delivery. We accept a limited tolerance for uncertainty, in selecting options that risk our ability to deliver on our service levels. We will only accept change if heavily outweighed by benefits.

Emerging threats:

The threat evolves with our growth and the requirement to deploy improvements across a larger footprint, increasingly balanced product obsolescence, and a dependency on acquiring and retaining skilled employees in a competitive recruitment market. This is balanced by our increased experience in delivery.

Owner:

Chief Operations Officer

ESG materiality reference:

N/A

Strategy reference:

Product (OSP) Innovation, Quality and Safety

What is the risk

Failure to build a quality product in terms of performance, security, availability, safety and overall OSP economic model. Failure to meet emerging client needs or support growth in client operational volumes. Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers.

How we manage it

- Establishing our identity as a technology business, international platform provider and innovation factory.
- Engaging with a wide number of international grocers to understand market needs.
- Understanding the current solutions and awareness of global alternatives used in other industries.

Movement:

Target tolerance:

Open – We will take justified risks to maintain our pace of innovation, and choose options delivering highest returns, accepting the possibility of some failure.

Emerging threats:

Threat levels are rising with increased competition driving alternative solutions, and the drive to balance headline performance and financial improvements with reliability.

Owner:

CEO Ocado Technology

ESG materiality reference:

Product Quality and Safety, Equipment Lifecycle and Circularity

Strategy reference:

Intellectual Property

What is the risk

Failure to protect Ocado Group's own IP or risk of infringing a third party's IP (including the risk of an adverse outcome in current litigation or patent office opposition/review proceedings), which could result in loss of use of the Group's assets, financial damages or harm to the Company's reputation or relationship.

How we manage it

- Conducting Freedom to Operate searches on relevant technologies and in selected jurisdictions.
- Monitoring IP filings and grants by a large number of competitor companies.
- Continuing to develop and innovate and protecting the results through specialist patent attorneys dedicated to individual business areas.
- Expanding the IP team thereby helping to protect the output of research and development work and training of all staff.
- Protecting our IP from unauthorised use.
- Obtaining specialist or legal advice, including to help ensure our ability to use our IP is not restricted by infringement claims.
- Combining internal and external legal counsel management of litigation and other IP proceedings.

Movement:

Target tolerance:

Cautious – We accept a limited tolerance for uncertainty in the management of our IP. We will only accept risk if limited and heavily outweighed by benefits.

Emerging threats:

The threat is increasing with increased Ocado development work and investment. The visibility of the Autostore litigation also raises our profile with other competitors, compensated by greater proactive protection at an earlier stage.

Owner:

Group General Counsel

ESG materiality reference:

N/A

Strategy reference:

ESG Materiality Key

- Environment
- Social
- Governance

Movement Key

- Increased
- Decreased
- No Change

Strategic Pillars Key

- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

ESG Materiality Key

- Environment
- Social
- Governance

Movement Key

- Increased
- Decreased
- No Change

Strategic Pillars Key

- Grow our revenue
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- Deliver on our client commitments
- Develop global scale-up capabilities

How We Manage Our Risks

Geopolitical and Economic Uncertainty

What is the risk

Our UK and international operations are dependent on access to a range of people, resources, markets and suppliers. Economic and political disruption and uncertainty could disrupt our business model, preventing the delivery of new capacity or undermining our operations.

How we manage it

- Performing extensive risk assessments prior to entering new geographic markets or undertaking new ventures.
- Scanning the horizon for emerging threats.
- Maintaining financial reserves to cushion the operational impact for an extended period.

Movement:

Target tolerance:

Flexible – We will only take risks that are strongly justified and expect some periods of uncertainty.

Emerging threats:

This is an externally driven risk and the threat is continually changing, increased operations in new territories compounds the risk.

Owner:

Chief Financial Officer

ESG materiality reference:

N/A

Strategy reference:

Climate Change – Transition and Physical

What is the risk

Climate change and governmental actions to reduce such changes may increase our costs and/or disrupt our operations.

Further detail can be found on this risk within the TCFD disclosure section on page 69.

How we manage it

- Overseeing our ESG and Climate programmes by our ESG Committee.
- Reducing our climate change contributions through a roadmap of activities and achieving our emission reduction targets.
- Monitoring governmental developments and taking proactive steps to minimise the impact on our operations.

Movement:

Target tolerance:

Flexible – We take strongly justified risks, accept some uncertainty and manage the impact.

Emerging threats:

The threat level is increasing, driven in the short-term by increasing regulation. Our assessment of physical climate risk is in progress.

Owner:

Chief Financial Officer, Group General Counsel

ESG materiality reference:

Energy Efficiency and Carbon Emissions

Strategy reference:

ESG Materiality Key

- Environment
- Social
- Governance

Movement Key

- Increased
- Decreased
- No Change

Strategic Pillars Key

- Grow our revenue
- Optimise OSP economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

Changes to our Principal Risks

During the year a comprehensive review of Ocado's principal risks was undertaken that resulted in a refresh of their definitions and the following underlying changes in scope:

- The risk described in the 2020 Annual Report addressing the transformation changes in the operational infrastructure and the development of management capabilities has been aligned with the risk of talent and capability;
- The risk described in the 2020 Annual Report addressing delivery of additional UK capacity and the international OSP programme now focuses on the delivery and client service performance;
- The risk described in the 2020 Annual Report addressing technological innovation has been expanded to include product performance, security, availability safety and the overall OSP economic model;
- The Climate Change risk that was identified as an emerging risk in the 2020 Annual Report has been recognised as a principal risk;
- The risks described in the 2020 Annual Report as 'decline in high service level' and 'failure to maintain a retail proposition' have been incorporated within the OSP principal risks whilst being downgraded in respect of ORL.

Linking Principal Risks with Strategy

	Grow our revenue	Optimise OSP economics	Deliver transformational technology	Deliver on our client commitments	Develop global scale-up capabilities
Talent and Capability			✓	✓	✓
Cybersecurity and Data Privacy			✓		
Safety and Wellbeing				✓	✓
Legal and Regulatory Non-Compliance					✓
Supply Chain	✓	✓		✓	✓
Business Interruption and Catastrophic Events				✓	
Product (OSP) Proposition and Commercial Viability	✓	✓			
Product (OSP) Delivery and Service				✓	✓
Product (OSP) Innovation, Quality & Safety		✓	✓		
Intellectual Property			✓		
Geopolitical and Economic Uncertainty		✓		✓	✓
Climate Change			✓	✓	✓

Ocado Retail Limited

In addition to the principal risks impacting the Group, we also consider the following risks significant in relation to our activities and investment in Ocado Retail Limited:

- Risk of a decline in high service levels in the retail business from the continued disruption caused by Covid-19. This is managed through use of key performance indicators and regular operational review meetings.
- The risk of failing to maintain a retail proposition that appeals to a broad customer base and sustains growth rates. This is managed through various means, including own label range, closer supplier arrangements on product range, and investment in optimising marketing channels.
- The UK-wide logistics and supply chain disruption provides an ongoing challenge, and the risk of delays in the generation of additional capacity in the UK compounded by industry-wide recruitment challenges. Mitigation measures are governed in line with the management of our Talent principal risk.

How We Manage Our Risks

Context for Going Concern and Viability Statements

The Directors have assessed the Group's prospects, both as a going concern and its viability longer term. Understanding of our business model, strategy and principal risks is a key element in the assessment of the Group's prospects, as well as the formal consideration of viability. The Group's strategy is detailed on pages 12 to 15, and 24 to 33, and our risk management framework is described on pages 84 to 98.

The Group's planning cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group, covering the five successive financial years from FY 2022 to FY 2026.

The planning process involves modelling under a series of assumptions surrounding both internal and external parameters, with key assumptions including new partnerships, increased capacity and volume growth, cost base of the business (logistics, technology and corporate functions), combined with the effects of major capital initiatives.

The robust planning process is led by the Chief Executive Officer, the Chief Financial Officer, the Head of Corporate Strategy and other members of the Divisional Management team. The Board undertook a detailed review of the plan during its annual Strategy Day in June 2021, which was approved by the Board. The plan was then updated to reflect the outcome of the FY 2022 Budget, which was approved by the Board in December 2021.

At the time of preparing the plan, the Group had experienced about 15 months of Covid-19 and its associated impacts on consumer buying patterns, which overall has had a very significant positive impact on customer demand during this time period. In addition, there has been an acceleration of the longer-term case for online grocery retail more generally, with significant numbers of consumers around the world experiencing it for the first time. The Board continues to assess these factors, including the extent to which consumer buying patterns may begin to normalise, along with other factors such as the availability and cost of labour, and other key requirements for the business.

The Group's trading performance is reviewed by the Senior Management team and the Board in the context of the objectives and targets of the forecast, within which the Group's strategy remains embedded.

Liquidity and Financing Position

Following completion of the £500 million Senior Unsecured Notes issuance in October 2021, the Group has cash and cash equivalents and other financial assets of *c.* £1.5 billion as at the end of the period, down from £2.1 billion as at the end of FY 2020. The Group had net debt of £0.3 billion as at the end of FY 2021, compared to a net cash position of £0.7 billion as at the end of FY 2020.

Part of the proceeds of the issuance was used to repay the Group's existing £225 million 4% Senior Secured Notes, due 2024. The Senior Unsecured Notes have a coupon of 3.875% and are repayable in October 2026. Demand was strong, with the issuance oversubscribed, enabling the Group to upsize the offering to £500 million, while also achieving a coupon below that of the previous Senior Secured Notes, thus pushing out the maturity by two years and significantly strengthening the capital structure of the Group.

The Senior Unsecured Notes contain typical high yield covenants, which are only tested on an 'incurrence' basis. These include a Fixed Charge Cover Ratio ("FCCR"), where greater financial flexibility exists when the FCCR is at least 2.0×, and a Consolidated Net Leverage Ratio ("CNLR"), which governs our ability to make certain restricted distributions. In both cases, the covenants apply only to the Restricted Group, which is essentially the consolidated group excluding the Ocado Retail and Jones Food joint ventures, and the results of the Group's captive insurance entity.

Under the terms of the Senior Unsecured Notes, a number of permitted carve-outs ("baskets") are also available, which allow new debt to be raised even if the FCCR falls below 2.0×. These include a 'contribution debt basket', which permits debt to be raised on a 1:1 basis in proportion to equity raised; a £500 million 'general debt basket' available until the end of FY 2023, which permits debt to be issued prior to this date without a requirement for equity to be issued; and a £300 million 'credit facility basket', which could be used for a Revolving Credit Facility or other bank credit facility.

We expect the FCCR for the Restricted Group to be below 2.0× until FY 2022 under each case in our viability assessment. However, on the basis that the underlying Consolidated Group cash flows and cash interest cover are forecast to remain strong throughout the viability period, we would still expect to be able to raise finance as required to support capital deployment and growth in the Group, within the parameters of the debt baskets.

As set out in the modelling below, our base case would see the Group depleting its cash reserves in the second half of 2023 (hence outside of the going concern assessment period of 12 months from the date of approval of the FY 2021 Financial Statements) as the Group continues to deploy capital for growth, and therefore a further fundraise would be required by the second half of 2022.

With strong EBITDA growth forecast over the viability period, Consolidated Group cash interest cover is expected to remain strong. We consider this to be a key factor in the assessment of both going concern and viability, supporting the Group's ability to return to the capital markets to raise financing in due course. This is further supported by our recent strong track record of raising finance in the equity, equity linked and debt markets, together with the structural long-term shift towards global online grocery retail and the worldwide growth potential for the Ocado Smart Platform.

In the event that the Group is unable to access the equity or equity linked markets within this timescale, a number of alternatives remain possible. Notably:

- Restricting capital expenditure only to cover existing client commitments (as modelled under the Downside case below, which materially reduces the cash funding requirements over the Viability period);
- Reduce or temporarily slow down our investment in Technology;
- Ability to raise debt finance under the £500 million Debt Basket, available until the end of FY 2023, or a Revolving Credit Facility within the £300 million credit facility under the terms of the Group's Senior Unsecured Notes; and
- Potential sale of all or part of our 50% stake in the Ocado Retail Limited Joint Venture.

Operational and Business Impact of Covid-19

The Covid-19 pandemic has resulted in high levels of demand for grocery retail worldwide. In the UK, the very high levels of demand experienced in the prior year have begun to normalise, with a shift in customer buying patterns across the week, albeit demand remains considerably higher than pre-pandemic. Financially, the impact has been positive for the business, with revenue for Ocado Retail up 46% in FY 2021 versus pre-pandemic levels in FY 2019.

On the international landscape, travel restrictions made it more difficult for prospective clients to visit our sites to experience a CFC in operation, making it harder to sign new client contracts. In addition, there were some short-term operational challenges due to lockdown restrictions across the geographies in which we operate. However, overall, there was no material impact on the roll-out of our CFC programme. Longer-term, increased demand as a result of the channel shift to online retail is expected to be positive for the Group.

Throughout the period of the pandemic, the Group has not taken advantage of any of the Covid-19 support measures offered by the UK or any overseas government.

Assessment of Longer-term Viability

In accordance with the UK Corporate Governance Code, the Directors have considered the appropriate time horizon to adopt when assessing the longer-term viability of the Group. In prior years, we have adopted a three-year time horizon for the viability period.

There are a number of factors that could support a longer-term time horizon – notably the five-year duration of the Group's annual strategic planning process, the open-ended duration of our Solutions contracts, and the Group's financing profile that extends out to 2026 (Senior Unsecured Notes) and 2025 and 2027 respectively (Convertible Bonds).

However, consistent with the assessment made in prior years, there are strong indicators that would support a shorter time frame – including the rapid pace of strategic development for the Group, both in the UK and internationally. This is consistent with the rapid pace of development delivered in recent years.

Within the three-year time horizon of the viability assessment, we expect to deliver further material progress in the roll-out of our CFC programme both in the UK and internationally, with the acquisitions of Kindred Systems, Inc. and Haddington Dynamics, Inc. in early FY 2021 further accelerating our capabilities and development in robotic handling; and overall we expect to deliver material EBITDA and cashflow growth within this period. As described in further detail below, we forecast a requirement to fundraise to finance the Group's ongoing capital investment programme by the second half of 2022 – i.e. within a year from the date of approval of the FY 2021 Financial Statements. We also expect that Ocado Group will cease to have control of the Ocado Retail Joint Venture after the end of FY 2023, as although the respective shareholdings will remain unchanged, the Group will no longer have the right to appoint or remove the CEO for the Joint Venture beyond this date. This will therefore bring a significant change to the reporting basis for the Group's results within the three year horizon.

Given the pace of change and delivery, the Directors have therefore concluded that a three-year time horizon remains appropriate for the viability review.

Financial Modelling

The Group has modelled three cases in its assessment of going concern and viability. These are:

- The base case.
- Downside stress tests – see (1) and (2) below.
- A severe downside and reverse stress test – see (3) below.

	Stress Test Scenario	Group Principal Risk
1	A material reduction in growth assumptions for the UK Retail business, in a highly competitive market with margin pressure from input inflation and competitor pricing – resulting in a reduction in the planned number of CFC openings in the UK compared to the base case, and a corresponding impact on the fee profile of our UK Solutions and Logistics business.	Talent and Capability, Supply Chain, Product (OSP) Proposition and Commercial Viability, Product (OSP) Delivery and Service, Product (OSP) Innovation, Quality and Safety, Business Interruption and Catastrophic Events, Geopolitical and Economic Uncertainty.
2	A reduction in the number of new international client partnership additions compared to the base case – limiting growth to those CFCs either currently committed or under construction.	Talent and Capability, Supply Chain, Product (OSP) Proposition and Commercial Viability, Product (OSP) Delivery and Service, Product (OSP) Innovation, Quality and Safety, Geopolitical and Economic Uncertainty.
3	Severe downside scenario: As per (1) and (2) above, but also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. This is modelled by assuming that there will be no further reduction in costs as a percentage of client sales beyond those currently being achieved at our mature sites. This scenario acted as the "reverse stress test" case to assess the level to which these costs would need to rise such that going concern is no longer maintained. We have modelled this as being the point at which the Consolidated Group cash interest cover falls below 2.0×.	Supply Chain, Product (OSP) Proposition and Commercial Viability, Product (OSP) Delivery and Service, Geopolitical and Economic Uncertainty.

Strategic Pillars Key

- Grow our revenue
- Optimise our economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

How We Manage Our Risks

The downside case combines scenarios (1) and (2) above. The severe downside case also applies scenario (3), in addition to the downside scenarios.

In the prior year, we included a scenario specifically to illustrate the potential impact of Covid-19 on workforce availability. One year on, we now have greater clarity on the key risks resulting from the pandemic, in terms of the pressures on labour availability, cost inflation and the ability to secure new client wins. We have included these factors in the downside stress test scenarios, as part of our assessment of the ongoing risks faced by the business.

The Base Case

The going concern and viability assessments use as their base the five-year strategic plan approved by the Board, updated to reflect the Senior Unsecured Notes issuance, the FY 2021 outturn financial performance and the FY 2022 Budget.

The Convertible Bonds issued with maturity dates of 2025 and 2027 are assumed to remain in place and unconverted.

The Group has a cash position of £1.5 billion as at the end of the 2021 financial year, and under the base case is forecast to retain positive cash headroom until the end of H1 2023, by which point further funding would be required to support the Group's ongoing cash flow requirements. A fundraise is therefore assumed in the second half of FY 2022 to maintain 12 months' visibility of funding headroom throughout the Plan period.

The base case assumes a continuation of the trends seen in FY 2021, including further normalisation of customer buying patterns and heightened input cost pressures in the UK Retail business. Growth is forecast to continue in the UK with the addition of further CFCs and Zoom sites, and internationally with CFC orders from both existing and new clients.

Capital expenditure is assumed to continue to deliver the roll-out of the CFC programme, as well as continued investment in our technology and the platform. In the event that the pace of growth in CFC roll out is slower than anticipated, the impact on cash flows in the short-term would be positive and is therefore not considered a risk for the purposes of going concern and viability.

Based on the operational cash flows assumed in the plan, our expectation is that a further fundraise would be required within the viability period in order to support ongoing capital expenditure requirements. There remains some optionality around this requirement as the pace of investment spend is increasingly uncommitted and therefore the timing is within management control provided going concern is maintained.

With growing revenue and EBITDA, and relatively modest levels of existing debt, Consolidated Group cash interest cover is forecast to remain strong throughout the viability period. We therefore believe that a fundraise would be achievable in the equity, debt and/or convertible bond markets, within the baskets permitted under the terms of the Senior Unsecured Notes. This would provide the funding needed to sustain the Group's ongoing capital expenditure requirements.

The Directors have therefore concluded that going concern and viability would be maintained under the base case scenario.

Downside Stress Tests

Two downside stress scenarios were undertaken to determine the sensitivity to going concern and viability, and were combined to form the downside stress test.

The first scenario reflects a material reduction in growth assumptions for the UK Retail business, in a highly competitive market with margin pressure from input inflation and competitor pricing. This was modelled as a reduction in the planned number of CFC openings in the UK compared to the base case, and a corresponding impact on the fee profile of our UK Solutions and Logistics business.

The second scenario reflects a reduction in the number of new international client partnership additions compared to the base case. This was modelled as a reduction in the assumed number of CFCs being ordered, limiting growth to those CFCs either currently committed or under construction.

Under both scenarios, EBITDA growth over the viability period is reduced compared to the base case. However, Consolidated Group cash interest cover remains strong, significantly above 2.0× in each year of the viability period (which we consider to be a reasonable proxy for the underlying strength in financial position to support the Group's funding requirements); in addition, principally, as a result of the reduction in capital expenditure, the Group's cash position is improved compared to the base case. This would reduce the quantum of funding required during the period, and also move the timing of any fundraise later.

The Directors have therefore concluded that going concern and viability would be maintained under the downside stress test.

The Severe Downside Case

This case applies the downside stress test as above, and also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. We have modelled this by assuming that there will be no further reduction in costs beyond those currently being achieved at our mature sites. This would represent a significant increase in the cost base of the business.

Under this scenario, EBITDA growth would be significantly reduced compared to the base and downside cases, and Consolidated Group cash interest cover would also be lower, albeit still above the 2.0× level. The timing of a fundraise under this scenario would be broadly in line with the base case, with the impact of lower EBITDA on the Group's cash position being offset by lower capital expenditure. Under this scenario, although the Group would remain in compliance with its existing bond covenants, management action would likely be required to strengthen the financial position to support a fundraise. The Directors have identified a number of mitigating measures that would be available in a short timeframe to enable this, such as a pause on recruitment and discretionary investment.

The Directors have therefore concluded that going concern and viability would be maintained under the severe downside case.

Reverse Stress Test

The severe downside case acted as the reverse stress test scenario to assess the level to which client services and engineering costs would need to rise such that going concern is no longer maintained. We have modelled this as being the point at which Consolidated Group cash interest cover falls below 2.0×, which we consider to be a level for modelling purposes below which ongoing funding is harder to achieve.

The modelling undertaken indicates that technology and support costs would need to increase by a further 33% per annum compared to our downside case from FY 2023 onwards for this to occur. We consider this scenario to be remote, given the scale of increase in the Group's cost base that would be implied, on a sustained basis. There would be scope for cost reductions and rephasing the capital expenditure to help manage the cash position in such a scenario, de-risking the level of in-year funding required and enabling viability to be maintained.

Confirmation of Viability

The assessment of the Group's viability considers severe but plausible scenarios aligned to the principal risks and uncertainties, set out on pages 84 to 98, where the realisation of these risks is considered remote, considering the effectiveness of the Group's risk management and control systems and current risk appetite.

The degree of severity applied in these scenarios was based on management's experience and knowledge of the industry to determine plausible movements in assumptions, including the impact of Covid-19 on the business.

The Directors have also considered mitigating actions available to the Group and have assumed that these mitigating actions can be applied on a timely basis.

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period from the approval of this Annual Report.

Going Concern Statement

The time horizon required for the Going Concern Statement is a minimum of 12 months from the date of signing the Financial Statements. However, consistent with prior periods, a time horizon of 18 months from the last year-end has been considered.

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare Financial Statements on a going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the Group's ability to continue using the going concern basis of accounting for the 18 months following the end of the FY 2021 financial year.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. As above, the Group had £1.5 billion of cash and cash equivalents as at the reporting date. The Group forecasts its liquidity requirements, working capital position and the maintenance of sufficient headroom against the financial covenants in its borrowing facilities. The financial position of the Group, including information on cash flow, can be found in the section on page 227.

In determining whether there are material uncertainties, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position (see the information on pages 4 to 57) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 84 to 97). Given the ongoing global economic uncertainty as a result of the Covid-19 pandemic, and taking into account the guidance issued by the FCA and the FRC, the Directors have considered the impact of Covid-19 for the going concern review.

After reviewing the Group's liquidity and financial positions for the going concern period, the Directors considered it appropriate to adopt the going concern basis of accounting, with no material uncertainty identified, in the preparation of the Company's and Group's Financial Statements.

Strategic Report Approval

The Company's Strategic Report is set out on pages 04 to 98.

The Strategic Report is approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary

11 February 2022

Contents

Our Governance

Contents

Read more on **S172(1) Statement** on pages 58 and 59.

Read more on **Stakeholder Engagement** on pages 60 to 65.

Chair's Governance Overview

"The Board recognises the value and importance of good corporate governance and the role it plays in supporting the long-term success and sustainability of the business.

Rick Haythornthwaite
Chair

We're structured for **success** and led by a Board primed to take us there.

Read more about **Our Strategy** on pages 12 to 15.

Governance Highlights

- Rick Haythornthwaite joined the Board in January 2021 as an Independent Non-Executive Director and the Chair-elect
- Appointment of Stephen Daintith as Chief Financial Officer
- Board and Committee effectiveness review carried out by Chair, Rick Haythornthwaite
- Creation of the ESG Committee to help progress the Group's ESG plans
- Analysis of the Group's stakeholders, their interests and engagement methods
- Review of Board composition looking at diversity, skills and experience
- Robust assessment of the Group's principal and emerging risks with particular reference to climate change
- Introduction of a Disclosure Committee reporting to the Board

Dear Shareholder

On behalf of the Board I am pleased to introduce the Corporate Governance Report for the year ended 28 November 2021 and my first as Chair. This report describes the governance structures and procedures in place and summarises the work of the Board and its Committees to illustrate how their responsibilities have been discharged this year.

Following my appointment as Chair, I took the opportunity to conduct a Board effectiveness review in order to further get to know and understand my Board colleagues and Board practices and processes. For details on this see page 124. I am confident that the Board recognises the value and importance of good corporate governance and the role it plays in supporting the long-term success and sustainability of the business.

The Group operates under the UK Corporate Governance Code 2018 (the "Code") and over the following pages you can see where in the business we have embedded the principles and provisions of the Code.

TCFD and Climate Change

As a Group, we welcome the development of the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations and have taken the first steps in adapting our risk management process to enhance our assessment of the potential business implications of climate change. For more information on this see page 69.

Under the new FCA Listing Rules, premium-listed companies for financial years beginning on or after 1 January 2021 are required to make disclosures in accordance with the TCFD recommendations on a "comply or explain basis". Accordingly Ocado will fully report against the TCFD framework in the 2022 Annual Report. The Board takes overall responsibility for TCFD reporting. The Board discussed this topic in the period in conjunction with a presentation from climate experts. During the year, we set up the ESG Committee to be responsible for overseeing our climate obligations as set out in our Corporate Responsibility section on pages 68 and 69. Our Executive Board member, Neill Abrams, has responsibility for oversight of our climate change agenda and is Chair of the ESG Committee. He reports to the Board on the progress of this committee. It is our intention to comply fully with the TCFD recommendations for the 2022 financial year.

Purpose and Values

Understanding our purpose means that we can achieve greater long-term sustainable success as a business and can also include and unite our whole workforce to these ends. During the year, we extended our purpose which has stakeholders at its heart and clearly demonstrates a focus on responsibility and sustainable business and in doing so creates value. For more details on this see page 20.

Stakeholder Engagement

I recognise that stakeholder engagement is critical to the long-term success of our business. Our aim is to develop the practice of considering stakeholder voices in discussions and decision-making, not only at Board level but across the organisation, and we support our Senior Management and encourage their relationships with respective stakeholder groups.

I have enjoyed getting to know and engaging with many of our stakeholders during my limited time with the Group. It is a journey that I intend to continue so long as pandemic restrictions allow. This year, the focus of our Section 172(1) Statement is very much on direct Board engagement with stakeholders and we seek to demonstrate how the Board has taken decisions that affect its stakeholders directly. You can find examples of these on pages 117 and 118.

Our People and Culture

Our people are essential to the delivery of our strategic objectives and our continued success. It is vital that we provide a work environment where everyone feels valued, motivated and able to thrive. We have introduced a number of Board-supported initiatives to support the wellbeing of our people from our "Work from Anywhere" Policy, to the continuation of live stream presentations to all employees from CEO Tim Steiner and other Directors, including myself. The pandemic has proven the value of such a work environment and our people have shown great strength, commitment and resilience, and have continued to grow online capacity for our partners.

Our positive, entrepreneurial corporate culture is an important asset, and we acknowledge the challenge of retaining it as the Group grows into a much larger organisation. We also acknowledge that on the subject of diversity and inclusion, whilst we embrace and value all individuals in our workforce, there is still work to be done to strengthen our diversity with a particular focus on senior leadership.

The Board periodically reviews and approves significant workforce-related policies and receives regular updates in its Board meetings from senior managers within the People team.

Accountability and Risk

The Board understands that to ensure the long-term success and resilience of the Group, decisions must be taken with risks and opportunities in the short and long term assessed and, where required, mitigated. The risk management procedures were overhauled this year to better reflect the management structure and expanding global footprint of the business. The Board conducts annual reviews and maintains regular oversight of the principal and emerging risks facing the Group and the relevant controls in place, as well as the Group risk appetite.

Shareholder Voting – 2021 Annual General Meeting and Board Developments

At the 2021 Annual General Meeting, there was a significant minority vote against one resolution: Resolution 8 (Re-appointment of Andrew Harrison). I understand that this outcome was broadly attributable to concerns over the level of gender diversity on the Company's Board and the Remuneration Committee's approach to executive remuneration. We aim to show our stakeholders in this Annual Report that the Board is committed to improving diversity and inclusion, both on the Board and to the wider organisation.

We were delighted to announce the appointment of a new Director, Nadia Shouraboura, to the Board in August 2021. Nadia brings an incredible array of relevant experience in supply chain and robotics technology and will be very valuable in helping to define the next steps in Ocado's growth. Further recruitment for an additional female Director will continue to be a key focus of the Board over the forthcoming months.

Future Outlook

The Board strongly believes that good governance is a key part of the strength of our business and that by continually reviewing and monitoring our existing practices we can ensure that our governance evolves alongside our changing business.

As the Group grows and develops we will continue to focus on our values and culture and to ensure that as a business we innovate and find new solutions to the challenges we face.

Over the course of the next financial year we will continue to focus on the reshaping of our agenda to ensure that it continues to align with strategic and shareholder issues.

As a Board we are refocusing the cadence and pattern of Board meetings to encourage stakeholder and Board interaction and to facilitate the internationalisation of the Board.

To ensure our long-term sustainable success, the Board is intensifying its focus on succession planning for the medium-term.

Annual General Meeting

Ocado Group plc's 2022 Annual General Meeting will be held on 4 May 2022 at 10 am at Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF and will also be accessible via an online meeting platform.

Full details, including the resolutions to be proposed to our shareholders, can be found in the Notice of AGM which will be made available on our corporate website, www.ocadogroup.com.

The outcome of the resolutions put to the AGM will be published on the London Stock Exchange's and on our corporate website once the AGM has concluded.

Rick Haythornthwaite
Chair

11 February 2022

Corporate Governance Report
Board of Directors

Rick Haythornthwaite
Chair

Committee Membership
Nomination (Chair)

Independent
On appointment

Skills and Experience
Rick held the role of Chair of Mastercard Inc. from 2006 until the end of 2020. He is currently the Chair of QiO Technologies Ltd, an advanced analytics and AI software company; Xynteo, an ESG Advisor; and the AA. He is also a non-executive director of Globant SA. Rick has previously held the position of Chair at Centrica plc and Network Rail Limited, CEO at Blue Circle Group plc and Invensys plc, and non-executive directorships at Land Securities Group plc, Imperial Chemical Industries plc, Lafarge SA and Cookson Group plc.

External Appointments
Non-Executive Chair of The AA plc; Chair and Cofounder of QiO Technologies Limited; Non-Executive Chair of Xynteo; Non-Executive Director of Globant SA.

Tim Steiner OBE
Chief Executive Officer

Committee Membership
N/A

Independent
No

Skills and Experience
Tim is the founding Chief Executive Officer of Ocado, which he started in 2000. He is one of an elite group of founders to have built a FTSE 100 business from scratch. In 2018, Tim was awarded The Sunday Times Business Person of the Year. He was awarded an OBE in the Queen's Birthday Honours List in 2016.

External Appointments
None.

Stephen Daintith
Chief Financial Officer

Committee Membership
N/A

Independent
No

Skills and Experience
Stephen joined Ocado as Chief Financial Officer of the Group from Rolls-Royce in 2021, bringing with him a deep understanding and experience of international business across various sectors. Having worked in the UK and internationally, Stephen held many senior roles including at Daily Mail and General Trust plc, Dow Jones & Co, and News International. Stephen has also held senior positions at British American Tobacco, Forte and the Civil Aviation Authority. He graduated from the University of Leeds with a BA in Economics and Accounting and qualified as a Chartered Accountant at Price Waterhouse (now PwC).

External Appointments
Non-Executive Director of 3i Group plc.

Mark Richardson
Chief Operations Officer

Committee Membership
N/A

Independent
No

Skills and Experience
Mark was Head of Technology at Ocado from 2001 until he joined the Board in 2012. Since then he ran MHE development until 2019 and continues to be responsible for the Ocado Logistics operation and CFC construction in the UK. He is also responsible for implementing and supporting the Ocado Smart Platform internationally, including manufacturing supply chain and engineering maintenance. Mark is a Director of Paneltex Limited, a company in which the Group holds a 25% shareholding. Prior to joining Ocado, Mark held a number of IT positions at the John Lewis Partnership, including Head of Selling Systems at Waitrose. He graduated from University College, London with a degree in Physics.

External Appointments
Non-Executive Director of Paneltex Ltd*.

* Ocado owns 25% of Paneltex Ltd.

Luke Jensen
Chief Executive Officer, Ocado Solutions

Committee Membership
N/A

Independent
No

Skills and Experience
Luke joined Ocado as Chief Executive Officer of Ocado Solutions in 2017, before joining the Board in 2018. Prior to joining Ocado, Luke was a Senior Advisor at Boston Consulting Group and previously Group Development Director at Sainsbury's, where he was responsible for online and digital and all customer-facing digital activities. During his career, Luke has also worked at OC&C Strategy Consultants where he was Partner and Head of the Retail and Consumer practice. He graduated from ESCP and holds a Master of Business Administration from INSEAD.

External Appointments
Non-Executive Director of Hazel Parentco SAS, registered in France (parent company of Hana Group); Non-Executive Director of ASOS plc.

Neill Abrams
Group General Counsel and Company Secretary

Committee Membership
N/A

Independent
No

Skills and Experience
Neill was on the founding team of Ocado, joining the Board in September 2000. He has Board responsibility for the Group Operations departments – Legal, Governance, Intellectual Property, Real Estate, Government Relations and ESG. Prior to Ocado, he was a barrister in practice at One Essex Court and spent nine years at Goldman Sachs in London in the investment banking and legal divisions. Neill holds degrees in industrial psychology and law from the University of the Witwatersrand in Johannesburg and a Masters in Law from Sidney Sussex College, Cambridge. He is admitted as a barrister in England & Wales, an attorney in New York and an advocate in South Africa.

External Appointments
Alternate Non-Executive Director of Mr Price Group Limited, listed in South Africa.

Andrew Harrison
Senior Independent Director and Designated Non-Executive Director

Committee Membership
Remuneration (Chair), Audit, Nomination

Independent
Yes

Skills and Experience
Andrew is a partner at Freston Road Ventures which invests in consumer brands that challenge the status quo. He chairs a number of the investments, including Strike Ltd, an online estate agent, and advises and works with others such as Five Guys, Secret Cinema, and Cubitts. Andrew previously served as Chair of Carphone Warehouse Ltd and was formerly Group CEO of Carphone Warehouse PLC before its merger which he led with Dixons Group plc. During his career he has successfully grown numerous new businesses, has international retail experience and developed and ran a global services business. Andrew graduated from the University of Leeds with a BA (Hons) in Management Studies in 1992.

External Appointments
Chair of Trustees of The Mix; Director of Strike Ltd (Chair); Partner of Freston Ventures Management LLP; Director of Chik'n Ltd (Chair); Director of Whocanfixmycar.com Ltd. (Chair); Invicta film partnership.

Key
- Chair
- Executive Director
- Senior Independent Director
- Non-Executive Director

Corporate Governance Report
Board of Directors

Jörn Rausing
Non-Executive Director

Committee Membership
Nomination

Independent
Yes

Skills and Experience
Jörn has over 30 years' experience in corporate development and international mergers and acquisitions. Jörn has been a valued member of the Board since before the Group was listed and his in-depth knowledge and understanding of the business is a great asset to the Board. Jörn holds a degree in Business Administration from Lund University, Sweden.

External Appointments
Group Board Member of Tetra Laval; Board Member of Alfa Laval AB; Board Member of DeLaval Holding AB.

John Martin
Non-Executive Director

Committee Membership
Nomination, Audit

Independent
Yes

Skills and Experience
John has extensive operational and financial management experience of running large international businesses, as well as significant experience in strategic development and driving improvements in operational performance. He is currently Chair and interim CEO of Countryside Properties plc. Until he stepped down in November 2019, John was CEO of Ferguson plc. John was also a partner at Alchemy Partners, and prior to that he was CFO at Travelex Group and Hays plc. John graduated from Imperial College, London in 1987 and qualified as a Chartered Accountant with Arthur Andersen, where he worked for nine years in Audit, Operational Consulting and Corporate Finance. He was also Group Controller of The Stationery Office Group after its privatisation in 1996.

External Appointments
Chair and Interim CEO of Countryside Properties plc.

Julie Southern
Non-Executive Director

Committee Membership
Audit (Chair), Nomination, Remuneration

Independent
Yes

Skills and Experience
Previously a finance director at Virgin Atlantic and at Porsche Cars Great Britain, Julie has both significant financial expertise and board-level experience. She has chaired audit committees at various FTSE-listed companies with operations both in the UK and internationally and brings significant proficiency to the Audit Chair role at Ocado. She is also an experienced remuneration committee Chair. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a Chartered Accountant.

External Appointments
Non-Executive Director and Chair of the Audit Committee of Rentokil Initial plc; Non-Executive Director and Chair of the Audit Committee at NXP Semiconductors N.V.; Non-Executive Director and Chair of the Audit Committee of easyJet plc; Non-Executive Director of Shilton Midco 2 Limited.

Emma Lloyd
Non-Executive Director

Committee Membership
Nomination, Audit, Remuneration

Independent
Yes

Skills and Experience
Emma is VP Business Development, EMEA at Netflix, responsible for commercial partnerships across the region. She joined Netflix in September 2021 and previously held the position of Chief Business Development Officer at Sky Group, where she was responsible for key strategic relationships with Sky's technology and content partners. Emma oversaw the creation of Sky's start-up venture investment function and US presence, leading to investment in over 30 technology start-ups. Her knowledge of venture investment is invaluable to the Group as new opportunities are identified and invested in to increase innovation. Emma graduated with a BA Joint Hons in Management Studies and Geography from the University of Leeds in 1992.

External Appointments
VP, Business Development EMEA, Netflix.

Michael Sherman
Non-Executive Director

Committee Membership
Nomination

Independent
Yes

Skills and Experience
Michael brings a wealth of experience in growth strategy and improving operational efficiency in the technology and telecommunications industry. He is currently Managing Director for Customer Strategy and Commercial Delivery for Barclays UK, having joined in 2022. As an experienced technology executive with strong transformation experience, Michael brings a vital skill set to the Board as the Group completes its transformation into a global technology-led Group. Michael has a BS in Computer Science and Electrical Engineering from Duke University and an MBA from Duke University's Fuqua School of Business.

External Appointments
Managing Director of Customer Strategy and Commercial Delivery of Barclays plc.

Nadia Shouraboura
Non-Executive Director

Committee Membership
Nomination

Independent
Yes

Skills and Experience
Nadia founded and served as the CEO of Hointer, Inc. & Vice President, Technology, Worldwide Operations at Amazon.com, Inc and was a Non-Executive Director of Cimpress plc. Nadia is an industry leader in the field of machine learning and robotics, holding a PhD in Mathematics from Princeton University and an MS in Computer Science from Tel Aviv University.

External Appointments
Non-Executive Director of Ferguson plc; Senior Advisor to New Mountain Capital LLC; Non-Executive Director of Mobile TeleSystems PJSC; Non-Executive Director of X5 Retail Group.

Key
- Chair
- Executive Director
- Senior Independent Director
- Non-Executive Director

Changes to the Board

During the period and up to the date of signing of the Financial Statements the following changes to the composition of the Board took place:

- Claudia Arney resigned as Non-Executive Director on 25 December 2020.
- Rick Haythornthwaite was appointed as Non-Executive Director and Chair-elect on 1 January 2021, and appointed as Chair on 13 May 2021.
- Lord Rose retired as Chair on 13 May 2021.
- Stephen Daintith was appointed as Executive Director on 22 March 2021.
- Nadia Shouraboura was appointed as Non-Executive Director on 1 September 2021.

Corporate Governance Report

Our **Corporate Governance** Statement 2021

This Corporate Governance Statement 2021, together with the rest of the Corporate Governance Report and Committee Reports, provides information on how the Group has applied and complied with the principles and provisions of the UK Corporate Governance Code 2018 (the "Code"), and meets other relevant requirements including provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The Corporate Governance Statement as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR") forms part of the Directors' Report, and has been prepared in accordance with the principles of the Code. A copy of the Code and further information on the Code can be found on the Financial Reporting Council's website, www.frc.org.uk.

Compliance with the Code

For the year ended 28 November 2021, the Board considers that it has complied with the provisions of the Code except Provision 12, that the Senior Independent Director did not meet with the Board without the Chair present to appraise the Chair's performance. By way of explanation, the current Chair took up this position part way through the financial year, and will be reviewed as part of the annual cycle in the upcoming period. More details on this can be found on pages 120, 124 and 125.

It is important to note that Ocado is not required to comply with TCFD reporting during this financial period. TCFD reporting is mandatory for periods commencing on or after 1 January 2021 and therefore the first period that Ocado will be required to report is the financial year ending in 2022.

The key requirements under the DTR 7.2 are covered in greater detail throughout the Annual Report for which we provide reference as follows:

- The Group's **Risk Management** and **Internal Control Systems** are described on pages 84 to 97.
- Information with regards to share capital are presented in the **Directors' Report** on pages 202 to 209.
- Information on **Board and Committee** composition can be found on pages 122 and 123.
- The **Board Diversity Policy** is discussed on page 77.

The layout of the Corporate Governance Report follows the structure of the principles of the Code and illustrates how the Code principles have been applied. The Company aims to explain how its practices are consistent with the principle to which the particular provision relates, contributes to good governance and promotes the delivery of business objectives and strategy.

Board Approval

This separate Corporate Governance Statement 2021 is approved by the Board and signed on behalf of the Board by its Chair and the Group General Counsel and Company Secretary.

Rick Haythornthwaite
Chair

Neill Abrams
Group General Counsel and Company Secretary

11 February 2022

Code **Principles**

Throughout this Corporate Governance Report, we explain how we comply with the principles and provisions of the Code. Using each key section, we explain to all our stakeholders how we use these principles and provisions flexibly, wisely and thoughtfully.

GOVERNANCE
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Board Leadership and Company Purpose

An explanation of how the Board complies with the Code in relation to Board leadership and Company purpose is set out in the following pages.

Code Principles

Effective Board

The primary role of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value and to contribute to the wider society. An effective Board defines the Company's purpose and then sets a strategy to deliver it. For a clear description of our purpose see page 20 and how our purpose aligns with strategic objectives on page 12.

At Ocado, we have a Board of Directors that understands the importance of clearly-defined roles and responsibilities and that recruits and develops directors who will contribute well as the business evolves. The Board operates through strong governance which relies on an open and inclusive environment where all Directors feel able to provide constructive challenge. The Board recognises the importance of monitoring and reviewing the independence, skills, knowledge and diversity of the Board as a whole and ensuring that as a Board, it truly understands the Group's business model.

Purpose, Strategy, Values and Culture

The Board is responsible for setting the strategic direction of the Group, establishing the Group's purpose and values and taking a leading role in laying the foundations of the Group's culture. The Group's mission is to 'change the way the world shops, for good'. During the year, the Board approved a new purpose, namely:

"To solve complex problems for the world's largest grocery retailers and businesses beyond grocery. We empower our people to drive change through learning and growth. Our technologies, knowledge and experience provide our client partners with sustainable and efficient solutions enabling competitive advantage, and profitable, scalable growth for them and our trusted suppliers. We achieve this responsibly with minimal impact on the environment and a positive influence on the communities we serve."

The Board recognises that a clearly-established purpose and strategy, alongside strong values and a positive culture, is essential for the Group's performance and long-term sustainability and success.

Our strategy sets the direction we are undertaking in order to pursue our purpose. The Board is confident that our purpose, and our strategy to achieve this, will serve the interests of our key stakeholders and drive long-term sustainable success for the Group. Our purpose and strategy are key considerations in the actions and decision-making of the Board and the oversight of the implementation of these into the operations of the business.

Our values guide how the Board and workforce behave, individually and collectively, and underpin our culture. Our engaged and mission-driven culture enables us to tackle challenges and pursue opportunities to realise our strategy and achieve our purpose. Our values are reflected in our culture which is open and collegiate, engaged and entrepreneurial. Our culture enables us to find new solutions to challenges and pursue opportunities with innovative thinking. During the global pandemic, the strength of our culture has been demonstrated through the resilience of our business. Despite challenging circumstances, the Group successfully delivered the first two international CFCs for our global partners, ramped up productivity in our UK CFCs, and expanded in-store picking capability to meet heightened demand.

With a rapidly-growing and more international workforce, reinforcing our values is of paramount importance to ensure that our positive culture is embedded across the Group. In line with the Code, the Directors strive through their own behaviours to set a strong tone from the top for Senior Management and the wider workforce. The Board leads by example in its actions to promote the culture, by maintaining high standards of ethics and integrity, and ensures that the necessary policies and procedures are put in place to maintain the culture. The Board monitors and assesses the Group's culture and the table opposite demonstrates the key actions taken by the Board during the year to meet this responsibility. If the Board is concerned or dissatisfied with any behaviours or actions it seeks assurance from the Executive Directors and Senior Management that corrective action is being taken. No issues were raised this year.

Board Action	Link to Culture
Updates at Board meetings from the People team on employee matters including engagement, recruitment, retention, diversity and mental wellbeing **Strategy reference:**	Provides information to help gauge the culture, for example recruitment and retention of employees that indicates a positive culture, and feedback on the wellbeing of employees which enables monitoring of the culture
Board reviews and approves key workforce-related policies, such as updated Whistleblowing and Conflicts of Interest Policies **Strategy reference:**	Enables assessment and oversight to ensure that policies reflect the values and desired behaviours of employees to help embed the corporate culture
Designated Non-Executive Director for Workforce Engagement reports back to the Board on his attendance at all biannual National Logistics Council meetings **Strategy reference:**	Provides direct update on the concerns raised by employees to assist in monitoring the culture and identifying any issues, including those concerning pay and payroll administration
Board considered the ongoing impact of Covid-19 on the workforce, particularly focusing on adjusting CSTM shift patterns and introducing a 30-day "Work from Anywhere" Policy in response to feedback from the employee engagement platform Peakon **Strategy reference:**	Enables the Board to be resilient and adapt to changes required to ensure a positive culture and flexible ways of working
Reports to the Board on whistleblowing reporting gathered from our "Speak Up" hotline and the issues arising **Strategy reference:**	Provides information on risks and concerns identified so these can be assessed and mitigated as appropriate
Updates to the Board on health, safety and wellbeing matters, for example injury rates, safety incidents, and risk assessment results. Executive Directors also attend the Safety Committee, covering aspects of employee wellbeing and stress risk management **Strategy reference:**	Enables the Board to assess the effectiveness of safety practices and behaviours and assess any risks and actions required
Board oversees the launch of the new mental health platform Unmind, mental health live stream discussions with the CFO and acts upon feedback from Peakon. Actions arising from this, focused on enhancing diversity and inclusion, such as the appointment of a new Head of Culture and Engagement and the creation of new global diversity policies **Strategy reference:**	Enables oversight of the initiatives and actions taken to ensure the tools for a positive culture and employee wellbeing are in place
Board reviews and approves the Modern Slavery Statement and Gender Pay Gap Statement **Strategy reference:**	Enables assessment of the broader culture of the Group and its relationships with suppliers and employees
Board oversees investment in the development of its Senior Management, and leadership teams, focusing on people behaviours and succession planning **Strategy reference:**	Enables strong focus on maintaining and promoting the Group's values throughout the workforce and leading by example

Strategic Pillars Key

- Grow our revenue
- Optimise our economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

Board Leadership and Company Purpose

Prudent and Effective Controls and Board Resources

Maintaining good governance is essential to support the delivery of the Group's strategic objectives, and to ensure that the business is run well for the benefit of all stakeholders and sustainable long-term value. A good governance structure is not static and as the Group grows and develops, the Board continues to monitor the framework so it remains appropriate to the business.

The governance framework is an established framework of prudent and effective controls which embeds our values into the policies and processes of the Group and therefore helps to strengthen the corporate culture and enable risk to be assessed and managed. The framework of Board and Executive Committees and clearly-stated levels of authority create clear lines of accountability and effective oversight. This also facilitates timely decision-making at the correct level.

During this year, the Board has reviewed and approved an updated Schedule of Matters Reserved for the Board and its Delegations of Authority Policy. There is an internal controls system in place which allows the Board to assess and manage risks to the business.

The Board provides support to Senior Management in implementing strategic priorities, as well as oversight and constructive challenge on the running of the business. Through reporting, including the use of both financial and non-financial metrics, the Board is able to evaluate and guide the progress and performance of the Group. Reports from across all areas of the business are provided at each Board meeting to update the Board and enable effective discussion.

Board materials, quality of information and resources as a whole are reviewed each year as part of annual effectiveness reviews. The Board has raised no issues to date.

During the year, no Director raised any concerns about the operation of the Board or the management of the Company.

Stakeholder Engagement

The Group is committed to engaging with shareholders and prospective investors to inform and aid understanding of its strategy and progress. The focus of all communications is ensuring transparent, detailed and meaningful information. The Board has formalised its board meeting processes to ensure that all stakeholders are considered when making decisions that affect them.

For more information on Stakeholder Engagement, see the **S172(1) Statement** on page 58, **Engaging with our Stakeholders** on page 60 and our **Materiality assessment** on page 14.

Type of Engagement	Total
Broker-hosted Fireside Chats with Stephen Daintith and/or Tim Steiner	8
Shareholder meetings with Rick Haythornthwaite	3
Investor meetings with Tim Steiner	18
Investor meetings with Stephen Daintith	21
Total	**50**
Formal Investor Update Sessions	**7**

Workforce Policies and Practices

The Board takes responsibility for all workforce policies and practices which are consistent with the Company's values and support its long-term sustainable success.

Our people bring a diverse range of experience, expertise and perspectives that contribute to the values and culture of Ocado and are essential for the delivery of our strategic objectives. A positive environment where our people feel valued, motivated and able to thrive is essential to the Group's continued success. The Board recognises the value of, and supports, significant investment of time and resources in our workforce to allow the Group to attract and retain talent and develop the skills of our employees.

The Board reviews and approves all significant policies that impact our workforce to ensure that policies and practices support the Group's purpose and reflect our values. This year our Board supported and endorsed our "Work from Anywhere" Policy. For those who can work remotely, we have enhanced our agile ways of working offering our people the choice to work from another location or country for up to 30 calendar days in a calendar year. Employees undertake mandatory training on key policies to ensure that they are properly read and understood and to help embed the principles as part of our culture.

GOVERNANCE
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The Board is responsible for overseeing the Company's arrangements for the workforce to be able to raise matters of concern and seeks to foster an environment where individuals can be confident about speaking up about concerns without fear of retaliation. The Company operates an externally-facilitated system, Speak Up, detailed in the Ethics and Compliance section on page 82. The Board has oversight of this facility and monitors it through reports on the number and types of reports submitted through the whistleblowing process and the outcomes of the concerns raised.

Ocado is focused on the importance of the wellbeing of our workforce and this has been heightened during the global pandemic with additional challenges for our frontline workers and our newly remote workers. We have introduced a number of new initiatives to provide support for wellbeing, including a global Employee Assistance Programme, the Mind Yourself global wellbeing support programme and our new approach to listening, wellbeing and inclusion called #YouMatter. We also introduced a comprehensive new induction programme designed to take place remotely that has been successfully utilised as we have continued to recruit throughout the pandemic.

Statement of Employee Engagement

The Board remains engaged and committed to ensure that it understands the composition and views of employees, recognising that the working environment is changing, and has been tested particularly over the last two years and therefore, engagement mechanisms must also change. Since the start of the pandemic, regular electronic live streams to all employees from CEO Tim Steiner have proven to be a very useful engagement mechanism and continue to this day. Tim and the Executive team update the workforce on all aspects of the business and take direct questions in real time from employees.

The Board regularly receives a People update from the Chief People Officer at Board meetings and it also receives invaluable feedback from its employee engagement platform "Peakon" which was introduced in 2020. Peakon allows employee feedback to be gathered continuously, as opposed to an annual survey, to provide more useful data and enable more timely action in response. This year, as a direct result of regular updates to the Board on health and safety, measures were introduced to protect employee health in light of the Covid-19 pandemic. During the year, the Board oversaw the launch of the new mental health platform, Unmind.

In line with the Code, the Company appointed Andrew Harrison as the Designated Non-Executive Director for Workforce Engagement ("DNED") in 2019. Since that point, he has worked closely with the Chief People Officer and the Global Head of Culture and Engagement to ensure that engagement between the workforce and the Board is a 360-degree process, with communication both from the Board to the employees and from the employees to the Board. Whilst the full Board makes every effort to engage with the workforce, Andrew has embraced this position which provides a key link for the Board.

Issues that Andrew has brought to the Board's attention have included concerns over the mental health of hourly paid employees and other issues relating to payroll and remuneration which had been raised at Ocado Council meetings. Further consideration was given to helping support their mental health and the Board considered and reviewed the Health, Safety and Environment Strategy to see how it aligned with the Mental Health and Wellbeing Strategy. During the year, improvements to the rostering of hourly paid employees were rolled out as a result of these discussions.

For details on how the Group consulted with shareholders on the new Directors' Remuneration Policy see page 176, for more on how the Board engages with employees see page 60, and for Board action which directly affects the culture of the Group, see the table on page 109.

CEO Tim Steiner
Live streams with all employees

Total
13

Live viewers
24,000
After live stream
8,370
Total views
32,370

* Total employee views for the year ended 28 November 2021

Statement of Engagement with Suppliers, Customers and Others

Delivering our strategy requires strong mutually beneficial relationships with all of our stakeholders and in particular our partners, suppliers and customers.

The Directors have regard for the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

The Board annually reviews the stakeholder matrix to discuss whether there have been any changes to the material interests for each stakeholder and to discuss whether the engagement mechanisms with them are still relevant and effective.

For further information as to how the Board considers the needs of its suppliers, customers and others and how it engages with them, see Engagement with our Stakeholders on page 60 and Key Board Activity, Principal Decisions, and S172(1)(a)-(f) factors on page 117.

Division of Responsibilities

Leadership Structure

The Board is responsible for providing leadership to the Group. The structure of the Board, management, roles and committees ensures controls and oversight with a balanced approach to risk aligned with Ocado's culture. The structure assists the Board with carrying out its responsibilities and is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, risk and control issues.

The following diagram shows the role of the Board and its Committees and Senior Management:

Board of Directors

The Board is collectively responsible for the long-term success of the Company. The business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board has a formal schedule of matters reserved for the Board's decision-making which is available on the corporate website. Although the Board retains overall responsibility, it delegates certain matters to the Board Committees, and the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Executive Group.

Board Committees

The Board Committees consist of Non-Executive Directors and each Committee Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issues that require Board attention. The terms of reference for each Board Committee are reviewed annually and are available on the corporate website. The reports by each Board Committee are given in this Annual Report.

Audit Committee

Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems. Monitors the independence and effectiveness of the external auditor and the effectiveness of the internal audit function.

Remuneration Committee

Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chair, the Company Secretary and Senior Management. Oversees the remuneration and workforce policies and takes these into account when setting the Policy for Directors' remuneration.

Nomination Committee

Provides succession planning for the Board and leads the process for all Board appointments. Keeps under review the membership and composition of the Board, including the combination of skills, experience and diversity, and ensures it remains appropriate.

Executive Group

The Executive Group is responsible for the day-to-day running of the business, carrying out and overseeing operational management, and implementing the strategies the Board has set. The Executive Group meets at least weekly.

Executive Committees

At least one Executive Group member participates in each of these governance committees, and the committees report to the Executive Group, and the Board or Board Committees as appropriate.

Risk Committee
Oversees the Group's risk register, risk control processes and disaster recovery plans.

Information Security Committee
Monitors the Group's information security measures and oversees changes to security systems.

Treasury Committee
Oversees the Treasury Policy concerning the Group's cash and deposits, investments, foreign exchange and interest rates.

Safety Committee
Oversees the Group's health, safety and environment management systems and monitors the progress of safety plans.

Disclosure Committee
Assists the Board in discharging its obligations under the Listing Rules, the Disclosure Guidance and Transparency Rules and MAR with regard to the disclosure of inside information and ensures timely and accurate disclosure of all trading and Financial Statements.

Capital Expenditure Group
Reviews and authorises capital expenditure projects, overspends and property expenditure, in accordance with agreed limits.

Personal Data Committee
Supports and drives data privacy governance and provides assurance that best practice mechanisms are in place.

ESG Committee
Defines the Group's strategy relating to ESG matters and is responsible for governance over its ESG programme and for implementing its ESG strategy.

Board Roles

Non-Executive Directors

- Support and constructively challenge the Executive Directors
- Monitor the delivery of the Group's strategy within the risk and control framework set by the Board
- Provide an external perspective and bring a diverse range of skills and experience to the Board's decision-making
- Meet with the Chair regularly without Executive Directors present
- Oversee the appointment and removal of Executive Directors

Executive Group

- Day-to-day management of the Group's operations
- Execute the strategy once agreed by the Board
- Undertake certain detailed aspects of the Board's responsibilities as delegated to the Executive Group
- Executive Group carry out some of these responsibilities through Executive-led Committees

Chair

- Leads the Board
- Promotes high standards of governance and ensures the effectiveness of the Board in directing the Company
- Sets the Board's agenda
- Responsible for encouraging and facilitating engagement by the Directors to ensure all Directors make an effective contribution
- Promotes a culture of openness, constructive debate and challenge on the Board

Senior Independent Director

- Supports and acts as a sounding board for the Chair
- Available to the shareholders

Designated Non-Executive Director for engagement with the Company's workforce

- Understands the views of the workforce and identifies any areas of concern
- Communicates the views of the workforce to the Board
- Ensures the Board considers the workforce in all its proposals
- Explains to the workforce the Company's Policy on executive remuneration

Chief Executive Officer

- Responsible for the day-to-day running of the Group's business and performance and the implementation of strategy
- Leads the Executive Group
- Represents management on the Board

Group General Counsel and Company Secretary

- Ensures Board procedures are followed
- Implements and oversees the governance framework
- Ensures that information flows between management, the Board and its Committees

An explanation of how the Board complies with the Code in relation to division of responsibilities is set out in the following pages.

Code Principles

The role descriptions for CEO, Chair, Senior Independent Director and Designated Non-Executive Director are set out in writing and provide a system of checks and balances to ensure no individual has unfettered decision-making power.

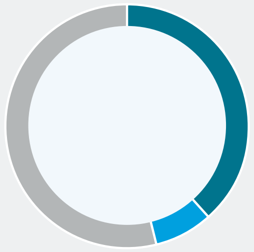
Key:

Indicates delegation

Indicates Board support

Division of Responsibilities

Board Independence



Executive Director	5
Chair	1
Non-Executive Director	7

Figures as at 28 November 2021

At the end of the financial year, the Board comprised 13 Directors, including seven Non-Executive Directors, excluding the Chair (who was independent on appointment), all determined by the Board to be independent and five Executive Directors. This complies with the Code recommendation that independent non-executive directors should make up at least half of the Board, excluding the Chair. The independence of the Non-Executive Directors is assessed annually, including the length of tenure and relationships or other circumstances that are likely to, or could appear to, impair a Director's judgement. Similarly, the composition of the Nomination Committee, Audit Committee and Remuneration Committee complied in all respects with the independence provisions of the Code during the period.

Jörn Rausing

The Board has scrutinised the factors relevant to its determination of the independence of Non-Executive Director Jörn Rausing. Jörn Rausing has been a Director for 18 years, 11 of which the Company was listed. Jörn is a beneficiary of the Apple III Trust, which owns Apple III Limited (together, "Apple"), a significant (approximately 10%) shareholder of the Company. Jörn is not a representative of Apple, nor does Apple have any right to appoint a Director to the Board.

The Board considers his continuing directorship to benefit the Group and support the principles of the Code. Jörn's significant experience as a co-owner and manager of Tetra Laval, a global technology and industrial group, enhances the skills and experience on the Board, in addition to bringing international expertise during a period when the Group is expanding substantially outside of the UK. Jörn also ensures there is a long-term perspective brought to the Board's decision-making reflecting the approach adopted at Tetra Laval to its own technology development and commercial expansion.

The Board considers Jörn to be independent in character and judgement, and does not believe the size of Apple's shareholding, nor the duration of Jörn's tenure on the Board, amounts to a relationship or circumstance which may affect his judgement. Jörn has stood for re-election annually since 2011 and on each occasion has been re-elected by a substantial majority of shareholders.

External Commitments and Conflicts of Interest

The Company is mindful of the time commitment required from Non-Executive Directors in order to effectively fulfil their responsibilities on the Board, particularly providing constructive challenge and holding management to account and utilising their diverse skills and experience to benefit the Company and provide strategic guidance.

Prior to their appointment, prospective Directors are asked to provide details of any other roles or significant obligations that may affect the time available for them to commit to the Company. The Chair and the Board are then kept informed by each Director of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to fulfil their obligations and Chair approval is required prior to a Director taking on any additional external appointment.

Each Director's biographical details and significant time commitments outside of the Company are set out in the Board Biographies on pages 102 to 105. There have been a number of changes to the Directors' external appointments during the period as set out in the table below.

Change in Directors' Commitments

The following table shows changes to the Directors' external appointments during the period:

Director	Change in Commitment	Effective Date of Change
John Martin	Appointed Chair of Countryside Properties plc	1 May 2021
	Appointed Interim CEO of Countryside Properties plc	13 January 2022 (after period end)
Emma Lloyd	Appointed VP Business Development EMA of Netflix, Inc.	1 November 2021
Michael Sherman	Appointed Managing Director, Commercial Delivery and Strategy of Barclays plc	4 January 2022 (after period end)

Conflicts of Interest

The Companies Act 2006 provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if their company's articles of association permit, which the Articles do.

The Board has established formal procedures for the declaration, review and authorisation of any conflicts of interest of Board members.

As part of the induction process, a newly appointed Director completes a questionnaire that requires them to disclose any conflicts of interest to the Company. Thereafter, each Director has an opportunity to disclose conflicts at the beginning of each Board and Committee meeting and as part of an annual effectiveness review.

Whenever a Director seeks to take on additional external responsibilities, the Director will discuss the potential position with the Chair and approval will only be given once the Chair is satisfied and the Director confirms that, as far as they are aware, there are no conflicts of interest. Each Director is required to disclose conflicts and potential conflicts to the Chair and the Company Secretary as and when they arise.

No Directors declared to the Company any actual or potential conflicts of interest between any of their duties to the Company and their private interests and/or other duties, except in the case of the Executive Directors, each of whom holds the position of Director of the Company and director of a number of Group subsidiary companies. The system in place for monitoring potential Director conflicts remained effective throughout the period.

Ocado Retail Limited and Conflicts of Interest

Tim Steiner is an Ocado appointed director on the Ocado Retail Limited board. Notwithstanding their Companies Act 2006 duties and obligations under the Articles, he is subject to the provisions of the Ocado Retail articles of association and to the provisions within the Ocado Retail shareholders agreement on conflicts of interest and related party matters. For more information about the governance framework of Ocado Retail Limited, see page 59.

Information for Directors

The Chair is responsible for ensuring that all of the Directors are properly briefed on issues arising at Board meetings and that they have full and timely access to accurate, relevant information. To enable the Board to discharge its duties, all Directors receive appropriate information, including briefing papers distributed in advance of the Board meetings.

Directors can, where they judge it to be necessary to discharge their responsibilities as Directors, obtain independent professional advice at the Company's expense. The Board Committees have access to sufficient resources to discharge their duties, including external consultants and advisers and access to internal resources and relevant personnel. The Directors also have access to the advice and services of the Company Secretary as required.

Division of Responsibilities

Board and Committee Meetings and Attendance

During the year, due to the pandemic, the Board and its Committees have conducted some meetings remotely through video calls to enable the Board to continue to function and maintain the integrity of our governance structure. During the period, the Non-Executive Directors held a number of meetings without the Executive Directors present. In the event a Director was unable to attend a meeting they still received all the papers for the meeting and were updated on matters discussed at the meeting.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Andrew Harrison	10 11	6 6	4 5	8 8
Claudia Arney	0 2	–	0 2	0 2
Emma Lloyd	11 11	5 6	5 5	5 5
John Martin	11 11	6 6	5 5	–
Jörn Rausing	10 11	–	5 5	–
Julie Southern	11 11	6 6	5 5	8 8
Lord Rose	5 5	–	3 4	–
Luke Jensen	10 11	–	–	–
Mark Richardson	10 11	–	–	–
Michael Sherman	10 11	–	4 5	–
Nadia Shouraboura	2 2	–	1 1	–
Neill Abrams	10 11	–	–	–
Rick Haythornthwaite (Chair)	9 9	–	3 3	–
Stephen Daintith	7 7	–	–	–
Tim Steiner	11 11	–	–	–

Attendance Key

- Meetings attended
- Possible meetings the Director could have attended

Key Board activity, principal decisions and S172(1)(a)-(f) factors

The following tables should be read in conjunction with the S172(1) Statement and the 'Engaging with Our Stakeholder Groups' section.

S172(1)(a): The likely consequences of any decision in the long term

Board activity and principal decisions

Reviewed and set the Group's strategy and medium-term plan, including updates on strategic initiatives from across the business and discussion of priorities in the short and long term.

Held a strategy session in June 2021 in order to discuss and approve the refreshed Ocado Group mission, purpose, vision and strategy. For more detail on this see page 12.

Considered regular updates on the impact of Covid-19 on the business, particularly projects with Solutions partners and online grocery demand, and oversaw the continued response to the pandemic, including increasing capacity and monitoring the effectiveness of the new health and safety measures put in place.

Considered regular reports from Senior Management on trading, business performance, financing and the implementation of strategy throughout the year. Similar reports were also received throughout the year from Ocado Retail Limited.

Approved the issuance of senior unsecured fixed rate notes in an aggregate principal amount of up to £500 million due 2026.

Approved the OSP partnership with Auchan Retail to develop Alcampo's online grocery retail business, with the first CFC due to go live in the Madrid region in 2024.

Approved the acquisition of Haddington Dynamics Inc. and Kindred Systems Inc., specialist robotic companies.

Approved the investment of £10 million each in the autonomous vehicle software companies Oxbotica Ltd and Wayve Technologies Limited to allow us to further develop highly intelligent autonomous mobility systems for our OSP retail partners.

Strategic Pillars:

Stakeholders:

S172(1)(b): Interests of employees

Board activity and principal decisions

Received reports on implementation of the workforce initiative "Work from Anywhere" Policy.

Received reports on the implementation of the enhanced parental leave Policy for the workforce.

Discussed areas of concern such as workload and under-representation of women in the hourly paid workforce, including CSTMs.

Discussed initiatives for employee recognition, flexible employee rostering and challenging van routing schedules, such as roster choice, flexibility and Benefits plus+.

Agreed an employee bonus in recognition of the Christmas period 2020 which was paid at the end of January 2021.

Discussed feedback from the Ocado Council meeting on the Group's diversity and inclusion listening sessions and the data obtained from Peakon. The Board agreed that it was an area where some improvements could be targeted to improve female participation. Noted further work was needed to address diversity in the Senior Management pipeline, including both gender and ethnic diversity.

The Board reviewed and approved the Gender Pay Gap Statement 2021 and discussed the areas where more could be done to close the gender pay gap.

The DNED met with Core Community Chairs directly on behalf of the Board. For more information on this see page 111.

Considered the Health, Safety and Environment Strategy and approved changes to ensure it aligned with the expanded global footprint of the business and its activities.

Reviewed and approved an updated Whistleblowing Policy.

Reviewed and approved the Modern Slavery Statement.

Strategic Pillars:

Stakeholders:

Strategic Pillars Key

- Grow our revenue
- Optimise our economics
- Deliver transformational technology
- Deliver on our client commitments
- Develop global scale-up capabilities

Stakeholder Key

- Environment, Society and Community
- People
- Partners
- Suppliers
- Investors
- Regulatory Bodies

Division of Responsibilities

S172(1)(c): Fostering business relationships with suppliers, customers and others

Board activity and principal decisions

Received regular reports on the implementation of CFC projects for Solutions clients, including the launch of new CFCs in France and Canada and the ongoing work on CFCs in Australia, the USA and the UK.

Discussed matters concerning the Solutions business, including discussions with prospective OSP clients and the challenges with the implementation plans for existing Solutions clients including Aeon, Coles and ICA.

Received reports on management's work with key suppliers to help with continuity of supply of key equipment for building CFCs and OSP to overcome challenges caused by Covid-19 and Brexit.

Strategic Pillars:

Stakeholders:

S172(1)(d): Impact of operations on the community and the environment

Board activity and principal decisions

Approved the creation of the ESG Committee.

Approved the Health, Safety and Environment Strategy.

Reviewed various environmental, governance and social-related matters including, annual stakeholder analysis, corporate responsibility update, and materiality assessment.

Approved the Carbon Assurance Statement 2020 and discussed opportunities to further enhance the carbon usage benefits of its business model. Agreed to review this further.

Reviewed and approved the new carbon strategic priorities for the Group.

Strategic Pillars:

Stakeholders:

S172(1)(e): Maintaining high standard of business conduct

Board activity and principal decisions

Considered the composition and effectiveness of the Board, including the appointment of Nadia Shouraboura and Rick Haythornthwaite.

Reviewed and approved Corporate Statements.

Undertook annual review of the principal and emerging risks of the Group and consideration of risk appetite.

Reviewed and validated the effectiveness of the Group's systems of internal controls and risk management framework.

Reviewed reports on specific risk areas across the business including the cyber security control environment, ongoing material litigation, and health and safety measures introduced in response to Covid-19.

Reviewed and approved the Group's full-year 2019/20 and half-year 2021 results, as well as the quarterly results, regulatory announcements and the Group's Viability Statement and Going Concern status.

Reviewed and approved the refreshed Group Code of Conduct, the new global Conflicts of Interest Policy and the updated Whistleblowing Policy.

Strategic Pillars:

Stakeholders:

S172(1)(f): Acting fairly between members

Board activity and principal decisions

The Directors understand their duty to act fairly between different shareholders as required by UK company law and the Company's regulatory obligations pursuant to its UK listing.

During the year the Board reviewed and approved the following activities and documents and in doing so considered that they were acting fairly between members:

- Block listing application
- Successful Upsizing and Pricing of £500 million Senior Notes due 2026
- Q3 Trading Statement
- Half year financial results
- Notice including resolutions for the Annual General Meeting 2021
- Q1 Trading Statement
- Full Year results for the 52 weeks ended 29 November 2020
- Annual Report and Accounts 2020

Refer to Our Engagement with Stakeholders – Investors on page 61.

Strategic Pillars:

Stakeholders:

Case Study
to Support Section 172(1) Statement

During the year, the Board was presented with the decision as to whether the acquisition of Kindred AI ("Kindred") and Haddington Dynamics ("Haddington") would be most likely to promote the success of the company for the benefit of its members as a whole. In making this decision, the Board considered all of the factors of Section 172(1)(a) to (f) (the "Decision").

Kindred, a robotic solutions company based in San Francisco and Toronto that combines AI-powered vision and motion control with advanced robotics for use in ecommerce; and Haddington, an advanced research and development company based in Las Vegas that specialises in the design and manufacture of a low cost, lightweight, yet highly dexterous and accurate, robotic arm. The following table illustrates how the Board has considered all its key stakeholder groups in making the Decision and in turn, the follow-on implementation of the new businesses, reflecting on key criteria as listed below and in doing so, agreed that this Decision was in the best interests of the Company's long-term success.

Our People

Positive Considerations
- Organisational and cultural integration
- All Kindred and Haddington employees to join the Group

Consideration Difficulties
- Employment terms
- Share incentives for existing employees
- Technical integration
- Organisational and cultural integration

Board oversight
- Regular Board meetings
- Lengthy discussion and analysis on current and future employment and impacts both at Group and for Kindred and Haddington employees
- Negotiating, communicating and approving employment contracts and share incentive schemes

Future consequences
- Increased knowledge and technical expertise added to the Group

Investors

Positive Considerations
- New and growing market outside of grocery
- Economic potential
- The Group becomes more innovative
- Expectation regarding impact on Group revenues and EBITDA

Consideration Difficulties
- Consideration/ financing of structure
- Meeting Class 2 Listing Rule disclosure requirements

Board oversight
- Investor presentation
- RNS Announcement
- Business case and forecasts

Future consequences
- The potential for increase in share price

Environment, Social and Governance

Positive Considerations
- Making delivery more efficient

Board oversight
- Board meeting

Future consequences
- Potential for reduction in carbon emissions and other positive effects on the environment

Partners

Positive Considerations
- Complementary and incremental benefits of technology development
- Our existing solution becomes more attractive and cost effective

Board oversight
- Regular Board oversight of deployment of Kindred and Haddington technology for current and future partners

Future consequences
- Accelerate the development of our systems, including speed, accuracy, product range and economics
- Potential for new partners
- We become part of a new and growing market outside of grocery
- Generating value for our partners

Suppliers

Positive Considerations
- Complementary and incremental benefits of technology development
- Our existing solution becomes more attractive

Consideration Difficulties
- Integrating acquired supply arrangements with existing Group suppliers

Board oversight
- Board oversight of supply chain planning

Future consequences
- Develop relationships with new suppliers internationally

Composition, Succession and Evaluation

An explanation of how the Board complies with the Code in relation to composition, succession and evaluation is set out in the following pages.

Code Principles

Appointments to the Board

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board and also ensures that succession plans are in place for the Board and Senior Management. Both appointments and succession plans are based on merit and assessed against objective criteria with the promotion of diversity as a central consideration. The formal procedure for Board appointments and succession planning is detailed in the Nomination Committee Report on pages 128 to 133.

Director Re-election

Each Director is required under the Articles to retire at every Annual General Meeting and submit themselves for re-election by shareholders. At the 2021 Annual General Meeting, all of the current Directors (except for Michael Sherman, Rick Haythornthwaite and Stephen Daintith who were subject to appointment by shareholders, and Nadia Shouraboura who was yet to be appointed) stood for reappointment, and were duly elected with majorities ranging from 76.97% to 99.42% of the votes cast.

At the AGM, all of the current Directors, except Nadia Shouraboura, will submit themselves for re-election by shareholders. Nadia is subject to appointment by shareholders, as she was appointed by the Board during the year. This report and in particular the Board Biographies on pages 102 to 105 sets forth the contribution of each Director on the Board to the Company and on this basis the Board, and specifically the Chair, believes each Director proposed for election or re-election at the AGM should be appointed or reappointed. The Board has based its recommendations for election or re-election, in part, on its review of the results from the Board evaluation process outlined on page 124, on the reviews of the Executive Directors conducted at meetings of the Non-Executive Directors, the Chair's review of individual Directors and that a Director has demonstrated substantial commitment to the role (including time for Board and Committee meetings noted in this report) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof during the period. Jörn Rausing has served as a Non-Executive Director for 18 years, seven of which were before the Company's Admission. Accordingly, due to the length of tenure, the recommendation of his reappointment to the Board was subject to particular scrutiny (including the importance of maintaining Board continuity).

Board Induction, Training and Professional Development

On joining the Board, it is the responsibility of the Chair and Company Secretary to ensure that all newly appointed Directors receive a full and formal induction, which is tailored to their individual needs based on experience and background. The induction programme includes a comprehensive overview of the Group and begins with the Director attending either in person or if appropriate, virtual standard employee onboarding to provide first hand experience of the introduction provided to all new employees. Employee onboarding covers a vast array of topics from the history of the Group, to the joint venture with Marks & Spencer, the investment in technology and the Smart platform through to our values, diversity and inclusion and the Group culture.

The next phase of the induction programme focuses on the incoming Director getting to know and understand the full business of the Group. They will either meet in person or if appropriate, virtually with the Executive Director or appropriate Senior Management from each of the areas of the business: Ocado Solutions, Ocado Technology, Platform Implementation, Ocado Logistics, Client Services and Group Operations. Virtual meetings have been invaluable during the year as travel restrictions have meant that it was impossible for new Board member Nadia Shouraboura to come to England and visit site locations herself until the end of the period.

Each new Board member is given training on the role and responsibility of a Director including, but not limited to, the following:

- Duties under the Companies Act 2006 and compliance with the Code and FCA Listing Rules and other regulatory framework considerations.
- Market Abuse Regulations including their responsibilities as a PDMR and other matters pertaining to the Share Dealing Code and insider dealing.
- Investor relations and understanding our investor base and share register.
- Board policies including: Anti-Bribery; Anti-Money Laundering; Fraud Prevention; Whistleblowing and Conflicts of interest.
- Board and Committee procedures and constitutional documents including Matters Reserved for the Board and Committee terms of reference.

Ongoing training needs are assessed as part of the Board effectiveness process and any training is typically arranged by the Company Secretary in consultation with the Chair or relevant Board Committee Chair.

The members of the Remuneration Committee received updates from the Remuneration Committee's remuneration advisers including on the new remuneration reporting market practices. Members of the Audit Committee received written technical updates from the external auditor to keep them abreast of the latest accounting, auditing, tax and reporting developments. The Board have also received briefings from external advisers on a range of strategic matters illustrated on the Board Development table on page 121.

Board Composition

The Nomination Committee leads the process for appointing new Board members on behalf of the Board and makes its recommendations to the Board. The shift in the Group's business from purely UK grocery retail based to a technology-led global solutions provider, created new areas of skills and experience the Board needed to include. See the Nomination Committee Report on pages 128 to 133 for details behind the appointment during the period of Rick Haythornthwaite and Nadia Shouraboura.

The composition of the Board and Board Committees is continually assessed by the Chair to ensure an appropriate balance of skills and experience is maintained and more formally annually both in the Board and Committee effectiveness process and during the financial year-end preparations.

Board Development

During the year, the Board members enhanced their professional development with the following training and development opportunities.

February
Deloitte kept the Board up to date on reporting regulations and governance updates via papers presented at Board and Committee meetings.

March
Slaughter and May conducted a session with the Board on director duties and responsibilities. This session also covered a variety of issues such as TCFD, cyber risks and guidance from the FCA to consider.

April
Deloitte delivered a session to the Audit Committee, Senior Management and members from ORL. This covered three key topical areas: UK corporate governance reforms, regulatory changes for sustainability, climate change and ESG and the current cyber security risk landscape.

June
Deloitte kept the Board up to date on reporting regulations and governance updates via papers presented at Board and committee meetings.

September
PwC provided a session to the Remuneration Committee on governance updates and the market for executive remuneration.

October
Deloitte presented a paper to the Audit Committee on ESG and Section 172(1) reporting, and highlighted the Company's obligations.

Composition, Succession and Evaluation

Factors that are taken into account assessing the composition of the Board include length of Director tenure, a broad range of diversity characteristics, independence and the combination of skills and experience of the Directors. Each Board member is asked to identify their own skills, experience and diversity characteristics annually as part of the year-end process. For more on this see page 123.

Board Diversity

The Board recognises that the conversation has evolved to promoting a broader concept of diversity and inclusion and that this can mean different things to different organisations. We are very fortunate to have Michael Sherman on our Board. Michael is an expert in technology and a champion of diversity and inclusion, he is passionate about using his experience to recognise talent in others and encourages having conversations about diversity and inclusion.

"In partnership with colleagues and our Ocado Group leaders, we will continue our journey to develop a culture that upholds the benefits of diversity and inclusion so that in years to come, our business will physically reflect and represent a more diverse and inclusive workforce from the top down". Tim Steiner CEO

Code Compliance with Diversity

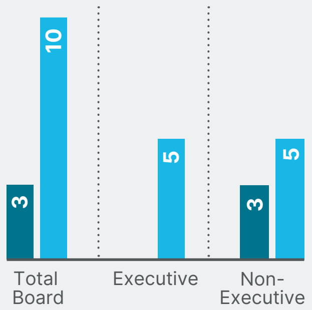
- Board Diversity Policy reviewed annually and will be reviewed in direct response to any changes in the Listing Rules.
- The Nomination Committee has responsibility for diversity of the Board and Senior Management and for ensuring a diverse pipeline.
- The procedure for Board and Senior Manager appointments and succession plans which recognise merit.
- The Board is committed to diversity both on the Board and in the workplace.
- There is a combination of skills, experience and knowledge across the Board and its Committees.
- Tenure and membership of the Board and its Committees are regularly considered.
- Annual evaluation of the Board and Directors which considers overall composition, diversity, effectiveness and contribution.
- The Group is invested in senior leadership roles to focus and accelerate our work on inclusion throughout the business.
- The Group uses data to capture and analyse diversity and inclusion insights so we understand where we need to focus.
- The Group invests in policies that support our commitment to equality and delivering targeted training in the areas that need it most.

The Board considers a diverse Board, of gender, ethnicity and social backgrounds, leads to better outcomes and improved decision-making and is committed to improving diversity on the Board and for Senior Management. The Board Diversity Policy includes agreed objectives to improve diversity, and progress against the objectives is regularly monitored. For more information as to how the Group as a whole considers diversity and inclusion please go to the People section on page 76 or have a look at the Corporate website www.ocadogroup.com/diversity-and-inclusion

We acknowledge that as a Group we need to do better in terms of our gender diversity on our Board and in Senior Management. We were delighted to appoint Nadia Shouraboura to the Board on 1 September 2021 and further recruitment for an additional female Director with technology experience will continue to be a key focus of the Board over the forthcoming months.

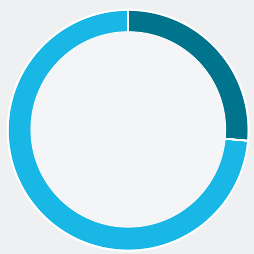
We believe that creating opportunities for women throughout the organisation will help contribute to restoring the balance of women in Senior Management and ultimately on the Board. During the last year, initiatives including Women in Tech and cross-company mentoring schemes have been piloted. For more information on diversity initiatives, see the People section on page 76 and www.ocadogroup.com/diversity-and-inclusion

Board Gender Diversity



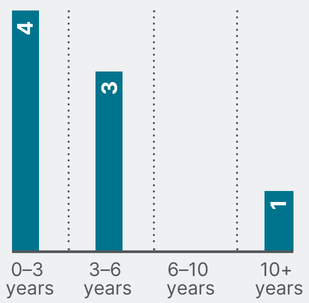
Female (23% of Board, 37.5% of NEDs)
Male

Senior Management Gender Diversity



Female 17
Male 47

Length of Tenure of Chair and Non-Executive Directors



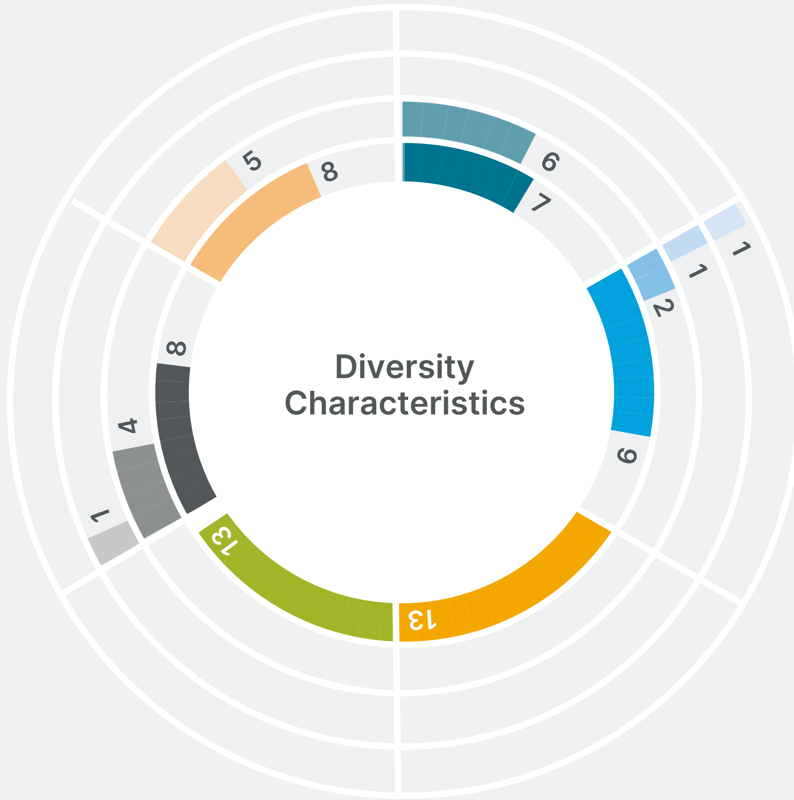
Note that all information is recorded as at the end of the period.

Combination of skills and experience as identified by the Board

	Number of Directors		Number of Directors
Chairship	8	Investor relations	9
Risk management	10	Retail industry	9
Climate Governance	4	Marketing	8
Workforce engagement	12	Governance	12
International board experience	13	Grocery industry	9
Prior FTSE Board experience	7	Business development	10
Financial acumen	13	Operations management	9
Technology	9	Change management	11

The Board participated in a process to identify their own diversity characteristics taking into account less tangible factors, such as life experience and personal attitudes[1]

(1) Categories taken from the Office for National Statistics. Ethnic group categories taken from the Parker Report.



Age
41–55
56–70

Ethnic group
White
Mixed/Multiple Ethnic Groups
Black/African/Caribbean/Black British
Other Ethnic Group

Sexual orientation
Heterosexual/Straight

Disability
No

Highest level of educational attainment
Level 6 – Bachelor's degree
Level 7 – Master's degree
Level 8 – Doctorate

Were you educated outside of the UK?
No
Yes

Note that all information is recorded as at 28 November 2021.

GOVERNANCE
Contents

Composition, Succession and Evaluation

Annual Board Effectiveness Review

The Board strives for continual improvement and, recognising the importance of continually monitoring their performance, undertakes a review of its effectiveness each financial year.

As recommended by the Code, the board effectiveness review is externally facilitated at least once every three years. Board effectiveness reviews were externally facilitated in 2019 and 2020 by Manchester Square Partners ("MSP").

Following consultation between the Chair and the Nomination Committee in July 2021, the Nomination Committee recommended to the Board its support of the Chair's recommendation for an internally facilitated board effectiveness review in 2021.

2021 Board Effectiveness Review Approach

The internal review was conducted by the Chair with the support of the Nomination Committee and Company Secretary and included individual discussions with each Director.

As part of the review, the Chair looked back over the previous two board effectiveness review reports, paying particular attention to their recommendations. He reviewed the Board and Committee papers for the year, revisited key internal board documents, such as the skills and diversity matrix for the Board, and considered relevant internal reports, such as those from the Culture and Inclusion team.

Given the appointment of the new Chair during the period, this was an excellent opportunity for the Chair to lead a review of the current state of Board effectiveness and the progress achieved with actions identified from prior years.

The Chair recognises his role is pivotal in creating overall individual and board effectiveness. Further, he recognises that diversity of skills, background and personal strengths is an important driver of a board's effectiveness. As part of this process, the Chair looked to ensure that the Board has effective decision-making processes and that it applies sufficient challenge to major proposals.

To this end, the Chair led the internal review in the following areas:

- Exploring the findings of the 2020 MSP evaluation in greater depth; providing the opportunity to build on some of the findings from previous evaluations.
- Canvassing opinions on a range of other topics including board ways of working, board composition and capabilities, board diversity and board dynamics.

2021 Internal Board Effectiveness Outcomes

In light of the review, it was concluded that the Board considers itself to be operating effectively at present, having the breadth and skills it needs to continue to provide oversight, leadership, support and challenge to the business today.

A primary finding from the review was that further steps could be taken to ensure the Board continues to evolve with the business, always seeking to develop the relevance, quality and focus of its business, adapting to keep up with the accelerating growth of Ocado and the need to bring balance to the strategic and operational oversight. This finding embraces the need for greater diversity – of gender, ethnicity and thought – with immediate recruitment action taken.

The Board reassessed its reporting and ways of working, including board agendas, meeting locations and cadence. To reflect the growing international footprint of the business, the Board decided to move towards a pattern of meetings more suited to international membership and to recruit a US-based Director. To complement this new pattern, the Company Secretary has also planned an improved informal engagement plan for Directors between formal meetings, including shorter update calls, external speakers, training, internal communications, broker and investor feedback and management mentoring sessions.

Ongoing consideration will be given to the coverage of the Board and Board Committee agendas to ensure they continue to reflect the changing dynamics of the business and the risk, regulatory and governance environment in which Ocado operates.

The matter of executive succession was also given enhanced attention.

2020 External Board Effectiveness Review Outcomes and Progress

The key actions identified by MSP in the 2020 evaluation for improvement or continued focus and the progress made in those areas are as below:

Succession planning

Actions	Progress
Further develop on-boarding plans for new appointments and review support given to transitions.	Due to ongoing Covid-19 restrictions, development of on-boarding plans has been more restricted than expected. Directors on-boarded during the year completed some of their journey remotely with video calls being held with the Senior Management members. Site visits where permitted, were conducted.
More discussion, with action plans on future management structures and issues of diversity and inclusion in management.	The Nomination Committee gave detailed consideration to management succession plans and development during the course of the year.
Consider recruiting a Non-Executive Director with international experience in software or engineering to support the expansion of the Solutions business.	Nadia Shouraboura was appointed on 1 September 2021 as an independent Non-Executive Director following an extensive recruitment process. Nadia brings with her an array of relevant international experience and adds further diversification to the Board composition. Further diversified recruitment is a continuing focus. The Nomination Committee discussed the Inclusion and Diversity report prepared by the Culture and Inclusion Team (the "Team"). The report set out the strategic focus areas for inclusion and diversity and outlined progress to date and priority actions for the year. The Team was established to proactively work with leaders, specialists, managers and employees across all parts of the Ocado Group to promote inclusion and take positive action to improve diversity.

Board papers and discussion

Action	Progress
Continue to build on Board paper improvements initiated in 2020, including mechanisms to improve contributions and debate.	As part of discussions between the Chair and the Board on its evolution, work is ongoing in relation to streamlining of Board papers for the Board and continuing to educate authors in relation to S172(1) considerations when preparing Board papers, to enable an appropriate level of preparation, questions, debate and challenge.

Board agenda planning

Action	Progress
To review forthcoming agenda items to ensure appropriate Board time is allocated across key areas.	The Board is focused on evolving ways of working to ensure Board time is used in a way that is strategic, appropriate and effective for an international business. The agenda has moved to a more strategic footing to reflect this way of working.

Audit, Risk and Internal Control

An explanation of how the Board complies with the Code in relation to audit, risk and internal control is set out in the following pages.

Code Principles

The Board's objective is to give shareholders a fair, balanced and understandable assessment of the Group's position and prospects for the business model and strategy and it has responsibility for preparing the Annual Report. The Board is also responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations.

You can find an explanation from the Directors about their responsibility for preparing the Financial Statements and ensuring that they are fair, balanced and understandable and provide sufficient information to enable shareholders to assess the Group's position, performance, business model and strategy in the "How the Directors Formally Report to Shareholders and take Responsibility for this Annual Report" page 143, together with details of how the Company has implemented robust internal controls to safeguard the integrity of the Financial Statements.

- the **Statement of Directors' Responsibilities** on page 209 confirms these responsibilities.
- the **Auditor's Report** can be found on page 212. Details of the determination of effectiveness of the **Auditor and Internal Audit** are set out on page 140.
- the Board determines the nature and extent of the risks that it is willing to take to achieve its strategic objectives. See "**How We Manage Our Risk**" on pages 84 to 98.
- the **Going Concern** and **Viability Statements** can be found on page 94.

Remuneration

An explanation of how the Board complies with the Code when determining Executive Director Remuneration Policy is set out in the following pages.

Code Principles

The Board is conscious that remuneration policies and practices must be designed to support strategy and promote the long-term sustainable success of the Group. It delegates responsibility to the Remuneration Committee to ensure that there are formal and transparent procedures for developing policy on executive remuneration and determining Director and Senior Management remuneration.

Our remuneration principles, which are set out below, continue to underpin our Remuneration Policy and reflect the factors detailed in Provision 40 of the Code (Clarity, Simplicity, Risk, Predictability, Proportionality, and Alignment to Culture). These principles are that our remuneration:

- supports the long-term success of the business and sustainable long-term shareholder value.
- is relevant and aligned to the business strategy and achievement of planned business goals.
- reflects and supports the entrepreneurial and high performance culture of the business.
- is compatible with the Group's risk policies and systems.
- links above-market payouts only to outstanding results.
- ensures that performance-related pay constitutes a proportion of the overall package appropriate to each level of the organisation.
- provides a balance between attracting, retaining and motivating the right calibre of candidates and supporting equal opportunity and diversity of talent.
- is clear and explainable to appropriate stakeholders.

Further details of both the current and proposed revised remuneration policies are set out in the **Directors' Remuneration Report** on pages 146 to 201.

Nomination Committee Report

> "Ensuring our Board has both the diversity and skills for the future is central to the role of the Nomination Committee this year.
>
> **Rick Haythornthwaite**
> Chair

Committee Membership*

The membership of the Nomination Committee, together with the dates of their appointment to the Nomination Committee, are set out below:

Rick Haythornthwaite
Committee Chair

Date of appointment: 1 January 2021

Date of Appointment as Committee Chair: 13 May 2021

Independent: Yes

John Martin

Date of appointment: 1 June 2019

Independent: Yes

Jörn Rausing

Date of appointment: 9 March 2010

Independent: Yes

Emma Lloyd

Date of appointment: 1 December 2016

Independent: Yes

Andrew Harrison

Date of appointment: 1 March 2016

Independent: Yes

Julie Southern

Date of appointment: 1 September 2018

Independent: Yes

Michael Sherman

Date of appointment: 5 October 2020

Independent: Yes

Nadia Shouraboura

Date of appointment: 1 September 2021

Independent: Yes

For **Committee attendance**, see the table on page 116.

*Claudia Arney retired from the Committee on 25 December 2020, Stuart Rose retired from the Committee on 13 May 2021.

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Nomination Committee for the 52 weeks ended 28 November 2021.

It has been a busy year for the Nomination Committee with a number of significant changes to the Board, including my appointment as Chair following the Annual General Meeting held on 13 May 2021. Following his retirement on the same date after eight years in his role as Chair, I would like to thank my predecessor Lord Rose for his dedication and hard work and the significant contribution he made throughout his time with Ocado. Stephen Daintith also joined us as Chief Financial Officer on 22 March 2021, succeeding Duncan Tatton-Brown. We were also delighted to welcome Nadia Shouraboura to the Board on 1 September 2021.

At the start of the year, the Nomination Committee undertook a thorough review of the Board's composition, taking into account skills and experience, together with diversity consideration, and placing a strong focus on succession plans, business transformation reviews and talent development and organisation succession. Ensuring our Board has both the diversity and skills for the future is central to the role of the Nomination Committee this year. Following a thorough search, Nadia Shouraboura joined the Board on 1 September 2021 as an independent Non-Executive Director making an important addition to our skill set. She brings a wealth of expertise working with high-growth, progressive technologies and is an expert in AI, software development and robotics, as well as being our first international Director. Together with the appointment made at the end of last year of Michael Sherman and with Stephen Daintith joining the Board in March of this year as Chief Financial Officer, following detailed consideration of each role and a thorough search process, we believe that the composition of the Board is well-constructed to align with Ocado's culture and strategic priorities. We are committed to a diverse Board in all dimensions and will continue to consider candidates from a variety of backgrounds and sectors with relevant experience and expertise.

Please read on for more information about the work of the Committee during the year.

I will be available at the AGM to answer any questions about the work of the Nomination Committee.

Rick Haythornthwaite
Chair

11 February 2022

Delivering an **Effective** Board

Key Responsibilities

Board Composition

- Review the structure, size and composition of the Board and its Committees.
- Evaluate the combination of skills, experience, diversity, independence and knowledge on the Board and its Committees.

Succession Planning

- Review the leadership needs of the organisation, both executive and non-executive.
- Give full consideration to succession planning for the Board and Senior Management and oversee the development of a diverse pipeline for succession.
- Identify and nominate potential candidates for Board vacancies as and when they arise, in line with succession planning.
- Support workforce initiatives that promote a culture of inclusion and diversity.

Board effectiveness

- Review the independence and time commitment of the Non-Executive Directors.
- Review and act upon the results of the Board performance evaluation process and assess how effectively members work together to achieve objectives.

Membership

As required under the Terms of Reference, the Nomination Committee comprises all of the Non-Executive Directors, and the Chair, and holds a minimum of two meetings a year. During the year, Rick Haythornthwaite became Chair of the Committee on 13 May 2021 and Nadia Shouraboura became a member of the Nomination Committee on her appointment to the Board on 1 September 2021. Claudia Arney resigned from the Committee on 25 December 2020 and Lord Rose retired from the Committee following the 2021 Annual General Meeting on 13 May 2021. The biography of each member of the Nomination Committee is set out on pages 102 to 105. The Chief Executive Officer and the Chief People Officer attend meetings by invitation when appropriate. The Deputy Company Secretary acts as secretary to the Committee.

How the Committee Spent its Time During the Year

The responsibilities of the Nomination Committee are set out in its Terms of Reference. The Nomination Committee has an annual work plan, developed from its Terms of Reference, whilst also dealing with specific issues as they arise, predominantly relating to the appointment and succession planning of the Board and Senior Management, and also supporting the development of a diverse pipeline. The Committee formally met five times during the year ended 28 November 2021. The principal matters that the Nomination Committee considered during the year were:

- the process used in relation to appointments, the approach to succession planning and how both support developing a diverse pipeline;
- recruitment process and succession planning in line with the Chair's planned resignation following eight years of service, resulting in the appointment of Rick Haythornthwaite;
- overseeing the recruitment process for a new Non-Executive Director, resulting in Nadia Shouraboura's appointment to the Board;
- reviewing the gender balance of those in Senior Management and their direct reports in line with the Company's governance structure;
- refining the Company's internal leadership structure for Senior Management and their direct reports in line with company strategy, talent development and organisation succession;
- review of Board and Board Committee composition, taking into account gender diversity and independence;
- review of the composition of the Remuneration Committee and appointment of Emma Lloyd to that committee;
- review of Board skills and competencies;
- management succession planning; and
- review and update of the Committee's terms of reference.

Nomination Committee Report

Appointment of the Chair of the Board

Search and appointment **timeline**

Step 1: **Background**

As Lord Rose was in his ninth year on the Board in 2021, during 2020, the Company started a search for a new Chair for the Board. The Company appointed Russell Reynolds Associates ("RRA"), an independent, specialist executive search consultant to assist with the process. RRA has no other connection with the Company. John Martin was nominated as the Non-Executive Director to lead the process.

Step 2: **Board Discussion**

Following individual discussion with each Board member and RRA to identify the requirements each individual felt was important to the role and subsequent discussion with the Board as a whole, a set of objective criteria were defined for the role, including the experience, competencies and personal attributes required to fufil the role of Chair and to lead the Board. A specific consideration in the search was the ability to inspire and win the respect of the Executive team.

The role criteria also demanded a range of key experience and skills. These included international, B2B, technology and rapid growth experience and an understanding of the challenges and complexities of working on large scale projects. An ability to guide executive succession and an understanding of good governance were also essential, together with strong communication skills to further stakeholder engagement. Previous chair experience was also desirable.

Step 3: **Nomination Committee Process**

A long-list of 13 strong potential candidates was identified, from both the UK and overseas, based on the role criteria and the Group's Diversity Policy. Of the long-list of candidates, 23% were female, 8% ethnic minority, and 38% with non-UK nationality. Following review by the Committee, the ten candidates with the strongest fit were invited for first stage interviews with John Martin and Claire Ainscough, Chief People Officer. Four of these candidates were invited to proceed to a stage 2 interview with the CEO and two additional Non-Executive Directors. Of these candidates, 25% were female and 25% of non-UK nationality.

Ahead of progressing the short-listed candidates to the next stage of the recruitment process, the Committee carried out detailed discussion on whether any further candidates should be identified or whether those candidates on the short-list met the criteria required and their suitability for the Ocado business, culture and Board. Due diligence was carried out to confirm time-capacity, potential conflicts and interest in the role. Three of the candidates were then invited to proceed to join the stage 3 interview process, facilitated by a combination of Non-Executive and Executive Directors, the Chair and Senior Management.

Step 4: **Stakeholder Consideration**

Given the importance of the CEO-Chair relationship, the CEO's views were considered key. Feedback on the three stage 3 short-listed candidates was also sought from two of the Company's large shareholders and from other third parties.

Step 5: **Nomination Committee and Board Approval**

Following detailed due diligence and feedback carried out by the Nomination Committee, it was confirmed that Rick Haythornthwaite possessed the required skills and experience to carry out the role and would bring sound leadership to Ocado. He was recommended for appointment as a Non-Executive Director with effect from 1 January 2021 prior to becoming Chair from the end of the 2021 Annual General Meeting.

Rick Haythornthwaite's **Induction** Programme

Due to the restrictions placed on physical meetings because of Covid-19, the majority of the Chair's induction programme was delivered virtually. The programme was structured to provide the information needed to engage in Board meetings in the same way as for other Non-Executive Directors joining the Board, and was then further expanded to develop the oversight required as Chair. Rick underwent the same first-day onboarding experience, as undergone by all new Ocado joiners. In addition to time spent with Senior Management to understand areas of focus, time was spent with Lord Rose in the four months prior to his retirement to gain his insights as Chair.

Areas covered in the Chair's induction programme

Areas of focus	Description	Delivered by
Strategy	• Strategic Priorities • Impressions on strategy from newly incumbent CFO • Introduction to each of Ocado's operating segments and business areas	CEO CEO, Ocado Solutions; COO; CEO; Ocado Technology; CFO Head of Corporate Development
Culture	• People Priorities • Ocado's approach to remuneration • Client services	Chief People Officer Chief People Officer MD, Client Services
Corporate Governance	• Ocado's governance framework • Stakeholder engagement	Group General Counsel and Company Secretary Chief Compliance Officer Communications Director
Financial Performance	• Ocado's financial position	CFO and CFO reports
Risk	• Information Technology and Cyber Risk	Chief Information Security Officer

As permitted, operational and site visits were also put into place. These included site visits to CFC Erith and CFC Bristol and meeting with operational employees, a logistics and driver experience, and a technology workshop with the senior Ocado Technology team, Rick also joined a visit to Sweden with one of our partners, Kroger, to look at our latest generation of hardware design.

Nomination Committee Report

Board Composition and Succession Planning

The Nomination Committee seeks to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively. During the year, the Nomination Committee undertook a thorough review of the Board's composition. This review took into account various considerations including the tenure of Directors, independence and diversity. A detailed skills matrix for all Directors, supported by a self-assessment analysis completed by each Director, was also reviewed to examine current Board knowledge, experience and skills and any perceived gaps, which were used to assist with determining the criteria required for recruitment of an additional Non-Executive Director role, which resulted in the appointment of Nadia Shouraboura on 1 September 2021.

The Nomination Committee engaged Heidrick & Struggles, an executive search agency, to assist with Nadia's appointment. The Company and the Directors have no other connection with Heidrick & Struggles. The recruitment process was led by Rick Haythornthwaite. International experience in high-growth, progressive technologies were seen as key requirements for the role. Following a thorough search, two final candidates were interviewed by a combination of Nomination Committee members, Executive Directors, the CEO and Senior Management, both of whom were female. Nadia was recommended by the Committee as she met the capabilities and skills required.

In addition to reviewing Board composition, the Nomination Committee oversees the process of succession and management development for the Executive Directors and the next layer of management below. With regard to the development of the management team, two senior managers regularly attend the Board meetings to report on their respective business areas, while the Board has exposure to other senior managers who present or report to the Board on their business areas or particular projects.

The Nomination Committee acknowledges that the make-up of the Senior Management team needs to facilitate the Company's growth from a UK-based online grocery retailer to an international ecommerce and logistics company. With the global expansion that has occurred since 2017, the key challenge for the Committee is to continue to expand leadership roles in order to meet future business requirements and to bridge succession risk by ensuring that employees are ready for future demands. An area of focus is to review opportunities to change the diversity profile of the business, both in terms of gender and ethnicity and also in terms of cognitive diversity and international experience.

Board Diversity

The Nomination Committee supports the importance of diversity and inclusion, both in the boardroom and throughout the organisation, and understands that a diverse Board will offer wider perspectives, which lead to improved decision-making, enabling it to better meet its responsibilities.

The Board's Diversity Policy considers a broad range of characteristics when considering diversity including age, disability, social and educational backgrounds, as well as gender and ethnicity. This Policy includes a commitment to increasing female and ethnic representation on the Board and throughout the wider organisation. At the end of the period, the Board had 23% female representation, taking into account the full Board, and 37.5% representation amongst Non-Executives. The Company acknowledges that this is short of the aim of 33% representation as set out in the Board Diversity Policy. We reviewed the Policy specifically in light of the proposed Listing Rule changes. We plan to review again in 2022 when the Listing Rule changes have been finalised and published. In doing so, the Board is committed not only to increasing the percentage of women and ethnically diverse individuals on the Board and in Senior Management, but also to supporting initiatives throughout the workforce that foster a culture of inclusion and diversity.

Any future appointments to the Board will continue to be based on merit and objective criteria to ensure that the best individuals are considered and appointed to the role. Wherever possible, the search pool will be extensive and where an executive search consultancy is used, Ocado will only engage with those firms that have adopted the "Voluntary Code of Conduct for Executive Search Firms". The Nomination Committee monitors these objectives and will evaluate the balance of skills, experience, knowledge and diversity on the Board throughout the year. For more information on diversity in respect of all the Group's employees, see the Our People section on pages 76 and 77.

Annual Review

The Nomination Committee reviewed and updated its Terms of Reference during the year. The Nomination Committee's terms of reference can be found at the Corporate Website: www.ocadogroup.com.

Audit Committee Report
Audit, Risk and Internal Control

"Ensuring integrity in financial reporting and internal control systems.

Julie Southern
Chair

Committee Membership

The membership of the Audit Committee, together with their dates of appointment to the Audit Committee, are set out below:

Julie Southern Committee Chair	**Emma Lloyd**
Date of appointment: 1 September 2018	**Date of appointment:** 1 April 2019
Independent: Yes	**Independent:** Yes
Andrew Harrison	**John Martin**
Date of appointment: 1 March 2016	**Date of appointment:** 1 June 2019
Independent: Yes	**Independent:** Yes

For **Committee attendance**, see the table on page 116.

Dear Shareholder

I am pleased to present the report of the Audit Committee for the 52 weeks ended 28 November 2021. During the year, the Committee has continued to play a valuable role in the Group's governance framework, monitoring and reviewing the integrity of financial information and providing challenge and oversight across the Company's financial reporting and internal control processes.

Last year saw significant and rapid change for the Group, including the expansion of Ocado Solutions and Ocado Ventures. This year has seen a step change in the Finance Department in order to reflect the changes to the business and to continue to meet the demands of the Group effectively. This has included changes to the Finance team structure, expanding both the headcount and skill set of the team, and the implementation of a wide-reaching finance transformation project, to reflect the global business we have become. The strengthening of the finance function is an ongoing process which will continue in 2022.

We implemented a new finance system with associated controls, processes and reporting appropriate for the Group's global expansion plans. The use of the systems and automated processes has been improved, additional reconciliation processes have been embedded, controls over user access and segregation of duties have been strengthened, and finance and tax risk registers have been updated. The expansion of the Solutions business has required the implementation of strong systems and processes across different jurisdictions and a greater focus on key treasury and international tax issues, all of which are being addressed.

The finance transformation for the fast evolving and ever more complex business is essential to create a more robust financial control environment, but this programme has brought with it challenges. Moving to a new finance system carries with it complexity and the finance team, which is itself growing rapidly, have had additional responsibilities to ensure a reliable transition to the new system. The Audit Committee and the Risk Committee (which I also attend) received reports from management and the external auditors on the impact of this major programme. We are aware that it has placed strain on the finance team and has meant that they have not always been able to complete some normal monthly financial processes including reconciliations, for a portion of the financial period. Preparing reporting information in a timely fashion for year-end has also proved challenging. We have discussed the additional audit procedures reported by the external auditors (as referred to on page 218 of the Independent Auditor's Report) to mitigate the risk presented. We expect that having transitioned to the new systems, there will be further opportunities to strengthen the control environment in the coming year including to deliver consistent well controlled monthly reporting so this will continue to be an area of focus for the Audit Committee in 2022.

This report sets out the role of the Audit Committee and how its duties and responsibilities have been discharged. This includes details of the significant accounting matters and issues in relation to the Group's Financial Statements that the Committee has assessed during the year and how these were addressed, and our process for concluding that this Annual Report is fair, balanced and understandable. The other primary responsibilities of the Committee, including ensuring that the external auditor is independent and effective, ensuring that the Group has an effective internal control framework and reviewing the effectiveness of the Group's assurance functions, are also detailed over the following pages.

I will be available at the AGM to answer any questions about our work.

Julie Southern
Chair

11 February 2022

Key Responsibilities

- monitor the integrity of the Financial Statements of the Company and Group;
- review announcements relating to financial performance;
- review the Company's internal control and risk management systems;
- monitor and review the effectiveness of the Company's Internal Audit function;
- review the effectiveness of the external audit process;
- advise the Board on the appointment, reappointment and removal of the external auditor;
- agree the external auditor's terms of engagement;
- develop and implement policies on the engagement of the external auditor to supply non-audit services;
- monitor and review the external auditor's independence and objectivity; and
- fulfil reporting obligations.

Membership

The Audit Committee is composed of independent Non-Executive Directors with relevant experience and proficiency in line with the requirements of the Code and its Terms of Reference. Julie Southern and John Martin are both chartered accountants with the Institute of Chartered Accountants in England and Wales and are considered by the Board to have competence in accounting. All members have recent and relevant financial experience and the Audit Committee as a whole has competence relevant to the sectors in which the Company operates, notably the retail and technology sectors. The biography of each member of the Audit Committee is set out in the Board Biographies on pages 102 to 105. There have been no changes to the membership of the Audit Committee during the year.

Meetings

The Audit Committee holds a minimum of three meetings annually, as required under its Terms of Reference, and this year held six meetings. The timing of meetings coincides with key intervals in the Group's reporting and audit cycle. The Chair of the Audit Committee reports at each Board meeting on the business conducted at the previous Audit Committee meeting, any recommendations made by the Audit Committee and the discharge of its responsibilities, as set out in this report.

Regular attendees at Audit Committee meetings include the Chief Financial Officer, the Group General Counsel and Company Secretary, the Finance Directors, the Head of Internal Audit and the external auditor. Other attendees who attend as required include the Chief Executive Officer, the Chair of the Board, a number of senior members of the Finance department, other members of Senior Management and Operational teams and other advisers to the Company. The Deputy Company Secretary is the secretary to the Audit Committee.

During the period from Duncan Tatton-Brown's departure on 22 November 2020 to Stephen Daintith's starting date as CFO on 22 March 2021, the duties and responsibilities of the CFO were undertaken by the Deputy CFOs, Andrew Page and Richard Exact.

How the Committee Spent its Time During the Year

The responsibilities of the Audit Committee are set out in its Terms of Reference, which are available on the Corporate website. The terms were last updated by the Committee in October 2021 and approved by the Board in November 2021. The Audit Committee sets an annual work plan, developed from its Terms of Reference, with standing items that the Audit Committee considers at each meeting, in addition to areas of risk identified for detailed review and any matters that arise during the year. The main matters that the Audit Committee considered during the year are listed below:

- review of FY2021 audit plan and financial reporting process;
- reports from management on the financial control environment;
- provisions, contingent liabilities and contingent assets;
- Ocado Solutions revenue recognition;
- accounting and disclosure for new acquisitions and investments;
- impairment of capitalised costs;
- Group tax strategy;
- received reports from management, Internal Audit and the external auditor on reporting, assurance work and audit work for Ocado Retail;
- viability and going concern including key underlying assumptions;
- Governance, Risk and Compliance annual plan and updates;
- risk management and internal control systems;
- review of principal risks;
- review of business continuity and disaster recovery capabilities;
- Covid-19 response update;
- effectiveness of internal control and risk management framework;
- internal audit plan and reports and internal audit effectiveness review;
- review of technology and information security risks and programme updates;
- regulatory and compliance plan and governance framework review;
- selection of new audit partner;
- review of Auditor Appointment Policy; and
- review of Committee Terms of Reference.

Audit Committee Report
Audit, Risk and Internal Control

There is an additional layer of review and oversight that occurs in the Ocado Retail business, which has its own board and audit committee, comprising Ocado Retail management and representatives from the Group and Marks and Spencer. That audit committee receives reports from Group Internal Audit on assurance reports on the Ocado Retail business and from the external auditor, as well as from the Ocado Retail management and finance function. In turn, the Audit Committee has visibility of this largely via reports from management in Group and reports from Internal Audit and the external auditors.

Financial Statements and Reporting: The Audit Committee monitored the financial reporting processes for the Group, which included reviewing reports from, and discussing these with, the external auditor. As part of the year-end reporting process, the Audit Committee reviewed this Annual Report, various management reports on accounting estimates and judgements, the external auditor's reports on internal controls, accounting and reporting matters, and management representation letters concerning accounting and reporting matters.

Monitoring the integrity of the Financial Statements of the Company, the financial reporting process and reviewing the significant accounting issues are key roles of the Audit Committee. The Board ensures this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and the Audit Committee plays an important role in assisting the Board in reaching those conclusions. The form and content of the Annual Report and Financial Statements was reviewed and approved, and the preparation and verification process determined to be robust. Consistency of narrative within the document was confirmed. Following review, the Committee advised the Board that it was satisfied that the 2021 Annual Report and Financial Statements, taken as a whole, met its objectives and supported the Board in making its Statement on page 209. For information concerning the process followed by the Company in preparing this Annual Report see pages 143 and 144 of the Corporate Governance Report. The Audit Committee also monitors the financial reporting processes for the Group's Half Year Report, which is a similar role to the one it carries out for full year reporting.

Accounting judgements and key sources of estimation uncertainty: The Audit Committee reviewed and discussed reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. The Committee also reviewed the evaluation of complex accounting matters. This section outlines those significant issues which received particular focus from the Audit Committee in relation to the Financial Statements for the period and how these issues were addressed.

Major Audit Committee Judgements and Estimates during the period

Area	Key Accounting Policies, Judgements and Key Sources of Estimation Uncertainty	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Revenue recognition	The accounting for Solutions contracts is complex. Key areas of management judgement include the timing of recognition of upfront and ongoing fees payable under the relevant contract.	The Audit Committee reviewed and agreed with management's proposed accounting treatment and policies, reviewing each Solutions customer individually in light of IFRS 15 guidance.	The accounting treatment is included in the Consolidated Income Statement on page 223 and Note 2.1 to the Consolidated Financial Statements.
Consolidation of Ocado Retail	The Ocado Retail joint venture, in which the Group holds 50% of the voting rights, requires management to exercise judgement over whether the rights granted to Ocado under the Ocado Retail joint venture give the Group control under IFRS 10.	The Audit Committee reviewed and agreed with management's assessment that the Group still retained control of the Ocado Retail joint venture. Under the Group accounting policies, the dispute resolution procedures (in relation to approval of the business plan and appointment and removal of the Ocado Retail CEO) in the shareholders' agreement grants the Group determinative rights. This agreement remains unchanged and there are no other indicators that control has changed. This was supported by management reports and reports from the external auditor on its audit procedures in this review area.	The Ocado Retail joint venture is accounted for as a subsidiary and as such, is consolidated fully in the Financial Statements of the Group. A Non-Controlling interest is reported to reflect the fact that 50% of the ownership is held outside the Group. See Note 5.2 to the Consolidated Financial Statements.
Provisions, Contingent Liabilities and Contingent Assets – Solutions	The implementation of the platform for each Solutions customer is a complex project. A typical Solutions contract includes a number of key milestones during the project implementation phase. Failure to achieve these key events can be subject to contractual financial penalties. Management judgement is required to review the progress of ongoing projects and determine whether there is a risk that Ocado will not meet the agreed key milestones and thus incur a financial penalty.	The Audit Committee considered the management report concerning the progress of all current Solutions projects in order to assess whether liabilities might arise for non-performance or delay. At the balance sheet date, it was concluded that there were no material risks to key milestones that would result in payment obligations by the Group and hence there were no contingent liabilities to disclose.	There is no impact to the Financial Statements and no additional disclosures required for the period. See Notes 3.12 and 3.13 to the Consolidated Financial Statements.

Area	Key Accounting Policies, Judgements and Key Sources of Estimation Uncertainty	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Provisions, Contingent Liabilities and Contingent Assets – Litigation	Autostore has filed several patent infringement claims against Ocado Group and action is in process to defend against these claims.	The Audit Committee considered the management reports including the intention to defend against these claims. In December 2021, the Group won a patent infringement trial against Autostore and the interim final determination of the judge in the International Trade Commission was delivered in favour of Ocado. This has been appealed by Autostore and we expect that the final decision of the Commission will be issued in April 2022. There are lawsuits in other jurisdictions in this litigation, including where Ocado is claiming damages against Autostore, but these have not yet reached trial. Consistent with the treatment applied in prior periods, due to the material nature of the expenditure and potential income of this litigation, costs and income arising are being treated as Exceptional Items. However, given the ongoing nature of this litigation, the outcome is uncertain, and so the Group has not recognised a contingent asset or liability in these Financial Statements in respect of this action.	There is no impact to the Financial Statements and no additional disclosures required for the period. See Note 3.13 to the Consolidated Financial Statements.
Exceptional items	Management judgement was applied in order to treat certain one-off matters as exceptional. Management has judged that additional costs caused by the Covid-19 pandemic would not be treated as exceptional. Management has judged that the damage caused by the Andover fire and the related losses are significant, one-off in nature and therefore not representative of the underlying performance of the business. All costs and income related to the incident are classified as exceptional as they have a disproportionate effect on performance, touching several lines in the Income Statement. Management has judged that the unusual collision between three bots at the Erith CFC in July 2021 was one off in nature and outside of the ordinary course of business and therefore, consistent with the approach taken for the Andover incident, the financial implications of this event should be separately identified as exceptional items. During the year, the Group refined its Policy on IAS 38 Intangible Assets following the International Financial Reporting Intepretations Committee's ("IFRIC") interpretation on accounting for configuration or customisation costs in cloud computing or software as a service ("SaaS") arrangement. The interpretation resulted in a change to administration expenses as an exceptional item in the period. The guidance represents a change in accounting policy, therefore, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs. This amount has been expensed in full and disclosed as an exceptional item.	The Audit Committee considered the management reports on the accounting treatment of certain one-off transactions and agreed that they were not in the ordinary course of business and therefore warranted clear disclosure in the Group accounts. The Audit Committee agreed with management's view that it was useful management information to track the incremental level of Covid-19 costs, but the nature of the costs themselves were not out of the ordinary and therefore were not exceptional. The Group also correctly expected that the elevated costs would continue for a long period and as such would be considered as normal. The Audit Committee reviewed and agreed with management's proposed accounting treatment and policies.	See Note 2.6 in the Consolidated Financial Statements for the exceptional items disclosed and the explanation on page 138.

Audit Committee Report
Audit, Risk and Internal Control

Area	Key Accounting Policies, Judgements and Key Sources of Estimation Uncertainty	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Fair Value of Contingent Consideration	The sale of Ocado Retail in 2019 resulted in future payments of up to £187.5 million which is treated as contingent consideration. Management judgement must be applied at each reporting period to evaluate the fair value of this significant amount and consider the likelihood of achieving the contractual performance targets linked to the deferred payment.	The Audit Committee reviewed management reports on the expected future performance and agreed with the conclusion that the full amount (as discounted) of the payment be recognised in light of the expected achievement of projections for the Retail business.	See Note 3.6 to the Consolidated Financial Statements for the fair value applied to the contingent consideration.
Share-based Payment Schemes	Management judgement must be applied to the valuation of the share schemes within the Group. Management use external reports and the underlying assumptions to assist calculating the fair value of share-based payment schemes.	The Audit Committee gave due consideration to the management report on the fair value of the share schemes and debated within the Committee to ensure sufficient review of the potential performance ranges in the light of the impact of the Covid-19 pandemic on performance and targets.	See Note 4.10 to the Consolidated Financial Statements for the fair value of incentive schemes including the VCP schemes.
Impairment of capitalised costs	Management judgement must be applied in assessing any assets which should be impaired during the year, in particular internally developed software and capital and work-in-progress. Management judgement must also be applied in assessing any impairment of goodwill as a result of business combinations. The businesses acquired are at early stages of commercial development and, therefore, there is a risk that they will not be commercially viable. Goodwill and intangible assets under construction are not amortised, but are subject to an annual impairment review. The impairment review requires future profits and cash generation to be estimated based on Management-approved financial budgets and plans covering a five-year period, and then extrapolated using long-term growth rates, and discounted at the pre-tax discount rate. Management engages external experts to determine the discount rate used to calculate the fair value less cost to dispose of each cash generating unit.	The Audit Committee reviewed and agreed with the management report concerning the assessment performed and quantification of impairment of capitalised costs.	See Notes 3.2 and 3.3 to the Consolidated Financial Statements for the impairment charge recorded in the year.

The previous table is not a complete list of all the Group's accounting issues, judgements, estimates and policies, but highlights the most significant ones for the period in the opinion of the Audit Committee. Accounting for the judgemental nature surrounding media income and inventory accounting for the Retail business and the recognition of deferred tax assets are recurring issues for the Group, but did not require a significant change in the basis of the estimate or judgement during the period. Consideration was also given to the factors to be taken into account in determining an appropriate estimate of accrual for management incentive arrangements in the Retail business. The accounting treatment of all significant issues and judgements was subject to audit by the external auditor. For a discussion of the areas of particular audit focus by the external auditor, refer to pages 213 to 216 of the Independent Auditor's Report. The Audit Committee reviewed and evaluated during the year the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements and guidelines, including the European Securities and Markets Authority Guidelines on Alternative Performance Measures. The Audit Committee considers that the Company has adopted appropriate accounting policies and made appropriate estimates and judgements.

Andover Insurance Claim: The Group's financial results were again impacted in 2021 by the fire that destroyed the Andover CFC in February 2019. Management provided the Audit Committee with periodic updates during the year on the accounting treatment of insurance proceeds and costs including for loss of inventory and assets and the business interruption costs. The Audit Committee considered the appropriate accounting treatment, which was unchanged from the prior period, and also the clear reporting of these amounts in the Financial Statements. The treatment of this item as exceptional was also reviewed. The Andover insurance claim is progressing steadily and the Group is aiming to settle the claim in 2022.

Erith Insurance Claim: The Group's financial results were impacted by a very unusual collision between three bots on the grid that sparked a fire at the Erith CFC in July 2021. The damage was limited to a small section of the grid. The events leading to the incident were one-off in nature and outside of the ordinary course of the business, and gave rise to a material financial impact. Consistent with the approach taken for the Andover incident, any related costs and income were all therefore separately identified as exceptional items. Management provided the Audit Committee with periodic updates on the accounting treatment of insurance proceeds and costs including for loss of inventory and assets and the business interruption costs. The Audit Committee considered the appropriate accounting treatment, which was consistent with the Andover fire.

FRC Review of 2021 Interim Financial Report: The Audit Committee reviewed the findings of the review carried out by the Supervision Committee of the FRC on the Group's Interim Financial Report to 30 May 2021. This review is inherently limited to considering the Group's compliance with the reporting requirements for Half Year Statements. Whilst they did not raise any queries necessitating a response, they did indicate that the disclosure in respect of Kindred Systems was not sufficiently clear in our interim financial statement. Both comments were addressed and clarified in this Annual Report as set out in Note 3.1 to the Consolidated Financial Statements.

Cash Generating Units: Consistent with prior years the Audit Committee reviewed the management determination of the reporting segments of the Group, being "retail", "UK Solutions and Logistics" and "International Solutions", noting this still appropriately reflected the structure of the Group's activities.

Going Concern and Viability Assessments: The Audit Committee and the Board reviewed the Group's Going Concern and Viability Statements (as set out on page 97) and the assessment reports prepared by management in support of such Statements. The report on the Viability Statement included revised downside scenarios and a reverse stress test reflecting the current risks posed to the business, which the Audit Committee considered were appropriate. The Audit Committee gave careful consideration to the period of assessment used for the Viability Statement. It took into account a wide range of factors (see pages 94 to 97) and concluded the time period of three years remained appropriate. The external auditor discussed the Statements with management and, as outlined in their audit report, have nothing to report in respect of the conclusions reached by management regarding going concern and viability. The Board was comfortable with the disclosure set out in this Annual Report, including the explanation of some of the key assumptions such as the future financing requirements for the business and its linkages to the Group's Principal Risks Statement.

Tax Review: During the year, a review of the Group's tax risks was undertaken, including the framework of responsibilities, people, policies and processes in place for managing tax compliance risk. Developments during the year, including changes to the scale of the business, increase in international operations and the changes to the risk profile, which included the effect of the Group's Work from Anywhere Policy, were considered. The Group's tax strategy was also reviewed during the year and approved by the Board. The strategy, which can be found at the Corporate Website – www.ocadogroup.com, is based around four fundamental principles:

- to comply with applicable tax obligations and laws in all jurisdictions;
- to pay the right amount of tax at the right time in the relevant jurisdiction;
- to ensure that the Company meets both its legal and moral obligations when optimising gains for shareholder returns; and
- to ensure a transparent and open relationship with all tax authorities.

Risk and Internal Control Review: The Board has ultimate responsibility for the effective management of risk for the Group including determining its risk appetite, identifying key strategic and emerging risks, and reviewing the risk management and internal control framework. The Audit Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of different sources to carry out its work including Internal Audit assurance reports, the assurance provided by the external auditor and other third parties in specific risk areas, reports from Finance and other areas of the business and an annual assessment report provided by Governance, Risk and Compliance. In addition, the Audit Committee Chair gains additional insight on the management of risk in Ocado, by attending the Group's regular Risk Committee meetings. The Risk Committee, which is chaired by the Group General Counsel and Company Secretary, receives reports from the business on a range of risk topics and discusses principal risks and risk appetite.

As outlined from page 134, the Audit Committee and the Board have given consideration to the effectiveness of the Group's system of internal control and risk management and noted the improvements made during the year and the plans in place to further improve the Group's underlying control environment.

During the period, the Group continued to undertake activities to improve the Group's financial control environment in response to business requirements and regulatory changes. A new finance system went live in 2021, significantly enhancing the automation of financial controls, processes and reporting appropriate for the Group's global expansion plans. The Financial Controls team has continued to be strengthened, with clear accountability, to monitor, design and drive improvements in internal controls over financial reporting, which are being embedded in the Group's end-to-end processes.

The Finance transformation undertaken during 2021 has presented some challenges. The Audit Committee spent time discussing the transition risks created by moving to the new finance systems and also restructuring the Finance Team. This included understanding from reports from management and the external auditors the work done to mitigate the risks of some control weaknesses, including the reliance on manual checking of financial data. The Finance team plan to do further work to fully embed the new systems and to allow further strengthening of the control environment in future. The Audit Committee plans to carefully oversee progress made with the improvement actions to be taken by the Group in 2022 to embed these additional controls, as they will be important to ensure the ongoing integrity of financial reporting.

To further improve the control environment, provide additional control rigour and improve overall efficiency thereby reducing risk, a Financial Controls programme was launched in late 2021.

The first phase of the programme will cover risk and culture assessments, scoping, and performing pilot process assessments and assessment of the new finance system implementation. The second part of the programme has been planned to run until 2024 covering the walkthrough, testing and remediation of all key

Audit Committee Report
Audit, Risk and Internal Control

processes, controls and IT systems relevant to external financial reporting. The Group critically assessed the government's proposals to restore trust in audit and corporate governance and responded to the consultation run by the Secretary of State for Business, Energy & Industrial Strategy.

In addition to considering the financial control environment, the Audit Committee took into account the steps taken during the year to increase the maturity of the wider risk management framework for the Group. A number of improvements were made during the period to strengthen the Group risk management framework, as explained on page 84.

Every year the Audit Committee focuses its attention on risk areas of particular importance, including those linked to the Group's principal risks. In addition to key updates on tax and treasury management, the Audit Committee spent time during the period discussing the Group's business continuity and disaster recovery plans and the changes being made to mature the technology and security controls for the business. Good progress was made in a number of areas of the security control environment for the Group including the programme to achieve compliance under the Security and Organisation Controls standard, which was important progress given the continued growth of the OSP business. Programme updates from management and assurance reports from Internal Audit were provided to the Audit Committee in a range of information security areas and evidenced the progress being made but also the areas where further work is needed in future to strengthen the security environment. The Audit Committee expects to carefully monitor progress of management plans as this is such an important control area for the business.

Group compliance programme: The Audit Committee reviewed, considered and approved the 2021 annual plan for the Group compliance programme. The prior year was focused on addressing foundational compliance with the introduction of a number of new policies, including a Global Code of Conduct, enhanced guidance material, new training modules and risk assessments in core areas of the business. The compliance programme during 2021 was about consolidating the progress made and continuing to evolve governance and controls to meet the changing shape of the organisation and to respond to emerging risks. Priority efforts during the year included the launch of a new Fraud Prevention Policy, the globalisation and update of the Whistleblowing Policy and launch of a new global Conflicts of Interest Policy. The Audit Committee will continue to monitor the implementation, enhancement and effectiveness of the Group compliance programme. The Group's compliance programme is explained in more details in the Ethics and Compliance section on page 82.

Internal Audit

The Internal Audit function is responsible for providing independent and objective assurance to the Audit Committee on the design and effectiveness of the Group's systems of internal control through a risk based approach. The Head of Internal Audit has invested in initiatives through the course of the year to improve its effectiveness and skill base.

The Audit Committee reviewed and approved the Internal Audit Charter and plan in February 2021. The 2021 plan included an increase in audit coverage and capacity to cover more aspects of technology and financial processes and systems. Audits performed in 2021 included audits for Ocado Technology, Ocado Retail, Platform Implementation and Client Services. Internal Audit carried out reviews across these missions to provide coverage against the principal risks.

The Committee has a standing agenda item to cover Internal Audit related topics. This includes reviewing progress against the agreed plan, approving subsequent changes to the plan throughout the year including the prioritisation of audit work and reviewing the reports issued by Internal Audit. This allows the Committee to consider the issues and risks arising from reviews through discussions on key findings, recommendations and plans by management to address any areas of weakness. Progress on management action plans is tracked and the status of these actions is reviewed. During the period, the Audit Committee met with the Head of Internal Audit without management present.

2021 Internal Audit Effectiveness Review: Internal Audit is subject to an effectiveness review each year. An external effectiveness assessment of the Internal Audit function was conducted in 2020 and it was, therefore, considered appropriate to carry out an internal assessment for 2021.

External Auditor

Step 1

A questionnaire was completed by members of management and business operations, the Audit Committee members and the external auditor, as well as a self-assessment by the Head of Internal Audit. The assessment questionnaire asked questions to assess performance in a range of areas including planning and work programme, communication, reporting and performance.

Step 2

The results of the questionnaire were reviewed by the Audit Committee. A separate session was held with the Head of Internal Audit to discuss detailed feedback from the assessment and to consider areas for improving effectiveness of their work in future.

Step 3

Informal feedback from management and the external auditor was considered during the period.

Interactions during the year were also taken into consideration. These include the Audit Committee review and approval of the annual plan, assessment of the quality of Internal Audit reports and monitoring of actions taken in relation to the findings.

Result of Review:

The Audit Committee concluded that the Internal Audit function was effective and provides appropriate assurance on the controls in place to manage the principal risks facing the Group.

The Audit Committee has primary responsibility for managing the relationship with the external auditor, including assessing its performance, effectiveness and independence, recommending to the Board its reappointment or removal and agreeing terms of engagement. Deloitte was reappointed as external auditor of the Group at the 2021 Annual General Meeting. Deloitte has been the external auditor for five years, since the last tender process was undertaken in 2016 for the financial year ended 3 December 2017. Given the five year tenure, the Audit Committee gave careful consideration to the ongoing appointment of Deloitte as external auditor. The Committee currently intends to conduct a tender process no later than the 2027 year-end audit, being ten years after the original appointment. The Committee believes that conducting the competitive tender process then to be in the best interests of the Company. In making this decision, the Committee took into account the ongoing effectiveness and independence of the external auditor (discussed in detail below), the benefits of maintaining continuity with the same audit team during a period of significant change in the Group and the fact that the Deloitte audit partner was due to rotate at the end of five years, as required by regulation. The current lead audit partner Mark Lee-Amies will complete his term at the completion of the 2021 audit. The process to select a successor audit partner was conducted by the Committee during the year and Dave Griffin was chosen to replace him as lead audit partner from 2021. The Audit Committee will monitor the transition process for the new audit partner and continue to review its decision about conducting a competitive tender process.

Assessing the Effectiveness of the External Audit Process and the External Auditor: In assessing the effectiveness of the external auditor the Audit Committee reviewed the resources, expertise and qualifications of the auditor, the planning and organisation of the audit process, the quality of the overall audit and outcome, and the independence and objectivity of the external auditor. The Audit Committee also reviewed and approved the external audit plan, considering the extent to which it was tailored to the Group's business, and monitored whether the agreed plan was met. The Audit Committee reviewed the audit plan and were content that the plan was sufficient to support a robust and quality audit of the year-end Financial Statements. In reviewing the audit plan the Audit Committee considered certain significant and elevated risk areas, identified by the external auditor, which might give rise to material financial reporting errors or those perceived to be of higher risk thereby requiring further audit attention. These risk areas include those set out in the Independent Auditor's Report from page 212.

The Audit Committee also considered the approach to reviewing the Group control environment, review of IT controls, the proposed audit scope and materiality threshold, as well as the responses of the auditor to questions from the Committee.

The Audit Committee met with the external auditor at various stages throughout the period to discuss the remit and issues arising from the work of the auditor. This periodic review process was seen as an important opportunity to check-in with the auditors to assess achievement of key deliverables in the audit and ensure that the audit remained on track. To further facilitate open dialogue and assurance, the Committee also met with the external auditor without management present.

Review by FRC Audit Quality Review: In reviewing Deloitte, the Audit Committee took into account the findings from the Financial Reporting Council's Audit Quality Review ("AQR") of Deloitte's audit of the Company's Financial Statements for the financial year ended 29 November 2020. The FRC's AQR team monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits and related procedures at individual audit firms. While satisfied that none of the findings were considered to be significant, the report provided sufficiently important observations about the effectiveness of the audit process, which the Audit Committee welcomed. The Audit Committee reviewed the FRC report and received a report from Deloitte on the findings of the review and the firm's proposed recommended actions for future audits.

2021 External Audit Effectiveness Review:

Step 1

The Audit Committee, the Executive team, and members of management from across Group Finance, Retail, Internal Audit, Governance, Risk and Compliance, IT and Commercial Finance completed an external audit effectiveness review questionnaire. The questionnaire asked respondents to consider the robustness of the audit process and the quality of delivery, reporting, people and service.

Step 2

The Audit Committee reviewed the results of the questionnaire, in addition to meeting with management, without Deloitte present, to listen to views on the effectiveness of the external auditor.

Result of Review:

The Audit Committee concluded that Deloitte delivered a robust and quality audit, with effective challenge and providing the appropriate resources to the Company in the period and that, therefore, Deloitte had remained effective in their role.

Independence and Objectivity: The Audit Committee monitors and assesses the independence and objectivity of the external auditor, including the evaluation of potential threats to independence and the safeguards in place to mitigate these. The Committee considered there were no relationships between the external auditor and the Group that could adversely affect its independence and objectivity. The external auditor reported to the Committee that it had considered its independence in relation to the audit and confirmed that it complies with UK regulatory and professional requirements and that its objectivity is not compromised. The Committee also considered the tenure of the external auditor, the auditor's own processes for maintaining independence and the nature and amount of non-audit work undertaken by the auditor. The Audit Committee took these factors into account in considering the external auditor's independence and concluded that Deloitte remained independent and objective in relation to the audit.

Audit Committee Report

Audit, Risk and Internal Control

Non-Audit Work Carried Out by the External Auditor: To help safeguard the auditor's objectivity and independence, the provision of any non-audit services provided by the external auditor requires prior approval, as set out in the table below. These thresholds are unchanged. During the year, the Audit Committee conducted its annual review of the Policy on Auditor Appointment and Independence, which includes the Policy on non-audit services.

Approval Thresholds for Non-Audit Work	Approver
Over £10,000 and up to £30,000 per engagement	Chief Financial Officer
Over £30,000 and up to £100,000 per engagement	Chief Financial Officer and Audit Committee Chair
Greater than £100,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	Audit Committee

An additional protection is provided by way of a non-audit services fee cap. The Audit Committee (or the Company) may not approve an engagement of the external auditor if annual non-audit services fees would exceed 70% of the average audit fees (not including fees for audit-related services or for services required by regulation) charged in the previous three years. Certain types of non-audit services are of sufficiently low risk so as not to require the prior approval of the Audit Committee, such as "audit-related services" including the review of interim financial information. "Prohibited services" are those that have the potential to conflict directly with the auditor's role, such as providing internal audit services, and are not permitted. Only non-audit services permitted by the FRC's Ethical Standard 2019 may be procured from the auditor.

Non-Audit Work Undertaken During the Period: The total of non-audit fees, audit fees and audit-related services fees paid to the external auditor during the period is set out in Note 2.4 to the Consolidated Financial Statements on page 242. The non-audit service fees of £506,000 (2020: £190,000) paid to Deloitte during the period related to £186,000 paid for audit-related assurance services for the ISRE 2410 review of the Half Year Financial Statements, £40,000 for specified audit procedures over Ocado Retail Limited financial information and £280,000 for reporting accountant work in relation to the October 2021 offering of £500 million Senior Unsecured Notes due 2026 and redemption of outstanding 4.00% Senior Secured Notes due 2024. All non-audit work engagements were approved in accordance with the requirements of the policy. The non-audit work for the notes financing was approved by the Audit Committee.

The Audit Committee received a regular report from management regarding the extent of non-audit services performed by the external auditor. The external auditors provided a report to the Audit Committee on the specific safeguards put in place for each piece of non-audit work confirming that it was satisfied that neither the extent of the non-audit services provided nor the size of the fees charged had any impact on its independence as statutory auditor. It was concluded that appropriate safeguards were in place to prevent a compromise of auditor independence. The Audit Committee was satisfied this was the case and so concluded that the auditor's independence from the Group was not compromised.

Audit Fees: The Audit Committee spent time discussing the causes for the increase in audit fees. The Audit Committee was satisfied that the level of audit fees payable in respect of the audit services provided (excluding non-audit fees for assurance services) being £1.8 million (2020: £1.3 million) was appropriate and that an effective audit could be conducted for such a fee. The increase in fees was partly attributable to the additional audit work required for a more complex business, the audit work needed to cover the Ocado Retail business and the work needed to review the migration to the new finance system. The existing authority for the Audit Committee to determine the current remuneration of the external auditor is derived from the shareholder approval granted at the Company's Annual General Meeting in 2021. At the 2021 Annual General Meeting, 99.94% of votes cast by shareholders were in favour of granting the Directors this authority.

Reappointment of External Auditor: The Committee is satisfied that the external auditors remain fully independent, objective and effective and that there are no contractual restrictions of the Company's choice of external auditor. Deloitte has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing Deloitte's reappointment and the determination of its remuneration by the Audit Committee will be put to shareholders at the AGM.

Statement of Compliance with the Competition and Markets Authority Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

This Audit Committee Report is approved by the Board and signed on its behalf by:

Julie Southern
Audit Committee Chair
Ocado Group plc

11 February 2022

Corporate Governance Report

How the Directors Formally Report to Shareholders and take Responsibility for this Annual Report

Communication and shareholder engagement are important to the Board. Therefore, the Group follows a regular reporting and announcement agenda including the formal regulatory news service announcements in accordance with the Group's reporting obligations. The Group reports trading performance, including information on the growth of the Retail revenue and average order numbers and size, on a quarterly basis; recognising that it is important to regularly update the market due to the emphasis shareholders place on receiving regular communications about sales and the current competitive pressures in the market.

Other announcements include the Half Year Report, the preliminary announcement of annual results, the Annual Report and investor presentation slides and videos. These documents are available on the Group's Corporate Website. Shareholders can choose to receive the Annual Report in paper or electronic form.

The Directors take responsibility for preparing this Annual Report and make a Statement to shareholders to this effect. The Statement of Directors' Responsibilities on page 209 of this Annual Report is made at the conclusion of a robust and effective process undertaken by the Group for the preparation and review of this Annual Report.

The Directors believe that these well-established arrangements enable them to ensure that the information presented in this Annual Report complies with regulatory requirements, including those in the Companies Act 2006, and is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In addition to this Annual Report, the Group's internal processes cover (to the extent necessary) the preliminary announcement, the Half Year Report, Trading Statements and other financial reporting.

When forming its opinion on whether the Annual Report is fair, balanced and understandable, the Board considered a number of factors. These included:

Fair

- the whole story has been presented and no material information has been omitted (positive or negative);
- reporting on the business in the narrative reporting section is consistent with the reports in the financial reporting and Financial Statements;
- the key messages in the narrative are reflected in the financial reporting; and
- the key performance indicators are disclosed at an appropriate level based on the financial reporting.

Balanced

- there is a good level of consistency between the front-end narrative and the financial reporting, with both sections conveying the same message;
- the Annual Report is truly a document for shareholders;
- the statutory and adjusted measures are explained clearly with appropriate prominence; and
- the key judgments and significant issues in the Audit Committee Report are consistent with the disclosures of key estimation uncertainties and critical judgements set out in the Financial Statements, and whether these compare with the risks that the auditor includes in their report.

Understandable

- there is a clear and understandable framework to the report;
- the important messages are highlighted appropriately throughout the document; and
- the layout is clear with good linkage throughout which reflects the whole story.

Corporate Governance Report

The Group's internal processes in the preparation and review of this Annual Report (and other financial reporting) include:

- review of and feedback on iterations of this Annual Report by the Executive Directors and the full Board;
- in-depth review of specific sections of this Annual Report by the relevant Board Committees;
- Audit Committee review of a management report on accounting estimates and judgements, auditor and management reports on internal controls and risk management, accounting and reporting matters and a management representation letter concerning accounting and reporting matters;
- Board and Audit Committee review of a supporting paper specifically highlighting the parts of this Annual Report that best evidenced how this Annual Report was fair, balanced and understandable;
- paper from the Group General Counsel and Company Secretary highlighting how reporting, regulatory and governance issues had been addressed in this Annual Report;
- Board and Audit Committee review of management reports on assessments on going concern and viability;
- the Audit Committee regularly reporting to the Board on the discharge of its responsibilities;
- input from both internal and external legal advisers and other advisers to cover relevant regulatory, governance and disclosure obligations;
- discussions between contributors and management to identify relevant and material information;
- detailed debates and discussions concerning the principal risks and uncertainties;
- checking of factual statements and financial information against source materials;
- specific Board review of Directors' belief statements and key statements; and
- separate approval by the Group General Counsel and Company Secretary, the Board Committees and the Board.

The Statement by the external auditor on its reporting responsibilities is set out in the Independent Auditor's Report from page 212.

The Group receives reporting and information from the Ocado Retail joint venture. The Ocado Retail board reviews and approves financial information and reporting regarding Ocado Retail, which is then consolidated into the Group.

In addition to this Annual Report, the Group provides other Statements to its shareholders regarding the Group and its operations, including the Modern Slavery Statement, Tax Strategy Statement, gender pay and supplier payments.

The Group's Annual General Meeting 2022

Shareholders will have the opportunity to question all of the Directors at the AGM, which will this year be held as a combined physical and electronic meeting with shareholder participation in person and through an online meeting platform.

A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Meeting. Shareholders who are unable to attend the AGM are encouraged to vote in advance of the meeting, either online at www.ocadoshares.com or by using the proxy card which is sent with the Notice of Meeting (if sent by post) or can be downloaded from the Corporate Website, www.ocadogroup.com.

Shareholder Voting 2021 Annual General Meeting

At the 2021 Annual General Meeting, all resolutions were passed with votes in support ranging from 76.97% to 99.94%.

At the 2021 Annual General Meeting, there was a significant minority vote against one resolution: Resolution 8 (Re-appointment of Andrew Harrison). The Company understands that this outcome was broadly attributable to concerns over the level of gender diversity on the Company's Board and the Remuneration Committee's approach to executive remuneration.

The Board recognises the importance of diversity and inclusion in the boardroom and throughout the organisation and has been focused on improving Board diversity in accordance with its Board Diversity Policy. We were delighted to announce the appointment of a new Director, Nadia Shouraboura, to the Board in August 2021, Nadia brings an incredible array of relevant experience in supply chain and robotics technology and will be very valuable in helping to define the next steps in Ocado's growth. Further recruitment for an additional female director with technology experience will continue to be a key focus of the Board over the forthcoming months.

Whilst the overall level of support from shareholders to approve the Directors' Remuneration Report improved significantly in 2021 compared to prior years, with 87.32% of votes in favour, the Company recognises that some shareholders remain concerned about our approach to executive remuneration. The Remuneration Committee continues to be committed to ensuring that the quantum of remuneration provided to the Executive Directors is both fair and competitive, and supports the long-term success of the business, as well as long-term shareholder value. The Remuneration Committee has completed a detailed exercise in preparing a new remuneration policy that supports our strategic objectives, which will be put to shareholders at the AGM. Full details of the proposed new Policy are set out on pages 177 to 200.

In keeping with the Investment Association guidance, an update statement on the Company's response to the outcome of the 2021 Annual General Meeting significant vote against was sent to the Investment Association and can be found on the Corporate Website, www.ocadogroup.com.

Directors' Remuneration Report

"The Remuneration Committee is committed to ensuring the Company's leadership is motivated to deliver long-term sustainable growth through successful implementation of the Company's strategy.

Andrew Harrison
Chair

Committee Membership

The membership of the Remuneration Committee, together with the dates of appointment to the Committee, are set out below:

Andrew Harrison
Committee Chair

Date of appointment:
1 March 2016

Independent:
Yes

Julie Southern

Date of appointment:
1 June 2019

Independent:
Yes

Emma Lloyd

Date of appointment:
2 February 2021

Independent:
Yes

For **Committee attendance**, see the table on page 116.

Letter from the Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present our 2021 Directors' Remuneration Report.

2021 has continued to be a year of growth and innovation at Ocado. Having firmly cemented ourselves as a FTSE 100 company, we are dedicated to solving complex problems in the retail industry as we continue on our mission "to change the way the world shops, for good". In addition, the Remuneration Committee is committed to ensuring the Company's leadership is motivated to deliver long-term sustainable growth through successful implementation of the Company's strategy.

Ocado's Directors' Remuneration Policy was last approved by shareholders in 2019, and as such we will be putting a revised Policy to a binding shareholder vote at our AGM this year. During 2021, the Committee undertook a comprehensive review of the existing Policy to determine the extent to which it remained fit for purpose going forward, or whether any improvements were warranted. We worked as a Committee with our advisers to propose to shareholders a revised policy which we have refined during an extensive consultation with our major shareholders, and subsequently determined that the current leveraged model remains the optimal remuneration model for the Senior Management of Ocado to drive growth over the medium to long-term. We are, therefore, proposing to extend the Value Creation Plan ("VCP") for a further three years, to 2027. The Committee considers the VCP extension to be critical in supporting the business to retain and motivate its current leadership team, recruiting new members to the team, particularly in Ocado Technology, as well as supporting management succession plans during the next phase of the Company's growth. I set out more details on this and other minor changes to our Policy, including extending the period of our post-cessation shareholding requirement, later in this report.

Our ongoing response to Covid-19

In assessing pay outcomes for Executives at Ocado, the Committee carefully considers the environment in which the Company and management are operating, and the decisions taken as a business throughout the year.

During the year, the Company has focused on protecting the health, safety and wellbeing of our colleagues, whilst also continuing to provide essential services in the UK, as well as Canada, France, Sweden, and the USA. Over 70 process changes have been implemented to maintain social distancing and high levels of cleanliness. In addition, the Company did not make any redundancies as a result of the pandemic, no employees were furloughed and nor did the Company take any other Government support related to the Covid-19 pandemic. We continued to support our customers around the clock with essential food deliveries. The other measures taken by the Company, such as continuing to champion our "Mind Yourself" wellbeing programme, launching "Peakon" our organisation-wide global listening tool and providing those directly affected by Covid-19 and unable to work with sick pay from day one, demonstrates the importance of the employee experience to Ocado.

2021 Annual Incentive Plan

We have approved bonus payments to the Executive Directors of between 56.46% and 58.44% of maximum, based on achievement against objectives under the Annual Incentive Plan ("AIP") for the period.

The Committee carefully considered the formulaic outcome under the AIP measures, assessing the extent to which the measures reflect the underlying performance of the business. No discretion was exercised by the Committee to override the formulaic outcome of the 2021 AIP.

Further information about the **AIP** can be found on pages 167 and 169.

2019 Value Creation Plan

The second Value Creation Plan ("VCP") Measurement Date was 11 March 2021. The Measurement Price (£23.28 per share) was above the Hurdle/Threshold Total Shareholder Return (£16.68 per share for Tranche 1 and £21.06 per share for Tranche 2) required to bank awards and therefore nil-cost options were banked by Executive Directors in 2021. Stephen Daintith joined the Board after the second Measurement Date and therefore did not bank any awards during the year.

The third VCP Measurement Date will be in March 2022; this will be the first point at which banked awards will be capable of vesting. Our share price must be at least £18.34 / £23.16 for any awards banked under Tranches 1 and 2 respectively to vest in March 2022. Therefore, based on the current share price of about £15 at the time of writing, no vesting will occur this year. The Committee did not adjust any performance targets in relation to the second VCP Measurement Date.

More details about the first and second **VCP Measurement Dates** can be found on page 173.

The 2022 Directors' Remuneration Policy and Key Changes to Executive Director Remuneration

The Remuneration Committee works to ensure that the remuneration framework helps support and drive the Company's strategy.

When formulating the 2022 Policy, it was the view of the Board that the key measure of the success of the implementation of the Company's strategy over the next period was the continued generation of substantial and sustained total shareholder return. The Committee continues to believe that this remains the priority for the business over the next three to five years, and hence believes that the majority of the 2019 Policy remains fit for purpose to drive exceptional, sustainable growth, whilst also rewarding short-term operational and strategic decisions.

The proposed changes to the 2019 Policy are as follows:

Amendment to the post-cessation shareholding requirement

The post-cessation shareholding requirement will be increased so that Executive Directors are required to hold the lower of their actual shareholding or 100% of their minimum shareholding requirement for 24 months (increased from 12 months) from their date of leaving, in line with the Investment Association's guidelines.

Extension of the Value Creation Plan

Over 2021, the Committee undertook a comprehensive review of the 2019 Policy and determined that the current leveraged model remains the optimal remuneration model for the Senior Management of Ocado to drive growth over the medium to long term, and is critical in:

- supporting the business to retain and motivate its current leadership whilst ensuring continuity of key talent over our next growth phase;
- enabling us to recruit new members to the team, particularly in the technology space; and
- supporting management succession plans during the next phase of the Company's growth.

The 2022 Policy, therefore, includes an extension to the term of the VCP for an additional three years, to 2027, with no change to the core design and mechanics of the plan. In addition, the size of the "pool" is proposed to increase from 2.75% to 3.25% of the value created above the 10% p.a. hurdle growth rate from 2022 onwards (with nothing earned for growth below the hurdle). 0.25% of this has been earmarked for distribution amongst a wider group of leaders in our business and the intention is to use the other 0.25% purely for recruitment purposes. In addition, the maximum allocation that can be granted to any one individual will be increased from 1% to 1.25%, noting that there will be no changes to the allocations of Executive Directors currently participating in the plan prior to the last Measurement Date under the initial VCP (in 2024). To be clear, this means that the allocations of the Executive Directors cannot increase during the initial five years of the Plan to 2024, with the possible exception of a material role change which is not anticipated.

In preparing the 2022 Policy, an extensive shareholder consultation exercise was carried out with the Company's largest shareholders and representative bodies. In formulating the proposals, the Remuneration Committee carefully considered the shareholder feedback that had been received. We contacted our 20 largest shareholders, as well as Glass Lewis, the Investment Association and ISS, to consult on proposed changes to the Policy, and I would like to take the opportunity to thank again those that inputted into this process. Further details on the consultation can be found on page 176.

The Directors' Remuneration Policy on pages 177 to 200 will be put to shareholders to vote on at the AGM this year. The scheme rules of the extended VCP is also subject to a separate shareholder approval at the AGM.

More information on how the **2022 Policy** was developed, including details on the extensive shareholder consultation that the Committee undertook, can be found in the **Remuneration Policy Report** on pages 177 to 200.

Directors' Remuneration Report

Remuneration of incoming and outgoing Directors

On 18 December 2020 we announced the appointment of Rick Haythornthwaite as an independent Non-Executive Director with effect from 1 January 2021. Rick was subsequently appointed as the independent Non-Executive Chair of the Board from the date of the 2021 Annual General Meeting. On 27 August 2020, we announced the appointment of Stephen Daintith as our new Chief Financial Officer and Stephen joined the Board with effect from 22 March 2021. The Committee considered Rick and Stephen's remuneration on their appointments and their packages were set fully in line with the 2019 Policy, which can be found on pages 104 to 106 of the 2018 Annual Report. On 24 August 2021, we announced the appointment of Nadia Shouraboura as a new independent Non-Executive Director with effect from 1 September 2021. Nadia's remuneration was set by the Board in line with the 2019 Policy.

Claudia Arney resigned from the Board with effect from 25 December 2020 and Lord Rose retired from his position as Chair of the Company with effect from 13 May 2021. Their remuneration arrangements on departure were in line with their letters of appointment, with further details on page 163.

2021 Annual General Meeting Voting

The Committee notes that at our 2021 Annual General Meeting all resolutions were successfully passed with the requisite majority, although there was a significant minority vote against the resolution for my re-appointment.

Prior to the Annual General Meeting the Company held meetings with and corresponded with a number of shareholders, investment managers and proxy voting advisers regarding the resolutions in the Notice of Meeting. While the vast majority of shareholders supported my re-election, the Company understands that the primary reason for those who did not do so was a concern over the level of gender diversity on the Company Board, for which I, as the Senior Independent Director, was held responsible given that the Chair was not standing for re-election. A smaller number of shareholders also expressed concerns about the Remuneration Committee's approach to executive remuneration.

The Board recognises the importance of diversity and inclusion in the boardroom and throughout the organisation, and understands that a diverse Board will offer wider perspectives that ultimately improve decision-making. Our diversity policy is committed to increasing female and ethnic representation on the Board and throughout the wider organisation in the future. The Company is focused on improving Board diversity, and in January 2021 started a comprehensive recruitment process for another director. Nadia Shouraboura was subsequently appointed to the Board with effect from 1 September 2021.

With regards to the concerns raised regarding executive remuneration, the Company notes that the overall level of support received from shareholders in 2021 for the resolution to approve the Directors' Remuneration Report improved significantly compared to previous years.

The Remuneration Committee is committed to governance best practice and regular correspondence with our shareholders. As mentioned previously, this year as part of the Directors' Remuneration Policy review, we consulted with the Company's largest shareholders to ensure we understood their views and considered their feedback to ensure that executive remuneration at Ocado is aligned to the shareholder experience.

Further details on our response to the **2021 Annual General Meeting Voting Outcomes** can be found on page 176.

Changes to the implementation of the Policy in 2022

2022 will be the first year of operation of our new Directors' Remuneration Policy, if approved by shareholders.

There are no material changes to how salary, benefits and pension will be implemented.

The AIP opportunity will be increased from 215% to 250% of salary for all Executive Directors (with the exception of the CEO whose maximum AIP opportunity will remain unchanged). This is in line with our remuneration philosophy to aim to set fixed pay towards the lower quartile of the market and offer substantial comparative reward (via our incentives) for transformational performance. Further details are set out on page 155. Whilst the VCP has been extended for three years, participation in the VCP will be largely the same as it otherwise would have been in 2021. See pages 154 to 157 for details on how we will be implementing our new Policy this year.

Changes to base salaries for the Executive Directors were agreed to take effect from 1 April 2022. These increases are in line with the budgeted increase for all employees and more details can be found on page 165.

Changes to the fees for the Chair of the Board as well as the Non-Executive Directors were also agreed (by the Committee in the case of the Chair fees and by the Executive Directors and the Chair in the case of the Non-Executive Directors fees) effective 1 April 2022. The increases are also in line with those applying to the wider workforce.

Please see pages 169 to 170 for further information on **NED Fees**.

Other workforce considerations

At Ocado we celebrate differences. We are committed to creating a diverse and inclusive workspace; a workplace that embraces, celebrates and values each other's differences. By continually challenging ourselves to do this, we are able to attract, develop, support, and retain the very best talent to drive our business forward from across our diverse society. This is reflected in our Equal Opportunities Policy. We recognise that it is important that our colleagues both represent and reflect on diversity as with this comes creativity and allows for the exploration of ideas in a nurturing environment. In addition, promotion and recruitment at Ocado is fair and objective; all our people are rewarded appropriately for their contribution to our business. When making decisions on executive remuneration, the Remuneration Committee considers a number of factors related to the wider workforce, including feedback from myself in my role as Designated Non-Executive Director ("DNED") on workforce remuneration and our all-employee remuneration report.

Further details on **Workforce Remuneration** can be found on page 159.

I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

Andrew Harrison
Remuneration Committee Chair

11 February 2022

Description of the Remuneration Committee

This section of the Directors' Remuneration Report describes the membership of the Remuneration Committee, its advisers and principal activities during the period. It forms part of the Annual Report on Remuneration section of the Directors' Remuneration Report.

As required under the Terms of Reference, the Remuneration Committee has three members, all of whom are Independent Non-Executive Directors, and holds a minimum of two meetings a year.

Other attendees at Remuneration Committee meetings during the year included the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Chief People Officer and the external adviser to the Remuneration Committee. The Chair, Executive Directors and other attendees are not involved in any decisions of the Remuneration Committee and are not present at any discussions regarding their own remuneration. The Deputy Company Secretary is secretary to the Remuneration Committee.

Claudia Arney retired from the Committee on 25 December 2020. Emma Lloyd joined the Committee with effect from 2 February 2021.

External Advice

During the period, the Remuneration Committee and the Company retained independent external advisers to assist them on various aspects of the Company's remuneration and share schemes as set out below:

Adviser	PricewaterhouseCoopers LLP ("PwC")
Retained by	Remuneration Committee
Services Provided to the Remuneration Committee	Advice on a range of remuneration issues including a new policy for 2022, attendance at Remuneration Committee meetings, information on market practice in relation to various aspects of remuneration, market trends and benchmarking of Executive Director remuneration
Other Services Provided by PwC	Other PwC advisory teams advised the Group on a range of matters during the period including deal support, financial modelling, ESG matters, accounting and diversity and inclusion advice. PwC also provide independent SOC assurance reports for the Group's OSP services

PricewaterhouseCoopers LLP Reappointment and Review

The Remuneration Committee considered the reappointment of PricewaterhouseCoopers LLP. This review took into account PwC's effectiveness, independence, period of appointment and fees. PwC were initially appointed by the Remuneration Committee in 2017 following a tender process and have been reappointed each year since.

This period the Remuneration Committee reviewed the performance of PwC based on feedback from members of the Remuneration Committee and Senior Management. The criteria for assessing their effectiveness included their understanding of business issues and risks, their knowledge and expertise, and their ability to manage expectations. The Remuneration Committee concluded that the performance of PwC remained effective.

The Remuneration Committee considered the independence and objectivity of PwC. PwC have assured the Remuneration Committee that they have effective internal processes in place to ensure that they are able to provide remuneration consultancy services independently and objectively. PwC confirmed to the Company that they remain a member of the Remuneration Consultants Group and as such, operate under the code of conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is, following its annual review, satisfied that PwC have continued to maintain independence and objectivity.

For the period, £263,251 (2020: £106,500) in fees were paid or payable to PwC for advisory services provided to the Remuneration Committee. The basis for this is a fixed retainer fee and a time-based fee for additional work.

Following the review by the Remuneration Committee, it was agreed that PwC should be reappointed.

Other Support for the Remuneration Committee

In addition to the external advice received, the Remuneration Committee consulted and received reports from the Company's Chief Executive Officer, the Chief Financial Officer, the Chair, the Group Chief People Officer and the Deputy Company Secretary. The Remuneration Committee is mindful of the need to recognise and manage conflicts of interest when receiving views and reports from, or consulting with, the Executive Directors or members of Senior Management.

How the Committee Spent its Time in 2021

The Remuneration Committee has, under its Terms of Reference, been delegated responsibility for setting remuneration for all of the Executive Directors, the Chair and the Company Secretary. The Remuneration Committee's work also includes monitoring and considering the level and structure of remuneration for Senior Management. In line with its Terms of Reference, the Remuneration Committee's work during the period is set out on the next page.

Directors' Remuneration Report

Key agenda items

- Developing the 2022 Directors' Remuneration Policy;
- consulting with shareholders on the proposed 2022 Directors' Remuneration Policy;
- approving the Directors' Remuneration Report for FY2020;
- approving the Annual General Meeting explanatory notices and incentive plan rules;
- receiving a report on output from shareholder consultation meetings in late 2021;
- receiving a report on shareholder feedback on the FY2020 Annual Report and 2021 Annual General Meeting;
- approving the Group's Gender Pay Gap Report for FY2020;
- receiving a report on Director performance and/or pay (Executive Director and Chair);
- receiving a report from the CEO and Chair on performance and remuneration of the Executive Directors;
- setting the Executive Director pay increases;
- reviewing performance under the FY2020 AIP and consideration of any bonuses payable;
- reviewing performance and approving payments under the FY2018 LTIP award;
- reviewing performance under the VCP as at the second Measurement Date;
- approving the FY2021 AIP performance targets and reviewing the design/measures for the FY2022 AIP;
- receiving a report on the vesting of the 2018 Sharesave scheme;
- receiving regular reports on Group-wide remuneration for FY2021 and reports from the DNED on workforce remuneration arrangements and issues;
- approving a proposal for new international share schemes and a new senior management remuneration framework and incentive schemes;
- receiving a report on the Group's share scheme and plans for FY2022;
- approving incentive payments and salary changes for Senior Management;
- reviewing and approving various Senior Management arrangements on joining and leaving the Company;
- receiving reports and advice from advisers on a range of matters including Senior Management pay, market themes and trends and new governance requirements;
- reviewing the performance of advisers; and
- reviewing Committee composition, Terms of Reference and performance.

The Executive Directors and the Chair reviewed the remuneration arrangements of the Non-Executive Directors.

Directors’ Remuneration Report

Remuneration summary

Executive Pay at Ocado

The Components of Remuneration

The different components of remuneration in this report are colour coded as follows:

Fixed			Variable		
Salary	+ Benefits	+ Pension	+ AIP Cash + Deferred Bonus	+ Value Creation Plan	= Total Remuneration
Reflects the value of the individual, their role, skills, experience and contribution to the business	Aligned with all other employee arrangements	Provides an appropriate level of retirement benefits. All Executive Directors are aligned with employee pension contributions	Incentivises achievement of annual objectives and aligns Director and shareholder interests by delivering a proportion in AIP shares	Motivates key individuals to achieve long-term targets and exceptional levels of performance	Sum of the fixed and variable components of remuneration

Single figure for FY2021

The table below provides a summary total single figure of remuneration for 2021. Further details are set out on page 164 in the Annual Report on Remuneration.

Executive Director	Total 2021 (£’000)	Total 2020 (£’000)
Tim Steiner	**1,968**	6,211
Stephen Daintith[(1)]	**861**	N/A
Mark Richardson	**1,043**	3,050
Neill Abrams	**1,053**	2,389
Luke Jensen	**1,039**	2,965

(1) Stephen Daintith joined the Board with effect from 22 March 2021.

Outcomes for FY2021

Fixed components

	Tim Steiner CEO	Stephen Daintith CFO	Mark Richardson COO	Neill Abrams Group GC & CoSec	Luke Jensen CEO Ocado Solutions
Salary (£’000)	732	367	447	447	447
Benefits (include car allowance, private medical and other benefits) (£’000)	2	1	1	1	6
Pension – up to 7% of salary (£’000)	51	26	31	31	31
Total (£’000)	**785**	**394**	**479**	**479**	**484**

Pay for Performance at a Glance

2021 AIP

Under this plan, the CEO had a maximum bonus opportunity of 275% of salary, and the other Executive Directors had a maximum opportunity of 215% of salary. A summary of the outcomes is as follows:

	Threshold	Maximum	Outcome (% total award)
Retail segment EBITDA (20%)	£105.0m	£136.5m	20
New Solutions commitments (25%)	72 modules	105 modules	0
OSP capacity (peak day eaches) (15%)	1,200,000	1,550,000	5.61
Technology capabilities (based on achievement of certain initiatives) (10%)	90	112	10
Engineering cost per order (10%) (% improvement)	25%	39%	5.95
Individual objectives (20%)	–	–	14.9-16.88
Total			**56.46-58.44**

	2021 AIP Outcome (% of max)	2021 AIP Outcome (£’000)
Tim Steiner	57.88%	£1,175
Stephen Daintith	56.92%	£467
Mark Richardson	57.32%	£556
Neill Abrams	58.44%	£567
Luke Jensen	56.46%	£547

Further details are set out on page 167 in the **Annual Report on Remuneration**.

VCP

The second Measurement Date under the VCP was 11 March 2021. No nil-cost options were banked by Executive Directors on the first Measurement Date. The following table sets out the number of awards granted on the first and second Measurement Dates under the VCP:

			Number of nil-cost options granted				
Measurement Date	Hurdle Price/ Threshold TSR	Measurement Price	Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams	Luke Jensen
12 March 2020	£15.16	£11.23	0	0	0	0	0
11 March 2021	Tranche 1: £16.68 Tranche 2: £21.06	Tranche 1: £23.28 Tranche 2: £23.28	2,059,123	0	514,780	514,780	514,780

Further details on performance and outcomes are set out on page 166.

Directors' Remuneration Report

Annual Report on Remuneration - Implementation of Policy for 2021

Summary of Policy Table for Executive Directors and Implementation

The table below sets out the key changes between the current and proposed Policy and how the proposed Policy would be implemented. The proposed Policy was designed taking into consideration our remuneration principles (which can be found on page 177) and our philosophy on pay positioning, which aims to set fixed pay towards the lower quartile of the market and only offer substantial comparative reward, for transformational performance. Full details of the proposed 2022 Policy can be found on pages 177 to 200.

Base Salary

Minimum level of pay to attract and retain the right calibre of senior executives required to support the long-term interests of the business. We continue to aim to position salaries towards the lower quartile of the market.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Base salary							Paid monthly in cash. Reviewed annually or when there is a change in position or responsibility. There is no prescribed maximum. Normally, maximum salary increases will be within the normal percentage range applied to the UK-based monthly paid employees of the Company in that year. Larger increases may be awarded in exceptional circumstances, for example, if the role has increased significantly in scope or complexity.	No change.	As at 1 April 2022 salaries will increase as follows: • Tim Steiner (CEO): £763,830 • Stephen Daintith (CFO): £569,250 • Mark Richardson (COO): £466,785 • Neill Abrams (Group GC & CoSec): £466,785 • Luke Jensen (CEO Ocado Solutions): £466,785 These reflect an increase of 3.5% in line with the budget increases for the wider UK employee population.

Benefits

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Benefits							Benefits provided aligned with those provided to all employees under our flexible benefits Policy. Benefits are set at a level which is considered to be appropriate against market data for comparable roles.	No change.	Includes car allowance, driver, private medical insurance and other benefits.

Pension

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Pension							Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or pension allowances have been met, the balance of employer contributions may be paid as a cash allowance or into a personal pension arrangement.	No change.	In order to ensure continued alignment between Executive Director and wider workforce pension contributions, the contribution rate for all Executive Directors is 7% of salary, in line with the workforce.

Annual Incentive Plan ("AIP")

To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward.

To incentivise the achievement of outstanding results aligned to the business strategy.

To support long-term shareholder alignment through deferral into shares and holding periods.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Annual Incentive Plan (AIP)							Maximum opportunity of 275% of salary. Up to 50% of any bonus will be paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred into shares. Main terms of deferred shares: • Minimum deferral period of three years from the date of grant. • Additional two-year post vesting holding period. • Continued employment to the end of the deferral period (unless "good leaver"). Dividend equivalents may be awarded on deferred shares.	No change.	Maximum potential for FY2022 (as % of salary): • CEO: 275% • Other Executive Directors: 250% Further details are set out below: AIP will be measured against the following performance measures: • Transformational Technology (20%) • UK Client Delivery, including (but not limited to) Ocado Retail segment EBITDA (15%) • Customer satisfaction (15%) • Efficiency of OSP – Q4 Solutions (10%) • Selling Solutions – Modules and Eaches (20%) • Individual objectives (20%) (further details on page 168) Percentage of maximum bonus earned for levels of performance: • Threshold: 25% • Maximum: 100%

The maximum AIP opportunity for other Executive Directors has increased from 215% to 250% of salary. This remains below the maximum AIP opportunity of 275% of salary.

It continues to be our remuneration philosophy to aim to set fixed pay towards the lower quartile of the market and offer substantial comparative reward (via our incentives) for transformational performance. The Committee reviewed AIP opportunities against this philosophy and in the context that these award levels have not been reviewed since 2018 while market practice has developed as Ocado's value has grown. The AIP is an important tool within the executive package, ensuring that the management team remain incentivised to meet financial and operational targets with the prospect of being remunerated in cash, as well as deferred shares which serve to further align the interests of management with shareholders.

GOVERNANCE
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Directors' Remuneration Report

Individual Objectives for 2022 AIP

The following table sets out examples of individual objectives that will be assessed over 2022. More detail on the objectives and assessment against these will be disclosed in next year's report.

Tim Steiner	• Ensure successful launch of transformation technology initiatives and projects • Successfully Chair the ORL Board, with business performing to expectations or beyond • Ensure robust ESG strategy is created and key deliverables for carbon reduction are aligned across the business with appropriate communications plans for investors, clients and employees • Manage any legal issues to avoid disruption • Drive improvements in employee engagement scores
Stephen Daintith	• Successfully execute OSP business plans including a new strategy around proactive investor relations • Optimise payroll and accounts payable processes • Build a high-performing, engaged finance team with focus on talent and succession planning • Ensure high-quality narrative on the Ocado Group ESG Strategy with a particular focus on Task Force on Climate-Related Financial Disclosures ("TCFD") requirements • Manage Group operations costs above expected level • Drive improvements in employee engagement scores
Mark Richardson	• Reduce build times for OSP • Improve key elements of Ocado Logistics – build IT/data team, produce business roadmap and reduce labour turnover • Professionalise Platform Implementation • Create a baseline measure for the Carbon footprint of our warehouses and develop a plan to improve • Drive improvements in employee engagement scores
Neill Abrams	• Governance and Culture – ensure compliance with TCFD requirements, production of ESG report and improvement in external ratings • Manage any legal issues to avoid disruption • Manage Group operations costs above expected level • Drive improvements in employee engagement scores
Luke Jensen	• Successful production and launch of new set of products • Specific objectives with regards to commercial pipeline • Build profile and reputation of Ocado Solutions and develop an ESG communication strategy for our clients and prospects • Continue to support integration of new channels and deliver relevant stretch financial targets within them • Drive improvements in employee engagement scores

Value Creation Plan (VCP)

To attract, retain and incentivise senior executives.

To align the interests of senior executives and shareholders, by incentivising senior executives to deliver substantial and sustained total shareholder return over the long term.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Value Creation Plan (VCP)							Under the VCP approved in 2019, Executive Directors have the opportunity to share in 2.75% of the total value created for shareholders above a 10% p.a. Total Shareholder Return ("TSR") hurdle over a five-year performance period. Vesting schedule: • 50% of the cumulative number of share awards vest following the third and fourth Measurement Dates • 100% of the cumulative number of share awards vest following the fifth Measurement Date Vesting of awards is also subject to a minimum return of 10% TSR p.a. Awards are subject to an annual cap on the value on vesting of: • CEO: £20 million • Other Executive Directors: £5 million	The term of the VCP is proposed to be extended by three years, with no change to the core design or mechanics. The sharing rate would increase from 2.75% to 3.25% of the total value created for shareholders above a 10% TSR hurdle. For other changes to the VCP see page 173. The Remuneration Committee has also committed to take into consideration ESG factors (among other factors) when determining whether the formulaic vesting levels under the VCP are appropriate in the context of business and personal performance.	For Executive Directors, the following maximum limits will continue to apply: • CEO: 1% of the total value created above the hurdle • Other Executive Directors: 0.25% of the value created

Minimum Shareholding Requirements

To align Executive Directors and shareholders.

Element	21/22	22/23	23/24	24/25	25/26	26/27	Key features of the current Policy	Policy change	How we plan to implement the Policy in the year ending 27 November 2022
Shareholdings							Shareholding requirement for Executive Directors: • CEO: 400% of salary • Other Executive Directors: 300% of salary Post-cessation shareholding requirement of 100% of pre-cessation shareholding requirement for 12 months from leaving the Company.	No change to minimum shareholding requirements. Post-cessation shareholding requirements to apply for 24 months from leaving, extended from 12 months.	No planned change. See page 172 for Executive Director shareholdings. See page 172 for Non-Executive Director shareholding requirements.

Directors' Remuneration Report

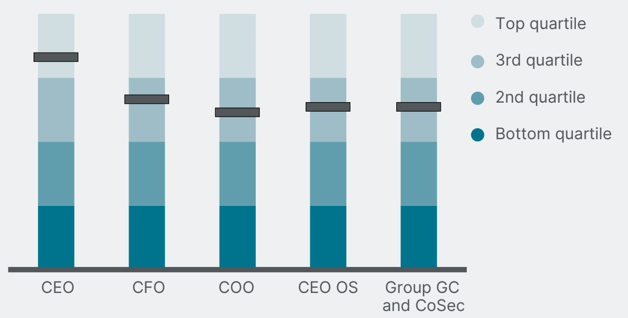
Other Remuneration

During the period, the Executive Directors continued their participation in the all-employee Sharesave and Share Incentive Plan schemes. It is expected that in 2022, the Executive Directors will carry on their participation in the schemes.

How does our target total remuneration compare to our peers?

The following chart shows the Company's comparative positioning of total remuneration (on a forward looking basis) against the FTSE 100 (data as at January 2022). Our philosophy on pay positioning aims to set fixed pay towards the lower quartile of the market and offer substantial comparative reward only for transformational performance.

FTSE 100 Total Target Remuneration positioning



Note: Total Target Remuneration figures for Ocado are based on current salaries, target AIP and includes pension contributions. The value of the VCP shown is the IFRS 2 fair value, which has been annualised.

Source of information: Annual Reports of FTSE 100 companies, benchmarking methodology aligned to standard approach taken by the company.

Source of data: PwC Annual Report database.

Additional Context on Executive Director pay

Overall link to remuneration and equity of the Executive Directors

The table below sets out, for each Executive Director, the single figure for 2020/21, the number of shares held by the Director at the beginning and end of the financial year and the impact on the value of these shares taking the opening price and closing price for the year. It is the Remuneration Committee's view that the total exposure of the Executive Directors to the Company is more relevant to their focus on the long-term sustainable performance of the Company than the single figure of remuneration for a particular year.

	2020/21 single figure (£'000s)	Shares held at start of year	Shares held at end of year	Value of shares at start of year (£'000s)	Value of shares at end of year (£'000s)	Difference (£'000s)
Tim Steiner	1,968	21,575,674	19,668,651	478,548	359,740	(118,808)
Stephen Daintith[1]	861	–	188	–	3	3
Mark Richardson	1,043	1,607,151	1,450,390	35,647	26,528	(9,119)
Neill Abrams	1,053	3,641,224	3,670,345	80,762	67,131	(13,631)
Luke Jensen	1,039	244,711	256,240	5,428	4,687	(741)

(1) Stephen Daintith joined the Board with effect from 22 March 2021 and hence has had less time than the other Executive Directors to build up his shareholding.

The closing market price of the Company's shares as at 26 November 2021, being the last trading day in the period ended 28 November 2021, was 1,829 pence per ordinary share (2020: 2,218 pence), and the share price range applicable during the period was 1,565 pence to 2,883 pence per ordinary share.

Annual Report on Remuneration – 2021

Introduction

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of the 2021 Financial Year. It details the payments to Directors and the link between Company performance and remuneration of the Chief Executive Officer. This part, together with the 'Description of the Remuneration Committee' section on pages 149 and 150 and the 'Implementation of Policy for 2021' section on pages 154 to 158, constitutes the Annual Report on Remuneration, and will be put to an advisory shareholder vote at the Company's AGM.

Wider Workforce Considerations and Our Approach to Fairness

For more information about **How We Engaged With Our Stakeholders**, read pages 60 to 65.

Ocado is committed to ensuring our workforce has the diversity of talent and expertise that it needs for the business to continue to grow and innovate. Our people are critical to us achieving our strategy and the Remuneration Committee is aware that ensuring our people are rewarded fairly and competitively for their contribution to our success is important for hiring, developing and retaining the highest quality of talent throughout Ocado.

The current 2019 and proposed 2022 Remuneration Policies were designed in line with the remuneration principles outlined on page 177, which reflect the remuneration principles for the Group. In this section, we provide context to our Executive Director pay by explaining our approach to fairness, as well as the ratio of CEO pay to that of the wider workforce.

Against the backdrop of labour shortages and increased competition for resource driven by the 'great resignation', we have continued to focus on doing what is right for our employees and Ocado. Throughout the year, the company made a number of decisions and investments with regards to our wider workforce which focused on three key areas:

(1) A focus on personalisation through choice and flexibility in the decisions our employees can make. This has been delivered through a number of key initiatives:
   a. 'Work from Anywhere' – for those who can work remotely, we have enhanced our agile ways of working offering our people the choice to work from another location or country for a short period of time.
   b. Roster choice and flexibility – improved core roster features and wider choice of flexible roster options across the network. At the close of 2021, one third of our CSTMs & Personal Shoppers were on a Flex roster option of their choice. We also offer Boost casual working arrangements to leavers for whom none of the permanent roster choices work.
   c. We launched our new 'Benefits+' tool in the summer, allowing employees to select benefit products that matter most to them. In North America engagement was high with almost 90% signing into the platform with very similar rates being experienced upon launching to our UK based employees, our largest population.

(2) Improving individuals experience in and outside of the workplace:
   a. To ensure our colleagues feel valued while at work, we launched our recognition scheme across all of logistics, empowering our employees to highlight those moments that matter.
   b. We improved the way that we listen and act on what people tell us with the introduction of a kiosk in our CFC whereby our employees can participate in our frequent employee engagement survey. This has allowed us to supplement the insight we gain in working with our council members to ensure we are addressing the issues that matter most to our employees.
   c. A continued focus on employee wellbeing through the launch of a new global, proactive and preventative wellbeing product that is available to all our people globally. And in our CFCs, 93% of front line managers completed their mental health foundation training to help them better support our people with their mental health and 27 mental health first aiders were trained across the network.

(3) Ensuring we remain an employer of choice in an ever changing marketplace:
   a. To drive attraction we focused on localising our approach to engagement by running local career events and improving employee referral schemes. We also introduced starter bonuses to help people in those initial few weeks adjust in combination with a new onboarding programme which dramatically improved retention within the initial period.
   b. We ensured that our pay rates across the organisation were competitive and our benefits choices were the best in class. This was achieved through the introduction of temporary market supplements that allowed us to be more responsive to the fluctuations in the local labour markets. We also made investments in our hourly pay rates outside the normal pay cycles to show our commitment to employees of paying a fair and competitive wage.

During the year, the Committee has been involved in developing a new remuneration framework for Senior Management. The aim of this was to harmonise arrangements within the Senior Management team whilst also achieving closer alignment with Executive Director remuneration arrangements. Another way in which this will be achieved is via the proposed extension of the existing VCP and associated increase in VCP pool from 2.75% to 3.25% as part of the 2022 Directors' Remuneration Policy, with 0.25% of this increase distributed amongst a wider group of leaders considered to be the key value drivers. The Committee also reviewed and supported the introduction of a new incentive arrangement 1) to recognise those roles and skills that are key to Ocado's continued success in the technology sector 2) that was aligned with the existing senior management remuneration framework and 3) that improved employee attraction and retention in this key part of the business.

Group-wide remuneration report

The Remuneration Committee receives a regular report from management on Group-wide remuneration. This review covers changes to pay, benefits, pensions and share schemes for all employees in the Group, including the percentage increases in base pay for monthly and hourly paid employees. The Designated Non-Executive Director ("DNED") for engagement with the Company's workforce is Andrew Harrison. The DNED advocates and directly represents the employee voice during Board and Committee discussions. The DNED reports to the Committee on insights from activities undertaken across the year with regards to DNED responsibilities. For more details of what the DNED has done in 2021, see pages 60 and 111. The Remuneration Committee carefully considers the relevant parts of these reports when making decisions on executive remuneration.

Directors' Remuneration Report

Share Schemes

A key remuneration principle for the Group is that share awards be used to recognise and reward good performance and attract and retain employees.

To help support alignment across the Group and with the interests of shareholders and reward for Company performance, all employees in the Group receive share incentives. All UK employees are eligible to participate in the Group's Share Incentive Plan and Sharesave plan and employees located outside the UK are eligible to participate in the international equivalent share schemes. Eligibility periods for joining and benefiting from participation in the all-employee plans were shortened during the year.

Cascade of Remuneration through Company

All UK staff in the Company are eligible to participate in the Company's all-employee share schemes, pension scheme and life assurance arrangements. In line with the 2018 Code, the current and proposed 2022 Remuneration Policy ensures that pension contributions for existing and any future Executive Directors are fully aligned with the level currently offered to all employees to ensure greater fairness across the Company.

The remuneration arrangements for employees below Board level reflect the seniority of the role and individual performance. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees.

The all employee remuneration report produced by the Company is considered by the Remuneration Committee when making decisions on pay for both Executive Directors and the wider workforce population.

Employment at Ocado

Our Equal Opportunities Policy is dedicated to creating an environment for our employees that is free from discrimination, harassment and victimisation, which reflects our commitment to create a diverse workforce, environment and pay strategy that supports all individuals irrespective of their gender, age, race, disability, sexual orientation, or religion.

Gender Pay Gap

Ocado is committed to pay parity and has an ambition to ensure we provide equal opportunity for all. We are proud of the work we have done in diversity and inclusion during the period and want to improve retention and attract the best female talent as well as other under-represented groups.

The Company reports specific information about the difference in average pay for its male and female employees as required by gender pay gap legislation. The Company's gender pay gap metrics are submitted by the Group's main employing entity, Ocado Central Services Limited and the headline gender pay metric is the difference in the median hourly pay received by men and women. For 2021, our balanced position remains although the median pay gap now slightly favours men who are paid 2% higher than women, which is a reflection of a marginal change in the roles women occupied in April 2021 in comparison to previous years.

We are committed to paying fairly and we are focused on providing an equal opportunity for all employees. For more information and to view the full metrics see the Government Gender Pay Gap portal or our Corporate Website, www.ocadogroup.com.

Chief Executive Officer Pay Ratio

The tables below set out the total pay of the Group Chief Executive Officer and UK employee population as a whole at median, lower quartile and upper quartile using the methodology applied to the single figure of remuneration at the end of the period. We set this out on the following bases:

- The 2020 and 2019 pay ratio; and
- This year's 2021 pay ratio.

The CEO pay ratio, when calculated in line with the Regulations, is lower than in 2020. This has largely been driven by the fact there were no long-term incentive awards vesting during 2021. The first potential vesting date under the VCP will be in March 2022 and the last LTIP award vested in 2020. No LTIP grants were made after 2018.

Executive Director pay is more at risk than wider employee pay due to the use of variable pay, resulting in a total pay ratio that can change significantly from year-to-year. Details on the differences between the remuneration of Executive Directors and the wider workforce can be found below. The Committee is satisfied that its policies on reward drive the right behaviours at Ocado and ensure that our employees are rewarded fairly and competitively for their contribution to our success. Therefore, the Committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies.

Year	CEO Remuneration (£'000)	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21 – reported figures	1,968	88:1	82:1	67:1
2019/20 – reported figures – restated	6,211	283:1	278:1	217:1
2018/19 – reported figures – restated	59,038	2,834:1	2,619:1	2,349:1
2018/19 – without GIP payment – restated	4,918	236:1	218:1	196:1

(1) Option B was selected to calculate CEO pay ratios as a proportionate, sustainable and repeatable approach given the size and structure of the Ocado workforce.
(2) From the information used to calculate the most recent gender pay gap at each of the 25th, 50th and 75th percentiles, 20 employees were identified as comparators and their remuneration calculated. The median remuneration for each group of 20 employees is reported as the comparator value for CEO pay ratio calculations. Using the median value from groups of employees at each of the 25th, 50th and 75th percentiles provides a more representative estimate than if based on an individual employee, reducing the influence of an outlier value.
(3) The 2018/19 figures were restated to include the actual vested amount for the 2017 LTIP awards.
(4) The 2019/20 figures were restated to include the actual vested amount for the 2018 LTIP awards.

	Chief Executive Officer		UK employees (full time equivalents)					
			Total pay and benefits (£'000)			Salary (£'000)		
Year	Total pay and benefits (£'000)	Salary (£'000)	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020/21	1,968	732	22.3	23.9	29.4	21.7	23.2	28

Chief Executive Officer Historical Remuneration

The table below summarises, in respect of the Chief Executive Officer, the single figure of total remuneration, the AIP or bonus plan payment as a percentage of maximum opportunity, and the long-term incentive payout as a percentage of maximum opportunity for the current period and the previous ten financial years.

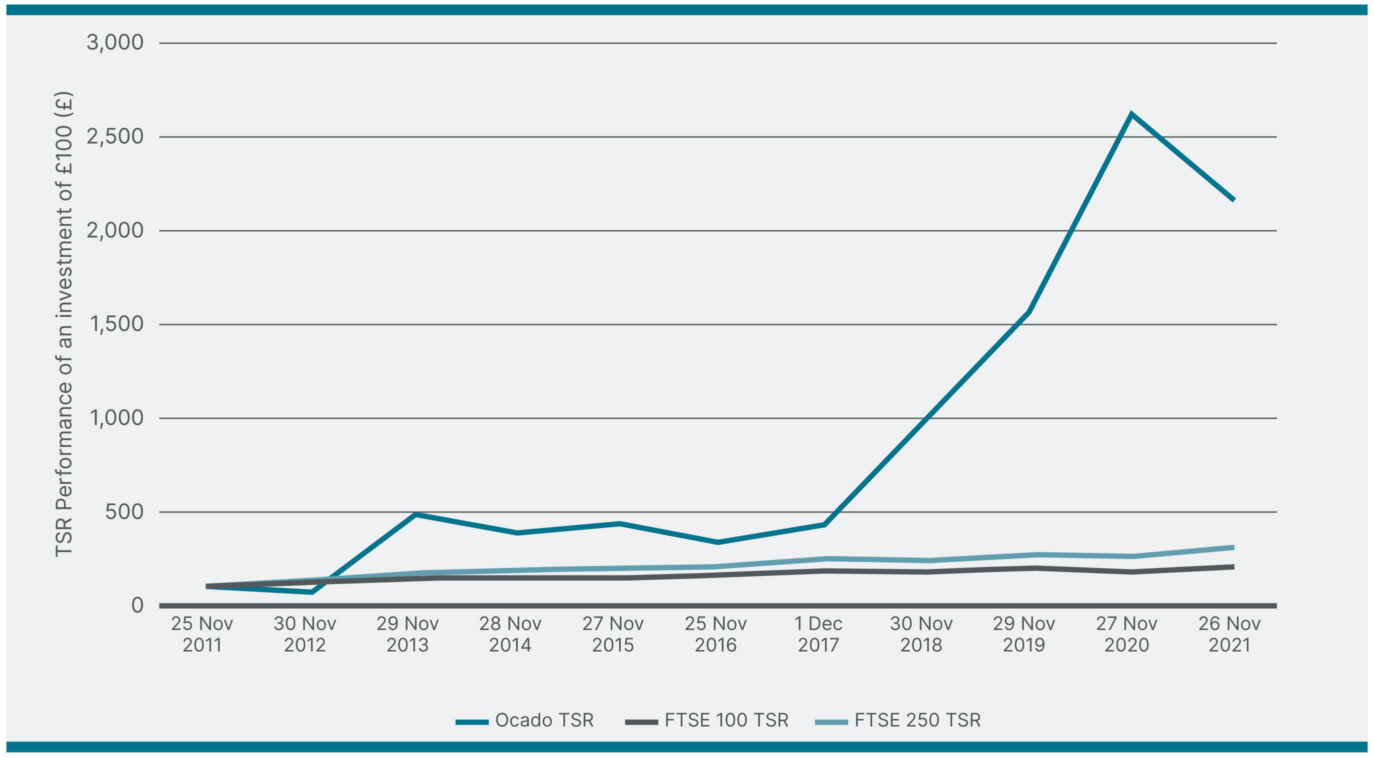
Year	Chief Executive Officer Total Remuneration (£'000)	AIP or Bonus Payment as a Percentage of Maximum Target Achievement (% of maximum)	Value of AIP or Bonus Payment (£'000)	Long-Term Incentives as a Percentage of Maximum Opportunity (% of maximum)
2021	1,968	57.9	1,175	N/A
2020	6,211	94.2	1,865	79.9
2019	59,038	57	1,074	94.5
2018	3,996	70.5	539	50
2017	1,337	41.8	310	33.4
2016	1,141	43.6	315	43.2
2015	5,098	65.0	459	90.8
2014	6,483	56.0	385	100
2013	1,011	98.3	528	–
2012	483	29.7	104	–

(1) The Chief Executive Officer total remuneration figures prior to the 2013 period represent the previously presented audited information with necessary adjustments for amounts required to be included in the single total figure of remuneration (such as pension amounts) under the new regulations (which first applied to the 2013 financial period).
(2) From 2010, the Company had the JSOS as the main form of long-term incentive plan. In 2011, the first tranche of JSOS shares vested in that period. For the 2012 and 2013 financial years, the JSOS interests did not have any value at the vesting date. In 2014, the final tranche of JSOS shares vested in that period (the value of such remuneration is noted in the single total figure of remuneration above). The LTIP was implemented in 2013 and the first award had a performance period ending in 2015 and a vesting date in 2016. The GIP and SIP were both implemented in 2014, but had vesting dates in 2019 and 2017 respectively. As of 2019, the VCP is now the main form of long-term incentive plan.
(3) The total remuneration amounts shown above are the amounts restated to account for the final vesting of each of the LTIP awards. For an explanation of this restatement in respect of the 2021 period see note 1 of the total remuneration table on page 164.
(4) The 2017 LTIP vested at 46.1% of maximum and the GIP vested at 100% of maximum. The 2019 Long-Term Incentive value is a weighted average of the 2017 LTIP and the GIP.
(5) The 2018 LTIP vested at 79.9% of maximum. There was no vesting in the first year of the VCP, therefore, the 2020 Long-Term Incentive value is the same as the 2018 LTIP vesting percentage.
(6) There was no vesting capable of occurring in the second year of the VCP in March 2021 and the 2018 LTIP was the last award under this scheme, therefore, the 2021 Long-Term Incentive value is N/A.

Directors’ Remuneration Report

Total Shareholder Return

The following graph shows the Total Shareholder Return ("TSR") performance of an investment of £100 in Ocado shares compared with an equivalent investment in the FTSE 100 and FTSE 250 Indices over the past ten years. These indices were chosen as Ocado has historically been a constituent of the FTSE 250 Index, and entered the FTSE 100 in 2018. Both represent a broad equity market index against which the Company can be compared historically. The Company has not paid a dividend since its Admission so the Company’s TSR does not factor in dividends reinvested in shares.



Director Salary/Fee Percentage Change Versus Employees Group

The table below shows how the percentage increase in each Director’s salary/fees, taxable benefits and annual incentive plan between 2020 and 2021 compares with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole. For the second year, disclosure for all Directors in addition to the CEO has been included; over time a five-year comparison will be built up. Ocado Group plc has no employees and therefore a subset of the Group’s employees, UK employees has been used.

Year-on-year increase in pay for Directors compared to the average employee increase:

	2020/21			2019/2020		
Director	**Salary/Fees**	**Taxable benefits**	**AIP**	Salary/Fees	Taxable benefits	AIP
Tim Steiner	**2.5%**	**(83%)**	**(37%)**	7%	(33%)	74%
Stephen Daintith	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Mark Richardson	**2.5%**	**-**	**(38%)**	7%	–	82%
Neill Abrams	**2.5%**	**-**	**(28%)**	12%	–	72%
Luke Jensen	**2.5%**	**(50%)**	**(38%)**	7%	(29%)	68%
Lord Rose	**–**	**–**	**–**	12%	–	–
Rick Haythornthwaite	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Jörn Rausing	**7%**	**–**	**–**	10%	–	–
Andrew Harrison	**12.5%**	**–**	**–**	21%	–	–
Emma Lloyd	**21%**	**–**	**–**	15%	–	–
Julie Southern	**30%**	**–**	**–**	6%	–	–
John Martin	**13%**	**–**	**–**	12%	–	–
Michael Sherman	**9%**	**–**	**–**	N/A	–	–
Claudia Arney	**13%**	**–**	**–**	12%	–	–
Nadia Shouraboura	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Average percentage increase for UK employees	**2.5%**	**(2.08%)**	**(27.80%)**	3%	5%	100%

(1) The change in salary data for the Group’s employees is on a per capita basis.

(2) The change in salary for the Executive Directors is based on the base salary review set out on page 165.

(3) The change in taxable benefits for the Executive Directors is as set out on page 165.

(4) UK employees have been chosen as the majority of our workforce is UK-based.

(5) Michael Sherman was appointed as a NED on 5 October 2020 and therefore was paid a partial fee in the prior year. The percentage change applied to his fee in year has therefore been shown.

(6) Stephen Daintith, Rick Haythornthwaite and Nadia Shouraboura were appointed to the Board on 22 March 2021, 1 January 2021 and 1 September 2021 respectively.

(7) Lord Rose and Claudia Arney stepped down from the Board on 13 May 2021 and 25 December 2020 respectively and therefore were paid a partial fee in the year. The percentage change applied to their fee in year has therefore been shown.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase, shown in the table. For FY2021 salary increases for the Executive Directors were in line with those received by the wider workforce. Increases for Non-Executive Directors were higher to reflect increased responsibilities, time commitment and workload. See pages 169 to 170 for further details.

Directors' Remuneration Report

Relative Importance of Spend on Pay

The following table shows the Company's profit and total Group-wide expenditure on pay for all employees for the period and last financial year. The Company has not paid a dividend or carried out a share buyback in the current year nor previous year. The information shown in this table is:

- Loss – Group loss before tax as set out in the Consolidated Income Statement on page 223.
- Total gross employee pay – total gross employment costs for the Group (including pension, variable pay, share-based payments and social security) as set out in Note 2.5 to the Consolidated Financial Statements on page 243.

	28 November 2021 (£m)	29 November 2020 (£m)
Loss before tax	**(176.9)**	(52.3)
Total gross employee pay	**788.2**	622.5

(1) The loss before tax of £(44m) stated in the 2020 Annual Report and Accounts is restated.

Executive Directors

Total Remuneration (Audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below.

	Tim Steiner		**Stephen Daintith**		**Mark Richardson**		**Neill Abrams**		**Luke Jensen**		**Total**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Salary	**732**	708	**367**	N/A	**447**	433	**447**	433	**447**	433	**2,440**	2,007
Taxable Benefits	**2**	12	**1**	N/A	**1**	1	**1**	1	**6**	12	**11**	26
Pensions	**51**	50	**26**	N/A	**31**	36	**31**	32	**31**	25	**170**	143
Total Fixed Pay	**785**	770	**394**	N/A	**479**	470	**479**	466	**484**	470	**2,621**	2,176
Variable Pay												
AIP	**1,175**	1,865	**467**	N/A	**556**	904	**567**	791	**547**	886	**3,312**	4,446
LTIP	**N/A**	3,540	**N/A**	N/A	**N/A**	1,640	**N/A**	1,101	**N/A**	1,573	**N/A**	7,854
ESOS and 2014 ESOS	**–**	–	**–**	N/A	**–**	–	**–**	–	**–**	–	**–**	-
SIP	**8**	36	**N/A**	N/A	**8**	36	**7**	31	**8**	36	**31**	139
Sharesave	**–**	–	**–**	N/A	**–**	–	**–**	–	**–**	–	**–**	–
VCP	**–**	–	**–**	N/A	**–**	–	**–**	–	**–**	–	**–**	–
Total Variable Pay	**1,183**	5,441	**467**	N/A	**564**	2,580	**574**	1,923	**555**	2,495	**3,343**	12,439
Recovery of Sums Paid	**–**	–	**–**	N/A	**–**	–	**–**	–	**–**	–	**–**	–
Total Remuneration	**1,968**	6,211	**861**	N/A	**1,043**	3,050	**1,053**	2,389	**1,039**	2,965	**5,964**	14,615

(1) The value of LTIP awards for 2018 included in the column for the 2020 financial year has been restated to show the actual vested amount (based on the vesting of the award on 18 March 2021 at a price of 2017.35 pence per share). The actual vested amount is £1,686,000 lower than the estimated vested amount stated in the 2020 Annual Report (for the four remaining Executive Directors) of £9,540,000 due to reduction in the share price. The estimated vested amount was based on the three-month average share price from 31 August 2020 to 27 November 2020 of 2450 pence per share. The value of the award attributable to share price appreciation for each Executive Director in the order which they are set out in the table above is £2,351,991, N/A, £1,089,868, £731,715 and £1,045,311. This is based on the growth in value of the shares due to vest from the grant price (540.93 pence) to the average share price over the three months to 18 March 2021 (2017.35 pence). No dividends were paid. The 2018 award was the last award under this plan.

(2) Under the Share Incentive Plan, awards of Free Shares and Matching Shares became unrestricted during the period. These awards are explained on page 169 of this report.

(3) Taxable benefits includes one or more of: private healthcare; life assurance; private use of a company driver; or a car allowance.

(4) Up to 50% of the AIP payment is paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred in shares for a period of three years, with an additional two-year holding period. There are no performance conditions attached to the deferred element.

(5) No figures are stated for the VCP to show that there is no expected value for the 2021 financial year. The first point at which any banked awards may vest under the VCP will be in March 2022, subject to the minimum TSR underpin being met.

(6) Stephen Daintith joined the Board with effect from 22 March 2021.

An explanation of each element of Total Remuneration paid in the table above is set out in the following section.

Base Salary (Audited)

During the year, the Remuneration Committee reviewed the salaries of the Executive Directors. After taking into account a number of relevant factors which are discussed in more detail below, the Remuneration Committee recommended that all basic salaries be increased. The following table shows the change in each Executive Director's salary.

Director	**Salary 2021 (£)**	Salary 2020 (£)	Effective from
Tim Steiner	**738,000**	720,000	01/04/2021
Stephen Daintith(1)	**550,000**	N/A	22/03/2021
Mark Richardson	**451,000**	440,000	01/04/2021
Neill Abrams	**451,000**	440,000	01/04/2021
Luke Jensen	**451,000**	440,000	01/04/2021

(1) Stephen Daintith joined the Board with effect from 22 March 2021.

The changes to base salary were made in line with the Directors' Remuneration Policy. The Executive Directors (excluding the CFO) received an increase in base pay of 2.5% (rounded accordingly), which was in line with the percentage salary increases for the monthly paid employees of the Group in the period of 2.5%. Stephen Daintith's salary upon appointment was set in line with the Directors' Remuneration Policy.

Taxable Benefits (Audited)

The Executive Directors received taxable benefits during the period, notably private medical insurance and travel insurance. The Executive Directors also received other benefits, which are not taxable, including income protection insurance, life assurance and Group-wide employee benefits, such as an employee discount. The taxable benefits shown in the Total Remuneration Table on page 169 include the private use of a company driver for Tim Steiner, and a car allowance for Luke Jensen. Non-business use of the chauffeur is tracked and is shown as a taxable benefit in the total remuneration table to the extent it was used for that purpose. These benefit arrangements were made in line with the Directors' Remuneration Policy which allows the Company to provide a broad range of employee benefits.

Pensions (Audited)

The Company made pension contributions on behalf of the Executive Directors to the defined contribution Group personal pension scheme. The employer contributions to the pension scheme in respect of each Executive Director are made in line with the Group personal pension scheme for all employees. In order to ensure continued alignment between Executive Director and wider workforce pension contributions, all Executive Directors have received a contribution rate of 7% of salary since April 2020.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director (or employee) has reached either the HMRC annual tax free limit or HMRC lifetime allowance limit for pension contributions as provided for in the Directors' Remuneration Policy. In accordance with the Policy, Tim Steiner, Mark Richardson, Luke Jensen, Stephen Daintith and Neill Abrams have elected to receive part of their pension contributions as an equivalent cash allowance.

Value Creation Plan (Audited)

Value Creation Plan ("VCP") awards were granted in May 2019. The award gives Executive Directors the opportunity to share in a proportion of the total value created for shareholders above a 10% Total Shareholder Return ("TSR") hurdle ("Threshold TSR") at the end of each year ("Measurement Date") over a five-year period. At each Measurement Date, up to 2.75% of the value created above the hurdle will be "banked" in the form of share awards, which will be released in line with the vesting schedule. Under the 2022 Policy being put to shareholders, it is proposed to extend the VCP by three years – see page 180 for more details.

The initial price for the VCP is £13.97 for Tranche 1 (being the average price over the 30-day period prior to the 2019 Annual General Meeting) and £19.60 for Tranche 2 (being the price at which equity was raised by the Company on 10 June 2020). The Executive Directors will receive the right at the end of each year of the performance period to share awards with a value representing the level of the Company's total shareholder return ("Measurement TSR") above the Threshold TSR at the relevant Measurement Date.

The Threshold TSR or hurdle, which has to be exceeded before share awards can be earned by the Executive Directors, is the higher of:

- the highest previous Measurement TSR at which the individual banked awards; and
- the Initial Price (£13.97 for Tranche 1 and £19.60 for Tranche 2) compounded by 10% p.a.

If the value created at the end of a given year does not exceed the Threshold TSR, nothing will accrue in that year under the VCP.

Directors' Remuneration Report

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

(1) A minimum TSR underpin of 10% Compound Annual Growth Rate being maintained.
(2) Any shares vesting cannot be sold prior to the fifth anniversary.
(3) An annual cap on vesting of £20 million for the CEO and £5 million for other Executive Directors.
(4) Remuneration Committee discretion (as set out in the Remuneration Policy) to adjust the formulaic vesting outcome if it is not a fair and accurate reflection of performance.

Measurement Dates

The first and second VCP Measurement Dates were 12 March 2020 and 11 March 2021, 30 days after the publication of the FY2019 and FY2020 financial results respectively.

Due to the capital raising that was undertaken by the Company in June 2020, a new Tranche of award under the VCP was created. The newly issued equity (Tranche 2) was created at the date that the equity was raised and its initial price is the share price at which the equity was issued (£19.60). Tranche 2 must be grown at the same growth rates (i.e. 10% p.a.) at each corresponding Measurement Date as the initial equity (Tranche 1). Further details on this approach are set out in last year's report.

The following table sets out the number of nil-cost options that were granted to Executive Directors in office at the end of the year at the first and second Measurement Dates under the VCP.

It should be noted that the nil-cost options in the table below have only been conditionally allocated to Executive Directors at this point in time. On the third anniversary of the start of the plan, the 10% CAGR TSR underpin has to be met before any vesting will occur and the Remuneration Committee retains discretion to vary the level of vesting where it is considered that the formulaic vesting would not be a fair and accurate reflection of performance.

		Year 2		Cumulative
	Year 1	Tranche 1	Tranche 2	total
Measurement Date	12 March 2020	11 March 2021		–
Threshold TSR (per share)	£10.6 billion (£15.16)	£11.9 billion (£16.68)	£0.71 billion (£21.06)	–
Measurement TSR (Measurement Price)	£7.9 billion (£11.23)	£16.6 billion (£23.28)	£0.78 billion (£23.28)	–
Aggregate number of Nil-Cost Options (NCOs) granted to Executive Directors	–	3,547,602	55,861	3,603,463
• Tim Steiner (NCOs granted)	–	2,027,202	31,921	2,059,123
• Stephen Daintith	N/A	N/A	N/A	N/A
• Mark Richardson (NCOs granted)	–	506,800	7,980	514,780
• Neill Abrams (NCOs granted)	–	506,800	7,980	514,780
• Luke Jensen (NCOs granted)	–	506,800	7,980	514,780

(1) The Measurement Price is the 30-day average closing share price for the 30 days following the announcement of the results for the relevant financial year. This is £11.23 for the first Measurement Date and £23.28 for the second Measurement Date.
(2) The Threshold TSR for Tranche 1 is the Initial Price compounded by 10% p.a. between 1 May 2019 and 11 March 2021, being the start of the VCP performance period, and the second Measurement Date. The Threshold TSR for Tranche 2 is the Placing Price (£19.60) compounded by 10% p.a. between 10 June 2020 and 11 March 2021, being the date of the capital raising and the second Measurement Date.
(3) Stephen Daintith joined the Board with effect from 22 March 2021. He is not eligible to bank awards until the third Measurement Date in March 2022.

Annual Incentive Plan (AIP) (Audited)

The 2021 AIP was based on the performance targets and weightings set out below. The Chief Executive Officer had a maximum bonus opportunity of 275% of salary and the other Executive Directors had a maximum opportunity of 215% of salary.

						Annual bonus value achieved (£'000)				
Performance conditions	Weighting of each condition		Performance targets required	Actual performance	Percentage of maximum performance achieved	Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams	Luke Jensen
Retail segment EBITDA	20%	Threshold	£105.0m		20%	406	164	194	194	194
		Maximum	£136.5m	£150.4m						
New Solutions commitments	25%	Threshold	72 modules	43.91 modules	–	–	–	–	–	–
		Maximum	105 modules							
OSP capacity (peak day eaches)	15%	Threshold	1,200,000	1,258,000	5.61%	114	46	54	54	54
		Maximum	1,550,000							
Technology capabilities (based on achievement of certain initiatives)	10%	Threshold	90	124	10%	203	82	97	97	97
		Maximum	112							
Engineering cost per order (% improvement)	10%	Threshold	25%	31%	5.95%	121	49	58	58	58
		Maximum	39%							
Individual Objectives	20%	See next page		–	14.9%-16.88%	331	126	153	164	144
Total	**100%**					**1,175**	**467**	**556**	**567**	**547**

(1) The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. An award will not vest unless a "threshold" level of the performance condition has been achieved. 25% of an award vests for threshold performance rising on a straight line basis to 100% for maximum performance.
(2) There is no threshold or maximum target set for the individual objectives. Each objective is weighted and scored to provide a total score out of 20. Performance may range from zero to 20.
(3) The applicable salary used for calculating the bonus payment under the rules of the 2021 AIP is the applicable base salary on the date of payment. Stephen Daintith's award was pro-rated at 69.315%, in line with the AIP rules following his appointment to the Board on 22 March 2021.

The performance under the 2021 AIP was measured against six performance targets over the 2020/21 financial year. In approving a bonus payment to the Executive Directors based on 56.46 to 58.44% achievement, the Committee carefully considered and discussed the formulaic outcome of each of the AIP measures, assessing the extent to which the measures reflected the underlying performance of the business. The Committee considered both business factors and broader considerations outside of Ocado. The Committee determined the formulaic outcome was appropriate in this context.

In agreeing to pay the bonus, the Committee applied the rules, which stipulate that 50% of the AIP achieved in the year will be deferred into shares for three years (subject to a two-year holding period on vesting). Up to 50% of any bonus will be paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred into shares. Stephen Daintith's payment will be pro-rated at 69.315% in recognition of his joining partway through the performance period in March 2021, as required under the AIP rules.

For the technology capabilities measure, targets were set at the start of the year based on delivering 105 capabilities across four initiatives. Over the course of the year, capabilities were removed or added in response to specific customer requirements, resulting in 19 being removed and 38 additional capabilities being added. The Committee is content that the resulting total is at least as demanding as that set at the start of the year. Achievements against the overall resulting targeted capabilities resulted in a maximum payout for this measure.

The engineering cost per order measure is calculated on the basis of the financial year.

Directors' Remuneration Report

Individual Objectives for 2021 AIP

The Remuneration Committee reviewed the performance of each Executive Director against the measurable performance metrics and based their judgement on a scoring report by the Chief Executive Officer and the Chair. In reviewing the outcomes of the objectives, the impact of Covid-19 (both positive and negative) was taken into consideration by the CEO and the Chair, and by the Committee.

Objective	Achievement	% Achievement
Tim Steiner		
• Improve the Client business to ensure we maintain or improve our relationships with current and prospective Clients, based on client feedback and orders placed. • Ensure the Group prioritises future innovation. • Successfully Chair the ORL Board, with business performing to expectations. • Ensure that the Group engages with its shareholders. • Listen to and engage with employees and ensure successful transition of key roles.	• Strong relationships with Clients maintained and one new Client signed during 2021. • New orders placed and maintained position as leader in Solutions due to continued market share • Strong performance as Chair of the ORL board during 2021, helping to build foundations and expectations for 2022. • Regular engagement with shareholders achieved via roadshows and conferences. • Supported successful onboarding of new Chair and CFO.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		81.6%
Stephen Daintith		
• Develop a high-performing, highly capable and engaged finance team, focusing on culture, engagement, skills and capabilities. • Optimise finance processes, tools and systems with strong control environment supported by clear funding strategy. • Develop a 10-year Corporate Strategy. • Engage with and build relationships with shareholders. • Develop a five year plan for the Solutions and Ventures business.	• Key roles in finance team populated with strong talent, but with further work to be done on employee engagement. • Steady improvement in finance processes and control environment. • Corporate strategy developed and approved. • Strong development of relationships with shareholders shown by positive changes to the share register. • Five year plan for OSP business developed.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		76.8%
Mark Richardson		
• Reduce building costs in the UK, MHE installation time globally and cost of OSP maintenance. • Launch CFCs and ISF for Kroger; launch ORL capacity in various UK locations. • Oversee supply chain for bots and peripherals, improving manufacture and on site delay rates. • Improve rostering for hourly paid employees.	• Reduction in UK build costs. • All launches were successful, with some minor delays. • Successful bot manufacturing, but reduction in on-site delays not achieved due to global supply chain issues. • Improvements in rosters and shift preferences achieved.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		78.8%
Neill Abrams		
• Manage litigation. • Continued management of Andover insurance claim • Improve departmental employee engagement and work satisfaction • Legal support for international transactions • Roll-out of compliance policies and training • IP protection and growth – targeted growth of patent portfolio, and IP protection and compliance regime.	• Litigation proceedings successfully managed. • Continued strong progress towards settling Andover insurance claim. • Successful restructuring of department and onboarding of new staff. • Successful completion of Solutions transactions and integration of acquisitions. • Compliance training rolled out and tracking systems developed. • Patent targets exceeded and compliance training carried out.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		84.4%

Objective	Achievement	% Achievement
Luke Jensen		
• Grow the Ocado Solutions Client base. • Successful launch of Kroger CFCs and ISF and ICA on track for launch. • Build the infrastructure and capabilities of Ocado Solutions to provide required support to Clients. • Build profile and reputation of Ocado Solutions. • Oversee the successful integration of Kindred Systems Inc. into Solutions. • Listen to and engage with employees.	• New Clients signed and orders made, with strong pipeline for future partnerships. • Successful Client launches. • Good strengthening and development of Commercial team and Product Solutions team • Increased profile and reputation of Solutions business. • Three year integration plan developed.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		74.5%

Share Incentive Plan

The 2018 award of Free Shares made under the Share Incentive Plan (the "SIP") became unrestricted during the period on 20 September 2021. Certain Matching Shares also became unrestricted during the period. Free Shares and Matching Shares awarded under the SIP are subject to a three-year forfeiture period starting from the date of grant. This means that if an Executive Director ceases to be employed by the Group during the three-year period, the Free Shares and Matching Shares will be forfeited. Partnership Shares purchased under the SIP are not included in the total remuneration table as these are purchased by the Executive Directors from their salary, rather than granted by the Company as an element of remuneration. Only the value of Free Shares and Matching Shares that became unrestricted during the period are shown in the total remuneration table. The value shown is the value of the shares on the date that they became unrestricted. Unrestricted shares can be held in trust under the SIP for as long as the Executive Director remains an employee of the Company.

Recovery of Sums Paid (Audited)

No sums paid or payable to the Executive Directors were sought to be recovered by the Group.

Non-Executive Directors

Total fees (Audited)

The fees paid to the Non-Executive Directors and the Chair during the period ended 28 November 2021 and the period ended 29 November 2020 are set out in the table below.

	Fees		Taxable Benefits		Pension Entitlements		Annual Bonus		Long-term Incentives		Recovery of Sums Paid		Total Remuneration	
Non-Executive Director	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Rick Haythornthwaite	**232**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**232**	–
Jörn Rausing	**72**	67	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**72**	67
Andrew Harrison	**117**	104	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**117**	104
Emma Lloyd	**85**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	70
Julie Southern	**98**	75	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**98**	75
John Martin	**79**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**79**	70
Michael Sherman	**72**	11	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**72**	11
Nadia Shouraboura	**19**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19**	–
Lord Rose	**135**	300	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**135**	300
Claudia Arney	**5**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5**	70
Total	**914**	767	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**914**	767

(1) Lord Rose retired from the Board with effect from 13 May 2021.

(2) Rick Haythornthwaite joined the Board with effect from 1 January 2021. He received £68,000 in respect of NED fees until his appointment as Chair on 13 May 2021, when his fee was increased to £375,000.

(3) Michael Sherman joined the Board with effect from 5 October 2020.

(4) Claudia Arney retired from the Board with effect from 25 December 2020.

(5) Nadia Shouraboura joined the Board with effect from 1 September 2021.

(6) Due to an administrative error, a Non-Executive Director was overpaid £12,583 in the FY2019. This amount was repaid in full during FY2020.

Directors' Remuneration Report

Non-Executive Directors receive a basic fee and additional fees for chairing or being a member of the Remuneration Committee or the Audit Committee or holding the position of Senior Independent Director. There is currently no additional fee payable to the Designated Non-Executive Director for Workforce Engagement. The Chair also receives an expense allowance.

The remuneration arrangements for the Non-Executive Directors (except the Chair) were reviewed by the Executive Directors and the Chair during the period and the basic fees for Non-Executive Directors were increased to £74,000 (2020: £68,000), whilst the fee for chairing a Committee was increased to £20,000 (2020: £18,000). The fee for the role of Senior Independent Director was also increased to £20,000 (2020: £17,000) and the fee for being a member of the Audit Committee or Remuneration Committee was increased to £7,500 (2020: £5,000). No additional fee is paid in respect of acting as Chair or being a member of the Nomination Committee. Fee adjustments were made in 2021 to recognise the significantly greater size and complexity of the Non-Executive Director role and to position fees around the market median.

Upon his appointment as Chair on 13 May 2021, Rick Haythornthwaite received an annual fee of £375,000. Prior to his appointment as Chair, he received a basic Non-Executive Director fee of £68,000 per annum. In addition, he is entitled to receive an expense allowance of £50,000 per annum in respect of office support costs.

Changes to fees for the Chair of the Board as well as Non-Executive Directors were agreed effective 1 April 2022. The approved increases of 3.5% are in line with those applying to the wider workforce.

Other Remuneration for the Non-Executive Directors (Audited)

In addition to their fees, the Non-Executive Directors are entitled to a staff shopping discount in line with the Group's employees.

The Company has obtained a written confirmation from each Non-Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already referred to in this report.

Other Remuneration Disclosures

Executive Directors' Service Contracts

Each of the Executive Directors has a service contract with the Group. The principal terms of these contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period From Company	Notice period From Director
Tim Steiner	Chief Executive Officer	23 June 2010	12 months	6 months
Stephen Daintith	Chief Financial Officer	22 March 2021	12 months	12 months
Mark Richardson	Chief Operating Officer	27 February 2012	12 months	6 months
Neill Abrams	Group General Counsel and Company Secretary	23 June 2010	12 months	6 months
Luke Jensen	CEO Ocado Solutions	30 January 2017	12 months	6 months

The contracts provide for payment in lieu of notice of one times basic salary only (and do not include other fixed elements of pay, which are permitted by the Policy).

Non-Executive Directors' Letters of Appointment

The Chair and the Non-Executive Directors do not have service contracts and were appointed by letter of appointment for an initial period of three years, subject to annual reappointment at the Annual General Meeting and usually for a maximum of nine years. Copies of the letters of appointment and the service contracts of the Directors are available for inspection at the Company's registered office.

Director	Date of Original Appointment	Date of Reappointment	Notice Period	Expiry of Nine-Year Term
Rick Haythornthwaite	1 January 2021	N/A	6 Months	January 2030
Andrew Harrison	1 March 2016	13 May 2021	1 Month	March 2025
Emma Lloyd	1 December 2016	13 May 2021	1 Month	December 2025
Jörn Rausing	13 March 2003	13 May 2021	1 Month	N/A
Julie Southern	1 September 2018	13 May 2021	1 Month	September 2027
John Martin	1 June 2019	13 May 2021	1 Month	June 2028
Michael Sherman	5 October 2020	N/A	1 Month	October 2029
Nadia Shouraboura	1 September 2021	N/A	1 Month	September 2030

Director Retirement Arrangements and Payments for Loss of Office (Audited)

It was determined in accordance with the Directors' Remuneration Policy that the arrangements set out below should apply in relation to the remuneration of Lord Rose and Claudia Arney.

Claudia Arney retired from the Board with effect from 25 December 2020. Lord Rose retired from his position as Chair of the Company with effect from 13 May 2021.

Element of Remuneration	Treatment
Claudia Arney	
Remuneration Payments	All outstanding fees up to 25 December 2020 were paid to Claudia Arney in accordance with the terms of her letter of appointment. No payments were made after the date of retirement for Claudia Arney.
Payment for Loss of Office	No payment for loss of office or other remuneration payment was made to Claudia Arney.
Share Schemes	At the time of her retirement, Claudia Arney did not participate in a Company share scheme.

Element of Remuneration	Treatment
Lord Rose	
Remuneration Payments	All outstanding fees up to 13 May 2021 were paid to Lord Rose in accordance with the terms of his letter of appointment. No payments were made after the date of retirement for Lord Rose.
Payment for Loss of Office	No payment for loss of office or other remuneration payment was made to Lord Rose.
Share Schemes	At the time of his retirement, Lord Rose did not participate in a Company share scheme.

Director Appointment Arrangements (Audited)

As announced on 18 December 2020, Rick Haythornthwaite was appointed to the Board as a Non-Executive Director and Chair-elect with effect from 1 January 2021. Rick Haythornthwaite's remuneration was agreed by the Remuneration Committee in line with the Directors' Remuneration Policy. On appointment as a Non-Executive Director, Rick Haythornthwaite's basic annual fee was £68,000. Rick Haythornthwaite assumed the role of Chair of the Company following the Annual General Meeting in May 2021. Upon his appointment as Chair, Rick Haythornthwaite received an annual fee of £375,000 in place of his Non-Executive Director fee. In addition he was entitled to receive an expense allowance of £50,000 per annum in respect of office support costs.

The appointment of Stephen Daintith as Group CFO was announced on 27 August 2020. As agreed by the Remuneration Committee, in line with the Directors' Remuneration Policy, Stephen Daintith received an annual salary of £550,000 and a pension allowance of 7% of salary, in line with the wider workforce in the UK. On appointment he was eligible to participate in Ocado's existing annual incentive plan up to a maximum of 215% of salary in FY2021 and the Ocado Value Creation Plan from year three onwards - he was granted an award shortly after joining and will be eligible to bank awards from the third Measurement Date onwards.

As announced on 24 August 2021, Nadia Shouraboura was appointed to the Board as a Non-Executive Director with effect from 1 September 2021. Nadia Shouraboura's remuneration is in line with the Directors' Remuneration Policy. On appointment, Nadia Shouraboura's basic annual fee was £74,000 which was in line with the other Non-Executive Directors. Nadia Shouraboura will not receive any other benefits or payments, in line with the Directors' Remuneration Policy.

Payments to Past Directors (Audited)

Duncan Tatton-Brown retired from the Board with effect from 22 November 2020. In line with the rules of the 2018 Long-Term Incentive Plan in force at that time, he was determined to be a good leaver. Duncan's 2018 LTIP award vested in respect of 80,792 shares and was released on 18 March 2021. 38,048 shares were sold at 2017.00 pence per share to cover his income tax and social security obligations and 42,744 shares were retained by him. The Committee decided that Duncan's VCP awards would lapse on his retirement from the Company.

Directors' Remuneration Report

Director Shareholdings (Audited)

The table below shows the beneficial interests in the Company's shares of Directors serving during the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts. The table also shows compliance with the Director shareholding requirements in the Directors' Remuneration Policy as at 28 November 2021.

Name	Ordinary Shares of 2 pence each held at 28 November 2021 Direct Holding	Ordinary Shares of 2 pence each held at 28 November 2021 Indirect Holding	Ordinary Shares of 2 pence each held at 29 November 2020 Direct Holding	Ordinary Shares of 2 pence each held at 29 November 2020 Indirect Holding	Minimum shareholding requirement (% of Base Salary or Fee)	Met minimum shareholding requirement?
Executive Directors						
Tim Steiner	**19,659,959**	**8,692**	21,564,826	8,428	400	Yes
Stephen Daintith	**–**	**188**	N/A	N/A	300	N/A
Mark Richardson	**1,427,774**	**22,616**	1,584,813	22,338	300	Yes
Neill Abrams	**2,102,269**	**1,568,076**	2,073,426	1,567,798	300	Yes
Luke Jensen	**161,449**	**94,791**	161,449	83,262	300	Yes
Non-Executive Directors						
Rick Haythornthwaite	**9,475**		N/A	N/A	100	N/A
Jörn Rausing	**–**	**75,234,216**	–	69,015,602	100	Yes
Andrew Harrison	**18,166**	**–**	18,166	–	100	Yes
Emma Lloyd	**17,300**	**–**	17,300	–	100	Yes
Julie Southern	**4,738**	**–**	3,779	–	100	No
John Martin	**3,859**	**–**	–	–	100	N/A
Michael Sherman	**–**	**–**	–	–	100	N/A
Nadia Shouraboura	**–**	**–**	N/A	N/A	100	N/A
Lord Rose	**452,284**	**–**	452,284	–	100	N/A
Claudia Arney	**5,230**	**–**	5,230	–	N/A	N/A

(1) No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.

(2) There have been no changes in the Directors' interests in the shares issued or options granted by the Company and its subsidiaries between the end of the period and the date of this Annual Report, except shares held pursuant to the SIP, as set out on page 173.

(3) Tim Steiner entered into various contracts for the transfer of shares on 21 June 2010, as described on page 238 of the Prospectus issued by the Company on 6 July 2010. As previously reported, on 2 June 2019, the parties agreed again to extend the date for completion of the second contract to 30 June 2021 or such other date as the parties may agree. The second contract completed on 30 June 2021.

(4) Stephen Daintith was appointed on 22 March 2021. Executive Directors (excluding the CEO) are expected to hold shares equivalent to 300% of salary. This holding can be built up over five years from appointment. Therefore, while Stephen Daintith does not hold the requisite number of shares to comply with the shareholding requirement currently, he is compliant with the Policy.

(5) John Martin, Michael Sherman, Rick Haythornthwaite and Nadia Shouraboura were appointed on 1 June 2019, 5 October 2020, 1 January 2021 and 1 September 2021 respectively. Non-Executive Directors are expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment. Therefore, while John Martin, Michael Sherman, Rick Haythornthwaite and Nadia Shouraboura do not hold the requisite number of shares to comply with the shareholding requirement currently, they are compliant with the Policy.

(6) Although Julie Southern held shares during the year in excess of her guideline, the fall in the Company share price meant that, at the end of the financial year, her shareholding was below the guideline. Her shareholding remained above the base fee but below her aggregate fees (base fees and Committee fees) at year-end.

(7) Lord Rose and Claudia Arney both stepped down from the Board on 13 May 2021 and 25 December 2020 respectively, their shareholding position is stated as at their respective departure date.

(8) The assessment for shareholding compliance is based on the current annualised salary or fee (as set out in the total remuneration tables) which applied on 28 November 2021 and the higher of the original purchase price(s) or the current market price (being 1,829 pence per share on 28 November 2021 of the relevant shareholdings).

(9) Where applicable, the above indirect holdings include SIP Partnership and Free Shares held under the SIP, which are held in trust.

(10) The indirect holding for Neill Abrams includes holdings by Caryn Abrams (wife of Neill Abrams) who holds 79,609 (2020: 79,609) ordinary shares and as a discretionary beneficiary of a trust holding 74,100 (2020: 74,100) ordinary shares, Daniella Abrams (daughter of Neill Abrams) who holds 1,363 (2020: 1,363) ordinary shares, Mia Abrams (daughter of Neill Abrams) who holds 2,143 (2020: 2,143) ordinary shares, Joshua Abrams (son of Neill Abrams) who holds 2,143 (2020: 2,143) ordinary shares.

(11) The indirect holding for Luke Jensen includes a holding by Sandrine Jensen (wife of Luke Jensen) who holds 92,250 (2020: 80,999) ordinary shares.

(12) Jörn Rausing is a beneficiary of the Apple III Trust, which owns Apple III Limited (together, "Apple"), a significant (approximately 10%) shareholder of the Company. Jörn is not a representative of Apple, nor does Apple have any right to appoint a Director to the Board of the Company.

Director Interests in Share Schemes (Audited)

Value Creation Plan (Audited)

The Value Creation Plan ("VCP") was approved by shareholders on 1 May 2019. The scheme aligns the remuneration of Executive Directors with the value generated for shareholders.

No nil-cost options were awarded to Executive Directors in respect of the first VCP Measurement Date on 12 March 2020. This is because the Measurement Price (£11.23) was below the Threshold Total Shareholder Return (£15.16).

The Measurement Price at the second Measurement Date (£23.28) was higher than the Threshold Total Shareholder Return for both Tranches 1 and 2 (£16.68 and £21.06 respectively). As such, Executive Directors were eligible to bank awards at the second VCP Measurement Date. The number of the nil-cost options that were awarded to Executive Directors in respect of the second VCP Measurement Date on 11 March 2021 is set out below:

Individual	Nil-cost options awarded (banked) Tranche 1	Tranche 2	Total
Tim Steiner	2,027,202	31,921	2,059,123
Stephen Daintith	N/A	N/A	N/A
Mark Richardson	506,800	7,980	514,780
Neill Abrams	506,800	7,980	514,780
Luke Jensen	506,800	7,980	514,780

(1) The Measurement Price is the 30-day average closing share price for the 30 days following the announcement of the results for the relevant financial year. This was £23.28 for the second Measurement Date.

(2) The Threshold TSR for Tranche 1 is the Initial Price compounded by 10% p.a. between 1 May 2019 and 11 March 2021, being the start of the VCP performance period, and the second Measurement Date. The Threshold TSR for Tranche 2 is the Placing Price (£19.60) compounded by 10% p.a. between 10 June 2020 and 11 March 2021, being the date of the capital raising and the second Measurement Date.

(3) Stephen Daintith joined the Board with effect from 22 March 2021. He was not eligible to participate in the VCP at the second Measurement Date. He is not eligible to bank awards until the third VCP Measurement Date and his individual allocation is 0.25% (in line with the other Executive Directors excluding the CEO); the third Measurement Date will take place in March 2022.

Please see page 188 for further details on the **Operation of the VCP**.

Executive Share Option Scheme and 2014 Executive Share Option Scheme (Audited)

At the end of the period, the Executive Directors held options under the ESOS or 2014 ESOS as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Exercise Price (£)	Face Value of Grant (£)	Exercise Period
Luke Jensen	Option	15/03/17	11,709	2.562	29,998	15/03/20 – 14/03/27

Share Incentive Plan (Audited)

At the end of the period, interests in shares held by the Executive Directors under the SIP were as follows:

Director	Partnership Shares Acquired in the Year	Matching Shares Awarded in the Year	Free Shares Awarded in the Year	Total Face Value of Free Shares and Matching Shares Awarded in the Year (£)	Total SIP Shares Held 28/11/2021	SIP Shares that Became Unrestricted in the Period	Total Unrestricted SIP Shares Held at 28/11/2021
Tim Steiner	90	13	161	3,864	8,692	442	8,087
Stephen Daintith	33	4	151	2,819	188	-	33
Mark Richardson	90	13	175	3,864	8,699	441	8,083
Neill Abrams	90	13	175	3,864	7,918	393	7,299
Luke Jensen	90	13	175	3,864	3,160	442	2,541

(1) Unrestricted shares are those which have been held beyond the three-year forfeiture period.

(2) The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Directors' Remuneration Report

Granted: The Directors continued their SIP participation during the period. The SIP scheme is made available to all employees. The SIP allows for the grant of a number of different forms of awards. An award of Free Shares was made to the Executive Directors in September 2021 under the terms of the SIP and the Directors' Remuneration Policy. "Free Shares" of up to £3,600 of ordinary shares may be allocated to any employee in any year. Free Shares are allocated to employees equally on the basis of salary, as permitted by the relevant legislation.

An award of Matching Shares was made to those Executive Directors who purchased Partnership Shares (using deductions taken from their gross basic pay) under the terms of the SIP and in accordance with the Directors' Remuneration Policy.

For more details about the **SIP**, please see page 190.

The Executive Directors continued their membership in the SIP after the end of the period and were, therefore, awarded further Matching Shares pursuant to the SIP rules. Between the end of the period and 28 January 2022, being the last practicable date prior to the publication of this Annual Report, the Executive Directors acquired or were awarded further shares under the SIP as set out in the table below:

Director	Partnership Shares Acquired	Matching Shares Awarded	Free Shares Awarded	Total Face Value of Free Shares and Matching Shares (£)	Total SIP Shares Held at 28/01/2022
Tim Steiner	19	3	0	46	8,714
Stephen Daintith	19	3	0	48	210
Mark Richardson	19	3	0	48	8,721
Neill Abrams	19	3	0	48	7,940
Luke Jensen	19	3	0	46	3,182

(1) The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Vested: For details of Free Shares and Matching Shares that became unrestricted in the period, see page 169.

Sharesave Scheme (Audited)

At the end of the period, the Executive Directors' option interests in the Sharesave scheme were as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Exercise Price (£)	Face Value (£)	Exercise Period
Neill Abrams	Options	27/08/19	1,610	11.17	17,991	01/12/22 – 01/05/23
Tim Steiner	Options	19/03/21	767	23.46	17,994	01/05/24–01/11/24
Luke Jensen	Options	19/03/21	767	23.46	17,994	01/05/24–01/11/24

Dilution

Dilution Limits

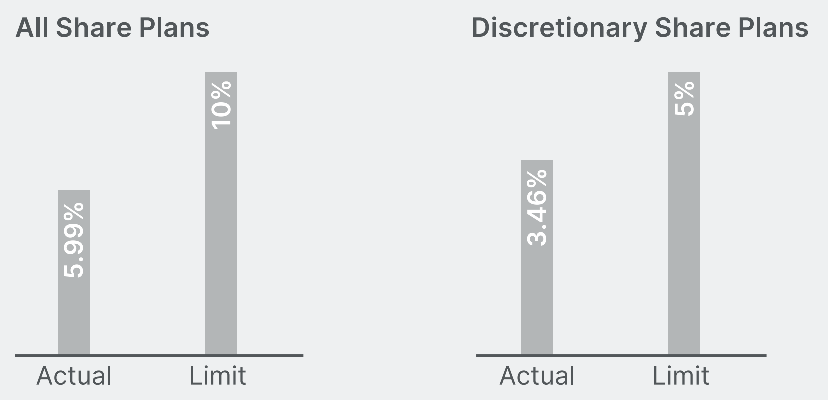
Awards granted under the Company's Sharesave and SIP schemes are met by the issue of new shares when the options are exercised or shares granted. Awards granted under the VCP may be met by the issue of new shares, the transfer of shares from treasury, or the purchase or transfer of existing shares by the EBT (where available). Awards vesting under the LTIP are typically satisfied by the issue of new shares and transfer of existing shares by the EBT.

There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Remuneration Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

The dilution limits restrict the commitment to issue new ordinary shares or reissue treasury shares under all share schemes of the Group to 10% of the nominal amount of the Company's issued share capital and under the LTIP and the VCP (and any other selective share scheme) to 5% of the nominal amount of the issued share capital of the Company in any rolling ten-year period. These limits are consistent with the guidelines of institutional shareholders.

Impact on Dilution

The Company monitors the number of shares issued under these schemes and their impact on dilution. The charts below show the Company's commitment, as at the last practicable date prior to the publication date of this Annual Report being 28 January 2022, to issue new shares in respect of its share schemes assuming all performance conditions are met, all award holders remain in employment to the vesting date and all awards are settled in newly issued shares. For these purposes, no account is taken of ordinary shares allocated prior to the Company's Admission.



Directors' Remuneration Report

Shareholder Approval and Votes at the AGM

The 2021 Directors' Remuneration Report will be subject to a shareholder vote at the AGM. Entitlement of a Director to remuneration is not made conditional on this resolution being passed.

The table below sets out the actual voting in respect of the resolutions regarding the Remuneration Report last year and the Remuneration Policy at the 2019 Annual General Meeting.

Resolution Text	Votes For	% For	Votes Against	% Against	Total Votes	Votes Withheld
2021 Annual General Meeting						
Approve the 2020 Directors' Remuneration Report	**499,567,058**	**87.3**	**72,527,700**	**12.7**	**572,094,758**	**3,051,375**
2019 Annual General Meeting						
Approve the 2019 Directors' Remuneration Policy	440,260,450	75.8	140,813,977	24.2	581,074,427	3,596,366

(1) A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Shareholder Consultation and 2021 Annual General Meeting Voting

The Committee notes that at our 2021 Annual General Meeting all resolutions were successfully passed with the requisite majority, although there were significant minority votes against Resolution 8 (Re-appointment of Andrew Harrison).

Prior to the 2021 Annual General Meeting, the Company held meetings with and corresponded with a number of shareholders, investment managers and proxy voting advisers regarding the resolutions in the Notice of Meeting. While the vast majority of shareholders supported Andrew Harrison's re-election, the Company understands that the primary reason for those who did not do so was a concern over the level of gender diversity on the Company Board, for which Mr Harrison (as the Senior Independent Director) was held responsible given that the Chair was not standing for re-election. A smaller number of shareholders also expressed concerns about the Remuneration Committee's approach to executive remuneration.

The Board recognises the importance of diversity and inclusion in the boardroom and throughout the organisation, and understands that a diverse Board will offer wider perspectives that ultimately improve decision-making. Our Diversity Policy is committed to increasing female and ethnic representation on the Board and throughout the wider organisation in the future. During the year, the Nomination Committee undertook a review of the Board's composition (including its gender balance). The Nomination Committee recognises that the composition of the Board today falls short of its objectives in this regard, exacerbated in part by the unexpected resignation of Claudia Arney in December 2020 to take up the role of Chair of Deliveroo ahead of its listing. The Company is focused on improving Board diversity, and in January 2021 started a recruitment process for another Director, from an all-female short list. Nadia Shouraboura was subsequently appointed to the Board with effect from 1 September 2021. As noted above, the Chair-elect and Company Secretary had a number of meetings with shareholders ahead of the AGM to explain our gender diversity plans for the Board and we expect to carry on this engagement with shareholders and seek feedback on this issue with further meetings with shareholders. Ocado is committed to making further significant progress with its diversity and inclusion initiatives in 2022.

With regards to the concerns raised regarding executive remuneration, the Company notes that the overall level of support received from shareholders this year for the resolution to approve the Directors' Remuneration Report improved significantly compared to previous years. Whilst shareholder support has increased, the Company recognises that some shareholders remain concerned about the Company's approach to executive remuneration. The Company has had a number of shareholder consultation exercises regarding the Company's remuneration policies and so the shareholder concerns are well understood by the Remuneration Committee. The Remuneration Committee continues to be committed to ensuring that the quantum of remuneration provided to the Executive Directors is both fair and competitive, and supports the long-term success of the business as well as long-term shareholder value.

We note that the current Directors' Remuneration Policy was approved by shareholders at the 2019 Annual General Meeting and is therefore due for renewal in 2022 and will be put to a binding shareholder vote at the 2022 Annual General Meeting. As part of the Directors' Remuneration Policy review, the Company consulted its largest shareholders in November 2021. During this consultation we sought shareholders' views on the remuneration framework for Ocado, as well as the outcome of this year's Annual General Meeting vote. The Remuneration Committee is committed to regular engagement with shareholders and is keen to ensure that it understands their views and considers shareholders' feedback when developing the future Remuneration Policy for the Company.

The Company continues to be committed to governance best practice and will continue its Policy of keeping executive remuneration under review and proactively engaging with shareholders and advisory bodies on such matters to ensure it is aligned to the shareholder and employee experience.

Remuneration Policy Report

Introduction

Ocado is seeking shareholder approval for a new Directors' Remuneration Policy (the "2022 Policy") at the AGM. If approved, it will apply to payments made from this date. The 2022 Policy is intended to apply for a period of three years from the AGM. This section, from pages 177 to 200, forms the Remuneration Policy Report to be voted on at the AGM.

The current Policy was approved by shareholders at the 2019 Annual General Meeting. The current Policy includes three variable remuneration plans: the Annual Incentive Plan (the "AIP"), Long-Term Incentive Plan ("LTIP") and Value Creation Plan ("VCP"), noting that the last LTIP grant was made in 2018 prior to the commencement of the VCP. Since the VCP was approved by shareholders in May 2019, the Company has had two variable remuneration plans in operation: the AIP and the VCP. As described on page 180, the 2022 Policy includes an extension to the VCP for an additional three years.

The Remuneration Committee has listened to the feedback received from shareholders both in previous years on matters related to remuneration and governance, and also in respect of the extensive shareholder consultation carried out in advance of putting this 2022 Policy to shareholders for approval.

Our remuneration principles, which we also aim to cascade throughout the business, underpin our Remuneration Policy. These principles are that our remuneration should:

- Support the long-term success of the business and sustainable long-term shareholder value.
- Be relevant and aligned to the business strategy and achievement of planned business goals.
- Reflect and support the entrepreneurial and high-performance culture of the business.
- Be compatible with the Group's risk policies and systems.
- Link above-market payouts only to outstanding results.
- Ensure that performance-related pay constitutes a proportion of the overall package appropriate to each level of the organisation.
- Provide a balance between attracting, retaining and motivating the right calibre of candidates and supporting equal opportunity and diversity of talent.
- Be clear and explainable to appropriate stakeholders.

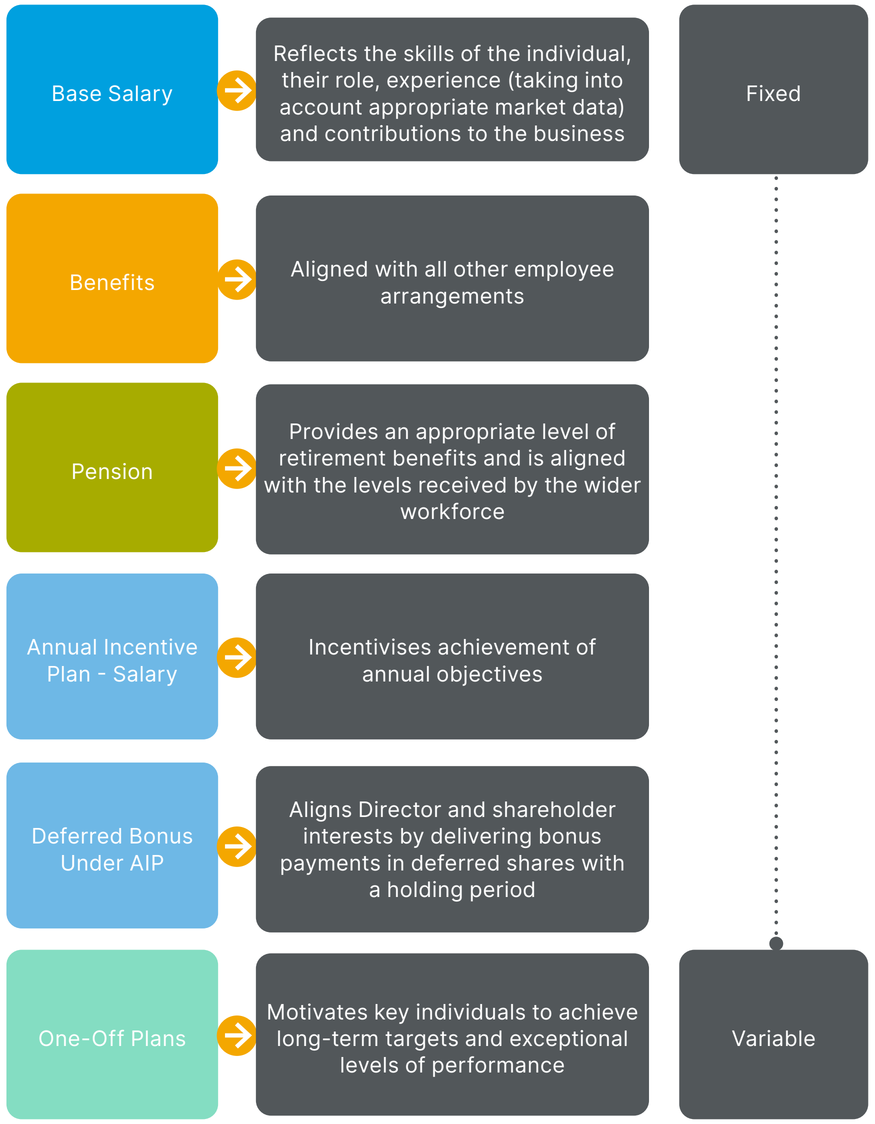
Directors' Remuneration Report

Link with Strategy

The key objective to be achieved through the 2022 Policy is to support the Group's main strategic objectives of expansion and high growth. The AIP contains specific performance measures designed to support the objectives of accelerating retail business performance in the short and medium term (for example, Retail EBITDA) and the objectives of creating long-term success and sustainable long-term shareholder value (for example, key strategic targets concerning new Solutions commitments, OSP capacity, transformational Technology, and Engineering costs). The VCP focuses on driving strong and sustained share price growth and aligning the interests of management and shareholders through share ownership.

The 2022 Policy, outlined on the following pages, provides the detailed structure of each element of remuneration and how each element is determined. The remuneration package of the Executive Directors is made up of elements of fixed and variable remuneration. The Remuneration Committee is mindful of the weighting of fixed and variable pay and the balance of short and long-term awards, and sought to position a larger proportion of the remuneration package as equity-based and performance-related in order to support the Company's strategic objectives of high growth and expansion and to create shareholder alignment.

The balance of the remuneration of the Executive Directors is set out in the "Illustration of 2022 Policy" on page 199. The deferral and holding periods, the minimum shareholding requirements and the post-cessation shareholding requirements all help to ensure a longer-term focus for the business from the Executive Directors.



Remuneration Committee Discretion and Judgement

In formulating the 2022 Policy, the Remuneration Committee sought to allow it sufficient operational flexibility over Director remuneration for three years. While the 2022 Policy provides the boundaries for remuneration arrangements, it is intended to provide some isolated discretion for the Remuneration Committee to use in various circumstances relating to particular components of remuneration. The Remuneration Committee may not use any discretion outside the 2022 Policy without separate shareholder approval.

The Remuneration Committee operates the share schemes according to their respective rules and in accordance with the Listing Rules and other rules and regulations, where relevant. The Remuneration Committee retains discretion, in a number of regards, to the operation and administration of these plans. The discretions include, but are not limited to, those set out in the table below.

Area of Discretion	AIP	VCP
The participants	Y	Y
The timing of the grant of an award	Y	Y
The size of an award (up to a predetermined maximum)	Y	Y
The determination of vesting, holding periods, or payment	Y	Y
Discretion required when dealing with a change of control or restructuring of the Group including whether awards should be time pro-rated	Y	Y
Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen including whether awards should be time pro-rated	Y	Y
Adjustments to terms of awards required in certain corporate circumstances (for example, capital raising, rights issues, corporate restructuring events and dividends)	Y	Y
Adjust or change the performance conditions if anything happens which causes the Remuneration Committee reasonably to consider it appropriate (for example, Board-approved strategic initiative or transaction) provided that any changed performance condition will be equally difficult to satisfy as the original condition would have been, had such circumstances not arisen	Y	N
The annual review of performance measures and weighting, and targets from year-to-year	Y	N
Adjustment to the level of payments or formulaic scheme outcomes, both upwards and downwards, including to ensure the scheme outcomes reflect individual or Company performance over the performance period, or to take account of unforeseen circumstances outside the Company's control	Y	Y
Application of malus and clawback	Y	Y

The use of discretion in relation to the Company's ESOS or 2014 ESOS, Sharesave and Share Incentive Plan will be as permitted under HMRC rules and the other relevant rules and regulations. Any use of the above discretions would, where relevant, be explained in the Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders. The Remuneration Committee may also apply judgement or a qualitative assessment, for example in assessing achievement against role-specific objectives under the AIP.

Development of the 2022 Directors' Remuneration Policy

Shareholder Consultation and Views Obtained

In preparing the 2022 Policy, the Company carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the main changes proposed.

The Remuneration Committee was pleased that many of our largest shareholders understood the rationale for operating a non-standard, highly leveraged long-term incentive plan at Ocado and indicated their support for our proposals. In particular, shareholders recognised the challenges associated with recruiting internationally and competing for talent with technology companies. In finalising our proposals, all shareholder feedback received was carefully considered, in particular the feedback on the VCP extension.

The Company's 20 largest shareholders were contacted, representing approximately 80% of our issued share capital at the time of consultation, as well as Glass Lewis, The Investment Association (the "IA") and Institutional Shareholder Services ("ISS"), to consult on proposed changes to our Policy. The following table sets out full details of the Remuneration Committee's rationale for the proposed changes to the current Policy, shareholder feedback during the consultation and the final position reached.

Directors' Remuneration Report

Key proposed change	Rationale, shareholder feedback and Committee response
Extend the term of the VCP by an additional three years (effective from 2024)	To date, the VCP has been an extremely effective tool at retaining and motivating the Executive team to drive long-term sustainable growth in the business. It has also proved useful from a recruitment perspective, facilitating the hire of certain key individuals elsewhere in the business that were considered crucial in enabling the delivery of Ocado's strategy over the medium to long term. This will be particularly important as Ocado increasingly competes within a global market for talent, especially against a plethora of technology companies in the US where remuneration packages are, on the whole, more competitive. It is the view of the Board that there remains potential for significant future growth in the business over at least the next three to five years and therefore, a highly leveraged incentive model remains the most appropriate to drive this growth and ensure the Executive team is sufficiently incentivised. The Remuneration Committee is confident that the current VCP design is equipped to drive exceptional, substantial growth over the medium to long term, however, its current time horizon expires in 2024 and so the Remuneration Committee is looking to extend this period for an additional three years whilst keeping the core mechanics of the plan the same. In this way, the existing Executive team and any future new recruits have the potential to earn above market payouts but only if they continue to deliver transformational business performance over the next five years. Other advantages of extending the term of the VCP include: • Extending the length of the plan also means that existing VCP participants who are invited to participate in the VCP will no longer receive 100% of their banked awards at the end of Year 5. Instead, they must wait an additional three years before they receive all of their banked awards, noting that the value of banked awards is linked to the future success of the business and therefore further aligns the interests of VCP participants and shareholders over the long term; and • Extending the length of the plan helps to address potential challenges associated with new joiners. For example, large spikes in performance can disadvantage those who join the Company immediately following a period of strong growth. By extending the VCP beyond 2024, this gives new joiners a greater period of time over which to execute business strategy, drive further share price growth and hence earn rewards under the VCP; and • By continuing to measure performance annually over the eight-year term, the Executive team is incentivised to deliver sustained growth during each of these years; and • The cap on annual vesting (£20 million for the CEO and £5 million for other Board members), where the excess is rolled forward and eligible to vest in future years, ensures there is a longer period before which Executives receive all the value earned under the VCP and hence ties the future wealth of Executives to the long-term performance of the business; and • There is clear and direct alignment between shareholders' and Executives' interests, with the amount received by participants being directly proportional to the return received by shareholders; noting that Executives receive nothing for growth achieved below the hurdle rate of return of 10% CAGR TSR. This means that Executives will not be rewarded for "good" performance; however, there is the potential to earn substantial reward for outstanding performance; and • The VCP helps to address the challenge associated with offering a highly entrepreneurial team substantial reward that can compete with that offered internationally; and • The Remuneration Committee does not need to set long-term targets as the sole performance measure under the VCP and its extension is total shareholder return. Therefore, in the likely event that Ocado's strategy or priorities shift over the next five years, there is no need to change the VCP parameters or adjust outcomes retrospectively to ensure business performance and remuneration outcomes are aligned. The VCP simply measures if the Executive team have successfully delivered on their objectives and whether this has manifested in sustained share price growth. All shareholders consulted understood the strategic rationale for operating a non-standard, highly leveraged long-term incentive plan at Ocado, namely to drive growth over the long term and motivate and retain the Executive team. It was also recognised that a non-standard structure enables Ocado to better compete with different territories and specifically against technology peers.

Key proposed change	Rationale, shareholder feedback and Committee response
Increase the size of the VCP pool from 2.75% to 3.25% (effective from 2022)	Of this additional 0.5%, half (0.25%) has been ringfenced for funding a wider leadership population award aimed at leaders in the business that play a strategic role in Ocado's future (which would exclude Executive Directors) and the other half (0.25%) has been earmarked primarily for recruitment and succession purposes. It should be noted that the current allocation for the Executive Directors is fixed for the initial five years of the scheme unless they are promoted during the period, which is not expected. There have been a number of recent examples in which the Company has not been able to recruit specific individuals simply as a result of the remuneration in their existing company and/or local market being much higher. Similarly, the Company has lost business-critical roles to competitors offering substantially more reward than is available under Ocado's remuneration framework. Therefore, increasing the size of the VCP pool from 2.75% to 3.25% (effective from the upcoming AGM) provides the Company with the additional headroom it currently needs in order to be able to attract top talent in the market. In addition, the wider leadership share: • Creates greater alignment between Executive Directors and other employees; • Helps to ensure that employees are more invested in the future success of the business and have "skin in the game" by tying their wealth to future Company performance; and • Gives other employees the opportunity to share in the growth of the business, recognising those who have helped the business to get to the position it is today, as well as ensuring that employees are rewarded for the next phase of the Group's growth. Shareholders understood the rationale for increasing the overall quantum available under the plan – namely to facilitate recruitment and support effective succession management. Shareholders were also largely supportive of increasing the pool size to enable value sharing amongst a wider group of leaders in the future.
Increase the maximum individual allocation from 1% to 1.25% (effective from 2022 with no changes to current allocations for Executive Directors before 2024)	The individual maximum VCP allocation is being increased, however, the Remuneration Committee notes that the current Executive Directors will not be eligible to receive any change prior to the start of the three-year extension from 2025 onwards (see above). The Executive Directors will maintain their current VCP allocations (1% for the CEO; 0.25% for other Executives); these will be reviewed in 2024 ahead of the extension. During the consultation, shareholders were informed that allocations have not yet been reviewed and no commitments have been made to date.
Update the post-cessation shareholding requirement ("PCSR") to align with the IA's guidelines (effective from 2022)	In 2019 the Company introduced a post-cessation shareholding requirement in order to: • Ensure that Executive Directors consider effective succession planning; • Provide Executives with an ongoing exposure to the impact of decisions made during their employment through the share price of Ocado post-cessation; and • Align with the 2018 UK Corporate Governance Code requirements. The current PCSR requires Executive Directors who leave the Company to hold 100% of their minimum shareholding requirement for 12 months from leaving. This will be extended to 24 months to align with market best practice and the IA's guidelines. This change was supported by shareholders.
Other (effective from 2022)	In response to shareholder feedback received during the consultation process, the following changes have also been made to the proposed new Policy: • Inclusion of ESG as part of the vesting consideration criteria for the VCP, thereby ensuring the Remuneration Committee considers this factor when determining whether the formulaic vesting levels are appropriate; and • Updating the Company's current Recruitment Policy to remove Remuneration Committee discretion to go outside of the Remuneration Policy and include any other remuneration component or award in the remuneration package which it considers to be appropriate to recruit an individual.

Directors' Remuneration Report

Extended VCP

The current VCP, which is part of the 2019 Policy and was approved by shareholders at the 2019 Annual General Meeting has its fifth and final measurement date in 2024. Following the Board's decision that a VCP-style plan continues to be the most appropriate long-term incentive model for Ocado post-2024, and hence the current VCP should be extended for a further three years, the Company developed a set of core VCP principles to aid the design of the extension.

The overarching principle was that the extended VCP should maintain the value proposition of the current VCP. Within this, five auxiliary principles were established and are set out in the table below.

Overarching principle: Maintain the current value proposition of the 2019 VCP

Simplicity	Fairness	Challenging yet achievable	Focused on the long term	Rewarding and retentive
The remuneration structure must not be difficult to understand (otherwise participants may perceive they have less value than they actually have).	New joiners should not be treated more favourably than existing participants.	The hurdle needs to be set at a level that is motivational and achievable for participants but also adequately stretching from a shareholder perspective.	VCP payouts should only be made in the context of long-term sustainable growth in the business. Above-market payouts should only be earned for transformational performance.	VCP participants should be limited to key individuals who will drive the Company's strategy. It should encourage the retention of top talent through medium to long-term time horizons.
How the extended VCP aligns with each principle				
The mechanics and core design of the extended VCP are the same as the current VCP. The extended VCP has a single TSR performance condition and rewards absolute returns to shareholders. The banking of awards is also simple, whereby participants receive up to 3.25% of the value created above the Threshold on an annual basis.	Those who were in the VCP since day one have to wait three years (i.e. until the third Measurement Date) before any awards can vest. To ensure equity across the current and future VCP population, new joiners will have their own payout schedules based on when they joined the Company.	A 10% hurdle is in line with the growth rates seen in the market, and was approved by shareholders in 2019. As for the original VCP, the extension is structured so that the threshold return to shareholders is the higher of the highest previous Measurement TSR at which the individual banked awards and 10% CAGR TSR.	The VCP rewards Executives for delivering long-term sustainable returns to shareholders, whilst allowing management to focus on short-term strategic decisions. The minimum TSR underpin and annual caps on awards link Executives' future wealth to the long-term success of the business. Existing VCP participants who also participate in the extension must wait an additional three years before they receive all of their banked awards.	At least 3% of the VCP pool is to be distributed amongst key value drivers only. The Remuneration Committee is satisfied that, in the context of exceptional business performance, the quantum available to Ocado's highly entrepreneurial team is appropriate and sufficient to retain and motivate.

Statement of Consideration of Employment Conditions Elsewhere in the Company

The 2022 Policy is designed in line with the remuneration principles outlined on page 177 and the extended VCP principles outlined above. A key remuneration principle for the Group is that share awards be used to recognise and reward good performance and attract and retain employees.

The Remuneration Committee receives an annual report from management on Group-wide remuneration. This review covers changes to pay, benefits, pension and share schemes for all employees in the Group, including the percentage increases in base pay for monthly and hourly paid employees. When making decisions on executive remuneration, the Remuneration Committee did not consult with employees when drawing up the 2022 Policy, but referenced a number of factors related to the wider workforce, including the all-employee remuneration report and potential cascade of remuneration framework changes.

The remuneration arrangements for employees below Board level reflect the seniority of the role and individual performance. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees with the aim that they will be aligned to one framework in the future. An explanation of what has changed within the Policy is contained in the Policy table, alongside a rationale for these changes, which is also covered on pages 184 to 193. Under the headings prescribed by the 2018 UK Corporate Governance Code, the rationales for the main changes to the Policy are summarised in the table opposite.

Alignment of Proposed 2022 Policy with the Requirements Under the UK Corporate Governance Code 2018

Our remuneration principles are wholly aligned with the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture (Provision 40 of the 2018 Code), as set out in the table below. The Remuneration Committee ensured that it took all of these elements into account when establishing the 2022 Policy, as well as its application to Executive Directors during the period.

2018 Code provision	Commentary
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	• The single TSR performance measure of the VCP enables the Remuneration Committee to be fully transparent about targets and performance against them, and avoids the complexity of setting three-year performance targets under a traditional LTIP. • Under the AIP, the Company is able to set meaningful and robust one-year annual performance targets, which can be fully disclosed retrospectively.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand	• Keeping the mechanics and core design of the extended VCP the same as the original VCP ensures that all stakeholders understand the concept and structure of the Company's long-term incentive. Changing to an alternative design/plan would introduce additional complexity for all stakeholders. • Simple payment mechanism – under the extended VCP, the Executive Directors can receive up to 3% of the value above the hurdle calculated on an annual basis with the shares received at the end of years three to eight (inclusive) from the start of the period. • Simple performance condition – the VCP rewards absolute returns to shareholders. • Simple package – two incentive plans in operation with the AIP focused on short-term drivers of strategy and the VCP focused on long-term sustainable returns to shareholders.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	• The combination of reward for short-term strategic decisions (paid part in cash and part in deferred shares) and long-term, sustainable shareholder returns ensures the Company's Executive Director incentives together drive the right behaviours for the Company and shareholders. • The caps within the VCP mitigate against excessive reward. There is a cap on the total number of share awards which may be awarded under the extended VCP of 3.25% of the value created above the TSR hurdle. The cap on annual vesting (£20 million for the Chief Executive Officer and a proportionate limit for other Executive Directors), where the excess is rolled forward and eligible to vest in future years, means the more successful the growth of the Company, the longer the term of the VCP, leading to substantial long-term shareholder alignment. • Extending the length of the VCP means that existing VCP participants who are invited to participate in the extension will no longer receive 100% of their banked awards at the end of Year 5. Instead, they must wait an additional three years before they receive all of their banked awards, noting that the value of banked awards is linked to the future success of the business and therefore further aligns the interests of VCP participants with shareholders over the long term. • There is an ability to override formulaic outcomes produced by the performance conditions where in the Remuneration Committee's opinion they do not reflect the true performance of the business over the period, individual performance or where the outcome will not deliver the intentions of the 2022 Policy. • In addition, malus and clawback provisions are contained in both plans.
Predictability: the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy	• The award limits and operation of a cap on annual vesting ensure the potential payouts under the VCP are limited both annually and, in terms of number of awards, over the entire life of the extended VCP.
Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	• Under the VCP, there is a clear and direct link between Company performance and individual rewards. The Executive Directors may receive up to 3% of the value created above the threshold hurdle, and nothing if the threshold growth rate is not achieved. • The underpin in the VCP operates such that share awards will only vest if TSR is 10% CAGR or more and if not achieved at the final vesting date, any unvested share awards will lapse – so there can be no payout for poor performance.

Directors' Remuneration Report

2018 Code provision	Commentary
Alignment to Culture: incentive schemes should drive behaviours consistent with company purpose, values and strategy	• The Remuneration Committee is satisfied that the VCP incentivises and retains the highly entrepreneurial Chief Executive Officer and other Executive Directors at Ocado. • By increasing the size of the VCP pool under the extended VCP, the Company will be able to invite a wider group of leaders to participate in the VCP. This will help i) create greater alignment between Executive Directors and other employees; ii) ensure that more employees are shareholders and hence invested in the future success of the business; and iii) give more employees the opportunity to share in the growth of the business. • Strategic implementation within Ocado is not linear, with priorities shifting and developing often in the short-term and the Remuneration Committee has worked hard to formulate a policy and incentive plans that drive exceptional, sustainable growth whilst also rewarding appropriate short-term strategic decisions.

2022 Directors' Remuneration Policy Table: Elements of Executive Director Remuneration

The following table sets out the core elements of remuneration for the Executive Directors.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Fixed Pay				
Base Salary Minimum level of pay to attract and retain the right calibre of Senior Executive required to support the long-term interests of the business.	Paid monthly in cash. Reviewed annually or when there is a change in position or responsibility by the Remuneration Committee, with any changes normally becoming effective in April each year (or may be reviewed ad hoc where there is a significant change of responsibilities). The review takes into account a number of factors including: • The Group's annual review process; • Business performance; • Total remuneration; • Appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company; and • An individual's contribution to the Group.	Not performance linked.	To avoid setting the expectations of Executive Directors and other employees, no maximum salary is set under the 2022 Policy. Normally, maximum salary increases for Executive Directors will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if a role has increased significantly in scope or complexity. Larger increases may also be considered appropriate and necessary to bring a recently-appointed executive in line with the market and the other executives in the Company where their salary at appointment has been positioned below the market.	No contractual provisions for malus or clawback.
Changes from current Policy None.				

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Benefits To attract and retain the right calibre of Senior Executive required to support the long-term interests of the business.	Any benefits allowances will be paid in cash monthly and will not form part of pensionable salary. The Company provides a range of benefits which are aligned with those provided to monthly paid employees under the Company's Flexible Benefits Policy. Benefits include private medical insurance and health assessments, life assurance, travel insurance, income protection, travel/car allowance, free parking, access to financial and legal advice, staff product discount, subsidised staff restaurants and other discounts. Any business travel costs will be paid by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act.	Not performance linked.	Benefits for Executive Directors are set at a level which the Remuneration Committee considers to be appropriate against market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company. The maximum value of the Directors' and Officers' Liability Insurance and the Company's indemnity is the cost at the relevant time.	No contractual provisions for malus or clawback.
Changes from current Policy None.				

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Pension To attract and retain the right calibre of Senior Executive required to support the long-term interests of the business.	Contributions, allowances and pension choices for the Executive Directors are on the same terms as for other employees. Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or annual pension allowances have been met, the balance of employer contributions may be paid as a cash allowance or into a personal pension arrangement.	Not performance linked.	Contributions to the defined contribution pension scheme for the Executive Directors will normally be in line with the other scheme participants. Pension contributions for UK-based Executive Directors will not exceed 7% of annual base salary, in line with the other scheme participants. For Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No contractual provisions for malus or clawback.
Changes from current Policy For the defined contribution pension scheme, reduction in maximum pension contribution from 8% of salary to up to 7% of salary, the latter being the level currently offered to all employees and Executive Directors.				

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Variable Pay				
Annual Incentive Plan ("AIP") To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward. To incentivise the achievement of outstanding results aligned to the business strategy. To support long-term shareholder alignment through deferral into shares and holding periods.	Measures and targets are set annually and bonus payments are determined by the Remuneration Committee following the year-end based on performance against the targets. Up to 50% of any bonus earned will be paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred into shares. The main terms of the deferred shares are: • Minimum deferral period of three years from the date of grant; • Additional two-year post-vesting holding period (or such other period as the Remuneration Committee may determine); and • The Executive Director's continued employment to the end of the deferral period unless they are a "good leaver" (see page 196). The Remuneration Committee may award dividend equivalents on deferred shares to Executive Directors to the extent that they vest until the end of any relevant post-vesting holding period.	The Remuneration Committee sets annual targets that are closely aligned to the delivery of the Group's strategic objectives for that year. Targets are set taking into account a range of factors including internal forecasts and plans and external reference points. These will be a mix of financial targets and operational and strategic objectives. For threshold performance, no more than 25% of the maximum opportunity will be earned. For stretch performance, the maximum opportunity will be earned. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Company will set out the nature of the targets and their weighting in the section headed Implementation of Policy for the upcoming year.	The maximum bonus is 275% of salary. The maximum bonus payable for the relevant financial year for each Executive Director is described in the Annual Report on Remuneration.	Malus and clawback provisions will apply to the AIP. Malus will apply to the cash payments up to the date of payment of a cash bonus. Malus will apply to the deferred share award for three years (or longer, if the Remuneration Committee determines) from the date of grant of a deferred award. Clawback will apply to cash payments for three years (or longer, if the Remuneration Committee determines) from the date of payment. Clawback will apply to the deferred share award for two years from the date of vesting. Read more on page 194.
Changes from current Policy None.				

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Value Creation Plan ("VCP") To attract, retain and incentivise Senior Executives. To align the interests of Senior Executives and shareholders, by incentivising Senior Executives to deliver substantial and sustained total shareholder return over the long term.	A one-off award that grants Executive Directors the opportunity to earn share awards over an eight-year performance period with a vesting period of up to ten years. The VCP allows participants to share in up to 3.25% of the total value created for shareholders above a hurdle measured on a date shortly after the end of each year ("Measurement Date") of the eight-year performance period. Executive Directors may be given the opportunity to receive their share awards by acquiring linked jointly-owned equity awards at the time that they are invited to join the VCP. Fifty percent of the cumulative number of share awards will vest following the third, fourth, fifth, sixth, and seventh Measurement Dates, with 100% of the cumulative number of the share awards vesting following the eighth Measurement Date. No shares are capable of sale until the Executive Director has participated in the VCP for a minimum of five years. If the minimum return of 10% p.a. (the "underpin") has not been achieved at the third to seventh Measurement Dates (inclusive), no share awards will vest at this point but they will not lapse. If the underpin has not been achieved at the eighth Measurement Date, no share awards will vest at this point and the remaining cumulative balance will lapse. The Remuneration Committee may vary the level of vesting of a share award, if it determines that the formulaic vesting level would not reflect business or personal performance, ESG factors, or such other factors as it may consider appropriate.	The starting share price for the beginning of the VCP performance period is £13.97 for Tranche 1 (the 30-day average share price prior to 1 May 2019 – the date of the Company's 2019 Annual General Meeting when the VCP was approved by shareholders) and £19.60 for Tranche 2 (the share price at which equity was raised by the Company on 10 June 2020). The share price used at each Measurement Date shall be the 30-day average following the announcement of the Company's results for the relevant financial year plus the value of any dividends payable in respect of that year.	The maximum number of share awards which may vest under the VCP is 3.25% of the value created above the TSR hurdle. The maximum allocation that can be granted to any one individual is 1.25%. There are no changes proposed to the current levels of 1% for the CEO and 0.25% for other Executive Directors; however, these may be reviewed ahead of the three-year extension. Awards are subject to an additional cap on the value on vesting of £20 million in any given year for a 1% share of the VCP, with a proportionate limit for other Executive Directors (based on their level of participation). Any share awards worth in excess of this cap will be rolled forward and eligible to vest in subsequent years, so long as the cap is not breached in those years, until the VCP is fully paid out or two years after the eighth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards are not subject to the underpin. The cap on the value on vesting may lead to share awards vesting over a ten-year period for exceptional performance.	Malus and clawback provisions will apply to VCP awards. Malus will operate throughout the performance periods. The clawback period will be two years (or longer, if the Remuneration Committee determines) from the date of vesting. Read more on page 194.

Changes from current Policy

- A three-year extension to the VCP that will operate alongside the AIP as the only other incentive plan. The purpose of the extension is to ensure that current and future Executive Directors continue to be incentivised to drive growth over the next phase of the Company's strategy.
- Increase in maximum number of share awards that can vest from 2.75% to 3.25% of the value created above the TSR hurdle.
- Increase the maximum allocation any one individual can receive from 1% to 1.25%, noting that this will not be used for current Executive Directors prior to the fifth Measurement Date in 2024.
- Vesting schedule updated to reflect there are now three additional years in the plan.

Original vesting schedule: 50% of the cumulative number of earned nil-cost options vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date and 100% of the cumulative number of nil-cost options vesting following the fifth Measurement Date.

Updated vesting schedule: 50% of the cumulative number of earned nil-cost options vest following the third to seventh (inclusive) Measurement Dates. 100% of the cumulative number of nil-cost options vest following the eighth Measurement Date.

Vesting schedule for new joiners: typically new joiners will only be able to bank (not vest) awards in their first and second years of VCP participation. They will be able to draw down 50% of their cumulative number of earned nil-cost options starting in their third year of participation, with the 100% drawdown occurring at the end of their fifth year of participation or in year 8, whichever is later.

In addition, ESG has been included as part of the vesting consideration criteria for the VCP, thereby ensuring the Remuneration Committee considers this factor when determining whether the formulaic vesting levels are appropriate.

Purpose and Link to Strategy	How it Operates
Minimum Shareholding Requirement To align Executive Directors and shareholders.	The Remuneration Committee has adopted formal shareholding requirements that will encourage Directors to build up over a five-year period and then subsequently hold shares or share equivalents equal to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements for Executive Directors. This 2022 Policy ensures that the interests of Directors and those of shareholders are closely aligned. The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (% of salary)
Group Chief Executive Officer	400%
Other current Executive Directors	300%
Other future Executive Directors	300%
Chair	The Chair is expected to hold shares or share equivalents equal to one year's annual fee. This holding can be built up over three years from appointment.
Non-Executive Directors	Non-Executive Directors are expected to hold shares or share equivalents equal to one year's aggregate annual fee i.e. base fee plus any committee chair/membership fees or role-specific fees. This holding can be built up over three years from appointment.

The Remuneration Committee retains the discretion to increase the shareholding requirements.

In addition, a post-cessation shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold the lower of their actual shareholding and 100% of their minimum shareholding requirement for 24 months from leaving. The Remuneration Committee will use a number of processes to ensure this condition is met, including executives agreeing to these terms prior to receiving an award, executives holding the majority of their shares in a nominee rather than a personal account and the Remuneration Committee having the ability to lapse any unvested incentive awards if not met.

Changes from current Policy

- Post-cessation shareholding requirement to apply for 24 months from leaving, extended from 12 months under the current Policy.

Directors' Remuneration Report

All Employee Share Plans

The table below summarises the All Employee Share Plans operated by the Group, in which the Executive Directors are able to participate.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Sharesave To provide all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares and be aligned with the interests of shareholders.	All employees, including Executive Directors, are eligible to participate in this all employee tax advantaged share scheme. The Company grants options over shares in the Company to employees. To obtain an option an eligible individual must agree to save a fixed monthly amount for three or five years up to the maximum monthly amount under HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options may be exercised in a six-month period at the maturity of a three or five-year savings period, subject to continued service.	Not performance linked.	Options are usually granted at a discount to the market price at the time of grant up to the maximum discount under HMRC limits. Employees are limited to saving a maximum amount under HMRC limits.	The scheme rules do not provide for malus or clawback provisions in line with the regulations governing the operation of these schemes.
Changes from current Policy None				
Share Incentive Plan ("SIP") To provide all employees, including Executive Directors, the opportunity to receive and invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this all employee share scheme. The SIP allows: • The Company to grant free shares to all employees allocated on an equal basis; • All employees to buy partnership shares monthly from their gross salary; and • The Company to offer matching shares to employees who purchase partnership shares. Dividend shares are also covered by the SIP arrangements.	Not performance linked.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The scheme rules do not provide for malus or clawback provisions in line with the regulations governing the operation of these schemes.
Changes from current Policy None				

Non-Executive Directors

The following table sets out the key elements of remuneration for the Non-Executive Directors.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Chair Fee To attract and retain an individual with the appropriate degree of expertise and experience.	The fee is paid monthly in cash, shares or a mix of cash and shares, as determined by the Remuneration Committee. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the limit set in the Company's Articles of Association (as amended from time to time). Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if the role has increased significantly in scope or complexity or if necessary to bring a recently-appointed Chair in line with the market.	No contractual provisions for clawback or malus.
Changes from current Policy None				

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Non-Executive Director Fee To attract and retain expert people with the appropriate degree of expertise and experience.	The fee is paid monthly in cash, shares or a mix of cash and shares, as determined by the Remuneration Committee. Fee structure includes an annual base fee for a Non-Executive Director and may include additional fees for being the Senior Independent Director, a Board Committee Chair, a Board Committee member or other additional responsibility. Reviewed annually by the Executive Directors and the Chair, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the limit set in the Company's Articles of Association (as amended from time to time). Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if a role has increased significantly in scope or complexity or if necessary to bring a recently appointed Non-Executive Director in line with the market.	No contractual provisions for clawback or malus.
Changes from current Policy • Fees may now be paid in cash, shares or a mix of both, as opposed to just cash. • Formal introduction of Board Committee membership fees.				
Travel and expenses To support the Directors in the fulfilment of their duties.	The Company may reimburse expenses and travel costs reasonably incurred by the Chair and the Non-Executive Directors in fulfilment of the Company's business, together with any taxes thereon.	Not performance linked.	The maximum reimbursement is expenses reasonably incurred, together with any taxes thereon.	No contractual provisions for clawback or malus.
Changes from current Policy None				

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Other arrangements	The Chair and the Non-Executive Directors are not usually eligible for annual bonuses, share incentive schemes, pensions or other benefits with the exception of the staff product discount and free delivery offered to all employees. The Company provides the Chair and the Non-Executive Directors with Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act.	Not applicable.	The maximum staff product discount is that offered to any Group employees. The maximum value of the Directors' and Officers' Liability Insurance and the Company's indemnity is the cost at the relevant time.	Not applicable.
Changes from current Policy None				

Notes to the Policy Tables

Other than as described in the Policy table, there are no components of the Executive Directors' remuneration that are not subject to performance conditions.

Under a jointly-owned equity ("JOE") award the Executive Director acquires shares jointly with the trustee of the Company's Employee Benefit Trust, where the Executive Director has an interest in the growth in value of the jointly-owned shares above a hurdle price. The Executive Director may only realise value from the JOE award at the same times and to the same extent as from a linked share award, and any value the Executive Director receives from the JOE award will be offset against the value that the Executive Director may receive under the linked share award. No incremental remuneration arises from the operation of the JOE award.

While the Group has a policy of remunerating its employees through share scheme participation, it does not have formal remuneration arrangements for all employees akin to all of the components of Directors' remuneration.

The Company may make any remuneration payment or payment for loss of office (including exercising any discretion in connection with such payments) notwithstanding that they are not in line with the Policy table set out above if the terms of that payment were agreed (i) before the Company's first shareholder-approved Directors' Remuneration Policy came into effect; (ii) before the 2022 Policy came into effect provided that those terms were in line with the Directors' Remuneration Policy in force at the time; or (iii) at a time when the individual was not a Director of the Company and the Remuneration Committee determines that their payment was not in consideration for the individual becoming a Director. For these purposes, payments include awards of variable remuneration and the terms of such a payment are "agreed" when the award is granted.

Directors' Remuneration Report

Malus and Clawback Provisions

The AIP and VCP scheme rules contain malus and/or clawback provisions that allow the Remuneration Committee to reduce or retrieve a payment or an award.

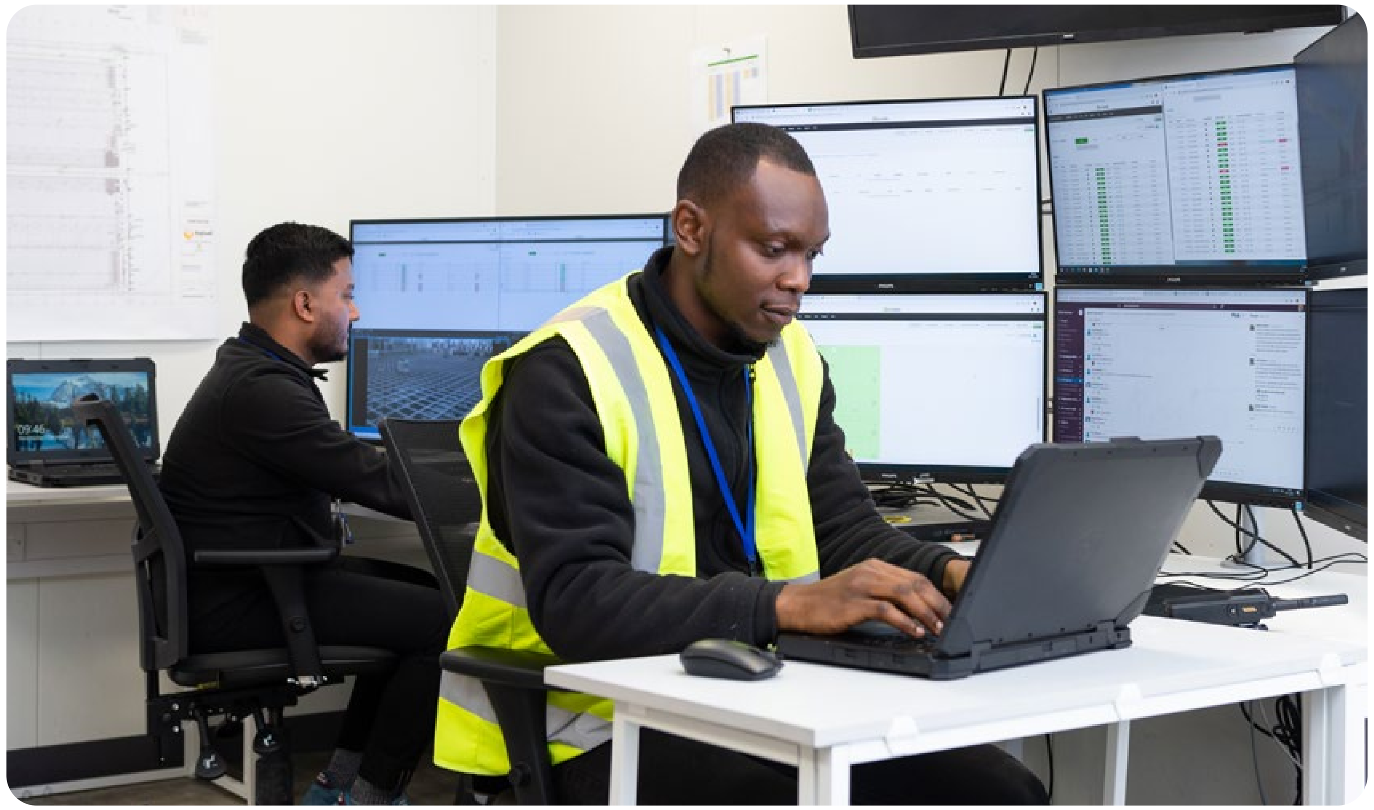
Malus is the adjustment of the AIP payments, unvested AIP deferred shares or unvested VCP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil. Clawback is the recovery of cash payments made under the AIP, deferred AIP and VCP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of an Executive Director's payment under the AIP or VCP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The Remuneration Committee may apply malus/clawback when there are exceptional circumstances. Such exceptional circumstances include (without limitation):

- a material mis-statement in the published results of the Group or one of its members;
- an error in assessing any applicable performance condition or target and/or the number of shares subject to an award;
- the assessment of any applicable performance condition or target and/or the number of shares subject to an award being based on inaccurate or misleading information;
- misconduct on the part of the Executive Director concerned;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour;
- the Company or entities representing a material proportion of the Group becomes insolvent or otherwise suffers a corporate failure; and
- a Group member being censured by a regulatory body or suffers, in the Remuneration Committee's opinion, a significant detrimental impact on its reputation.

All seven triggers are applicable to the AIP and the VCP. The following table summarises the application of malus and clawback in respect of the incentive plans.

	AIP (cash)	AIP (deferred shares)	VCP
Malus	Up to the date of payment of a cash bonus.	Three years from the grant of a deferred award.	Over the vesting period.
Clawback	Three years from the date of payment of a bonus.	Two years following the vesting of an award.	Two years following the vesting of any share awards.



Loss of Service or Termination Policy

When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Company while applying the following philosophy:

Remuneration Element	Treatment on Cessation of Employment		
General	Each of the Executive Directors is employed pursuant to a service contract with Ocado Central Services Limited. An Executive Directors' employment may be terminated by the Company giving to the Executive Director not less than 12 months' notice or by the Executive Director giving to the Company not less than six or 12 months' notice, dependent on the Director's service contract. If an Executive Director's service contract is terminated without cause, Ocado Central Services Limited can request that the Executive Director work their notice period, take a period of garden leave or pay an amount in lieu of notice equal to one times their basic salary, benefits and pension for the remainder of their notice period. The Company's remuneration principles provide that any payments should be reduced in certain circumstances where the Executive Director's loss has been mitigated, for example, where they move to other employment. If employment is terminated by the Company, the Remuneration Committee retains a discretion to settle any other amounts reasonably payable to the Executive Director including but not limited to: • Legal fees incurred by the Executive Director in connection with the termination of employment and obtaining independent legal advice on a settlement or compromise agreement; and • Outplacement and relocation costs for returning the departing Executive Director and his family. Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Executive Director service contract that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the 2022 Policy. The Remuneration Committee generally has discretion to determine the treatment of a leaver, but will be conscious of the remuneration principle that it should not reward poor performance or behaviour. In addition to the discretion listed below, in each case the Remuneration Committee has the discretion to determine that an Executive Director is a good leaver (see Note 1 at the bottom of the table). It is the Remuneration Committee's intention to use this discretion only in circumstances where appropriate, which will be explained to shareholders.		
	Good leaver	**Bad leaver**	**Discretion**
AIP – Cash Awards	The Executive Director service contracts do not oblige the Company to pay a bonus if the Executive Director is under notice of termination. However, under the rules of the AIP, the Executive Director may receive a bonus that the Remuneration Committee determines would otherwise have been payable or granted to them under the rules reduced pro-rata reflecting the proportion of the year that has elapsed to the date of cessation. The award will normally be paid at the usual payment date and may be made in such proportions of cash and shares as the Remuneration Committee may determine. In the event of death, the award will be determined as soon as reasonably practicable after the date of death and will, unless the Remuneration Committee determines otherwise, be satisfied as a cash payment as soon as reasonably practicable.	No payment of cash bonus for that year.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that an award be made; • Determine whether the awards should be reduced pro-rata; and • Determine the timing of the payment.

Directors' Remuneration Report

Remuneration Element	Treatment on Cessation of Employment		
	Good leaver	**Bad leaver**	**Discretion**
AIP – Deferred Share Awards	The Executive Director will normally receive the award at the usual vesting date on the same timetable as if they had not left, subject to Remuneration Committee discretion. In the event of death, any outstanding deferred shares will vest and be released from any holding periods as soon as reasonably practicable after the date of death.	Lapse of any unvested deferred share awards on the date the Executive Director ceases to be an employee.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that the individual is a good leaver; • Determine the timing of the payment; and • Determine whether the holding period should apply.
VCP	If the Executive Director leaves employment there will be no further Measurement Dates and ability to accrue share awards. Accrued share awards will vest at the normal vesting dates and will normally remain subject to the holding period (other than in the event of death). Any deferred awards (that have previously been rolled forward subject to the cap) will vest on the normal vesting dates.	Accrued share awards (other than deferred awards) will lapse on the date of cessation of employment.	The Remuneration Committee has the following elements of discretion for a good leaver: • Allow an Executive Director to continue to participate in the VCP until the next Measurement Date following their cessation of employment; • Reduce pro-rata the award to reflect the period elapsed between the date of the award and the date of cessation; and • Determine whether the holding period should apply.
All-Employee Share Plans	Leavers will be treated as set out within the scheme rules.		

(1) A good leaver reason is defined as cessation in the following circumstances:

a. a transfer of the undertaking, or part of the undertaking, in which the Executive Director works to a person which is neither under the control of the sale of the Executive Director's employing company or business out of the Group;

b. death, ill health, injury or disability;

c. the employing company ceasing to be a Group company; or

d. any other reason determined at the discretion of the Remuneration Committee.

Cessation of employment in circumstances other than those set out above is deemed a bad leaver reason.

Change of Control

The incentive schemes contain change of control provisions, as set out in the relevant scheme rules. These are summarised in the table below. Executive Director service contracts do not contain any specific provisions relating to a change of control of the business.

If other corporate events occur such as a winding-up of the Company, demerger, special dividend or any other event which, in the Remuneration Committee's opinion, may materially affect the value of shares, and the Remuneration Committee determines it would not be appropriate or practicable to adjust awards, the Remuneration Committee may determine that awards will vest (and be released from any holding periods) on the same basis as for a change of control.

Name of Incentive Plan	Change of Control	Discretion
AIP – Cash Awards	Pro-rated for time and performance to the date of the change of control.	The Remuneration Committee has discretion to determine otherwise.
AIP – Deferred Share Awards	Subsisting deferred share awards will vest early on a change of control, and any awards subject to a holding period will be released.	The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.
VCP	There will be a Measurement Date on the change of control and the value of additional share awards will be calculated as at any other Measurement Date. The share price used to calculate the Total Shareholder Return will be the offer price for the Company. Accrued share awards will immediately vest (and be released from any holding periods) on the date of the change of control.	The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.

Recruitment Policy

The Remuneration Committee will align the remuneration package of a newly appointed Executive Director with the Directors' Remuneration Policy that is in force at the time of appointment.

In determining the remuneration arrangements for a new Executive Director, the Remuneration Committee will take into account all relevant factors including (but not limited to) the specific circumstances, the calibre of the individual, the market practice for the candidate's location, the nature of the role they are being recruited to fulfil and any relevant market factors, including any competing offers the candidate may be considering. The Remuneration Committee is at all times conscious of the need to pay no more than is necessary.

Where promotion to an Executive Director role is from within the Company, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned, provided such element (if not otherwise within the terms of this Policy) was not made in contemplation of such person becoming an Executive Director.

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Directors' Remuneration Report

The Company's detailed Policy when setting remuneration for the appointment of new Executive Directors is summarised in the table below:

Remuneration element	Recruitment Policy
Salary, Benefits and Pension	Salary, benefits and pension will be set in line with the 2022 Policy for existing Executive Directors.
AIP	Maximum annual participation will be set in line with the 2022 Policy and will not exceed 275% of salary.
VCP	The Plan will allow for grants to new joiners as approved by the Remuneration Committee. The new Executive Director's share may be reduced to reflect the time elapsed from the grant of the initial awards, and the date of joining. The hurdle will remain unchanged and the starting price will be set at a minimum at the starting price for other Executive Directors. All awards limits and caps, as set out in the 2022 Policy, will apply to any new joiner.
"Buy-Out" of incentives forfeited on cessation of employment	To facilitate recruitment, the Remuneration Committee may, to the extent permitted by relevant plan rules or Listing Rules, make a one-off award to "buy-out" incentives or any other compensation arrangements forfeited by the appointee on leaving a previous employer. In doing so, the Remuneration Committee will ensure that any such awards offered should be on a comparable basis, taking into account all relevant factors including: • any performance conditions; • the likelihood of those conditions being met; • the proportion of the vesting or performance period remaining; and • the form of the award. In determining whether it is appropriate to use such judgement, the Remuneration Committee will ensure that any awards made are in the best interests of both the Company and its shareholders.
Relocation Payments	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. However, these payments must reflect actual financial loss or cost of moving the Executive Director, their family or assets, and the market practice in the geographical location to which the Executive Director is moving to or from. The Company may provide relocation costs by funding services or a cash payment or a combination of both. It should be noted that the maximum period during which relocation payments shall be made will not exceed two years from appointment.

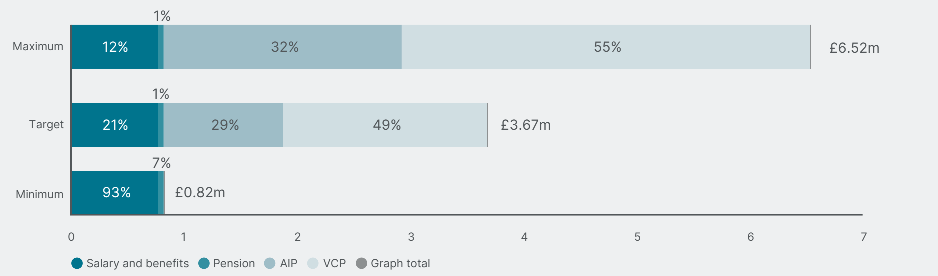
Recruitment of Non-Executive Directors

The remuneration package for newly-appointed Non-Executive Directors will be in line with the structure set out in the Remuneration Policy table for Non-Executive Directors.

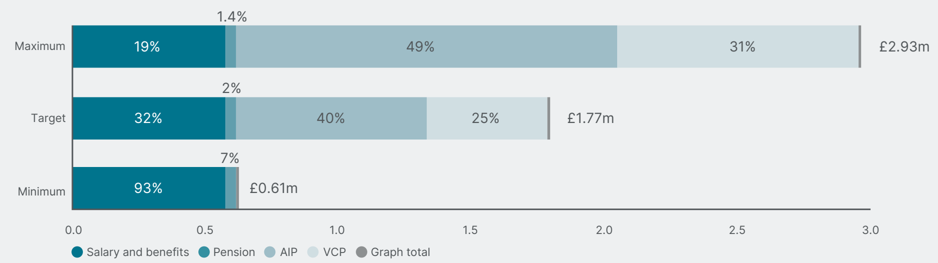
Illustration of 2022 Directors' Remuneration Policy

The charts below provide estimates of the potential future reward opportunity for each of the Executive Directors based on the 2022 Policy.

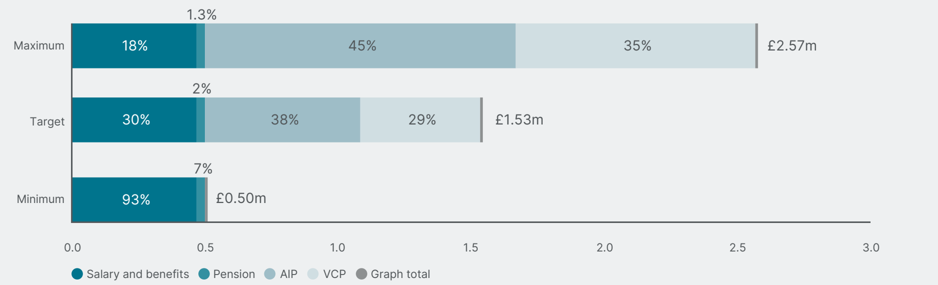
Tim Steiner, Chief Executive Officer



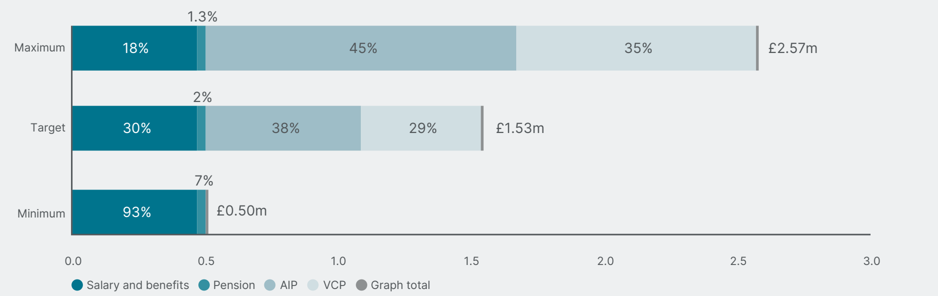
Stephen Daintith, Chief Financial Officer



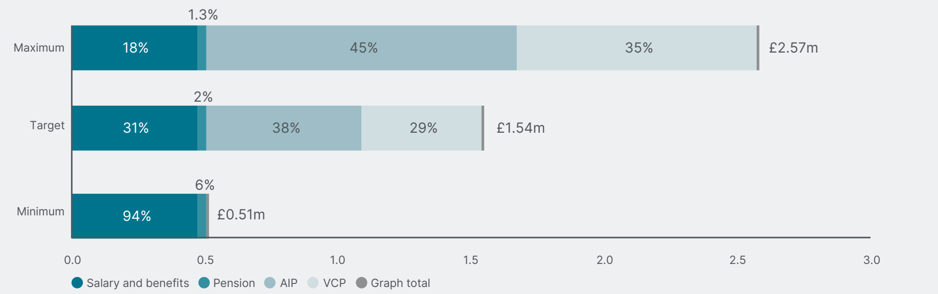
Mark Richardson, Chief Operations Officer



Neill Abrams, Group General Counsel and Company Secretary



Luke Jensen, CEO, Ocado Solutions



Directors' Remuneration Report

The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios.

	Base salary, Benefits and Pension	AIP	VCP
Minimum	Fixed – included	Performance is below threshold on each metric – no annual variable	Performance is below threshold on each metric – no multiple year variable
Target or Expectation	Fixed – included	Performance is in line with the Company's expectations – 50% of maximum bonus	Performance is in line with the Company's expectations – 50% of the average annual initial estimate of the accounting cost of award
Maximum	Fixed – included	Maximum performance is achieved on each metric – 100% of maximum bonus	Maximum performance is achieved – 100% of the average annual initial estimate of the accounting cost of award

(1) Maximum bonus under the AIP is 275% of salary for the Chief Executive Officer and 250% of salary for all other Executive Directors.

(2) For the extended VCP, the maximum value represents 100% of the average annual accounting cost of the award as at the date of grant. The target value represents 50% of the average annual accounting cost of the award.

The Company is aware of the revised regulations requiring the maximum scenario in the above charts to reflect Company share price appreciation of 50% during the relevant performance period for performance targets or measures relating to more than one financial year (i.e. Ocado's VCP).

For the proposed extended VCP a share price appreciation of 50% over five years would result in a payout which is less than the payout shown in the target scenario above. As such, the 50% share price growth scenario has not been included. In addition, dividend equivalents have not been added to the AIP or VCP share awards.

Basis of Preparation and Audit

This report is a Directors' Remuneration Report for the 52 weeks ended 28 November 2021, prepared for the purposes of satisfying Section 420(1) and Section 421(2A) of the Companies Act 2006. It has been drawn up in accordance with the Companies Act 2006 and the 2018 UK Corporate Governance Code, the Regulations and the Listing Rules.

In accordance with section 497 of the Companies Act 2006 and the Regulations, certain parts of this Directors' Remuneration Report (where indicated) have been audited by the Company's auditor, Deloitte LLP.

A copy of this Directors' Remuneration Report will be available on the Corporate Website, www.ocadogroup.com.

This Directors' Remuneration Report is approved by the Board and signed on its behalf by:

Andrew Harrison
Remuneration Committee Chair
Ocado Group plc

11 February 2022

Directors' Report

Introduction

This Directors' Report should be read in conjunction with the Strategic Report (pages 4 to 98), which includes Corporate Responsibility (pages 66 to 68), and the Corporate Governance Statement (page 106), which are incorporated by reference into this Directors' Report.

Directors' Report Disclosures

The Company has chosen in accordance with Section 414C (11) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the 2013 Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, are cross referenced in the table below.

Topic	Section of the Report	Page
Fair review of the Company's business	Management Report, as defined in the Directors' Report	04–201
Principal risks and uncertainties	Management Report, as defined in the Directors' Report	84–97
Strategy	Strategic Report	12–15
Business Model	Strategic Report	20–22
Gender breakdown	Our People	04–57
Important events impacting the business	Strategic Report	12–15
Likely future developments	Strategic Report	04–57
Financial key performance indicators	Key Performance Indicators	34–36
Non-financial key performance indicators	Key Performance Indicators	34–36
Financial instruments	Note 4.7 of the Consolidated Financial Statements	274
Environmental matters	Corporate Responsibility	66–71
Employees with disabilities	Our People	76
Employee Engagement	Our People Stakeholder Engagement Section 172(1) Statement Corporate Governance Report	75 60 58 111
Engagement with suppliers, customers and others in a business relationship with the Company	Stakeholder Engagement Section 172(1) Statement	60 58
Social, community and human rights issues	Corporate Responsibility	66
Natural Resources	Corporate Responsibility	67–68
Board activity and culture	Corporate Governance Report	117–119
Board diversity	Corporate Governance Report Nomination Committee Report	122 132
Directors' induction and training	Composition, Succession and Evaluation	120

Information Required by Listing Rules 9.8.4 (R)

Topic	Section of the Report	Page
Directors' Interests in Shares	Directors' Remuneration Report	172
Going Concern and Viability Statements	Strategic Report	94–97
Long-term incentive schemes	Directors' Remuneration Report	165–169

Information Required by Listing Rules 9.8.6(8)*

Topic	Section of the Report	Page
Climate-related disclosures	Strategic Report	69

* Applicable for accounting periods starting after 1 January 2022.

Information Required by DTR 7.2

Topic	Section of the Report	Page
Corporate Governance Statement	Corporate Governance Report	106

Other Disclosures

Topic	Section of the Report	Page
In accordance with Provision 31 of the UK Corporate Governance Code 2018 – Long-term Viability	Strategic Report	94–97

Disclosure Guidance and Transparency Rule 4.1.8

The Strategic Report and the Directors' Report (or parts thereof), together with sections of this Annual Report incorporated by reference, are the "Management Report" for the purposes of DTR 4.1.8.

This Annual Report

The Directors are required under the Companies Act 2006 to prepare a Strategic Report for the Company and Group. The Strategic Report contains the Directors' explanation of the basis on which the Group preserves and creates value over the longer term and the strategy for delivering the objectives of the Group. The Companies Act 2006 requires that the Strategic Report must:

- contain a fair review of the Group's business and contain a description of the principal risks and uncertainties facing the Group; and
- be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year, consistent with the size and complexity of the business.

The information that fulfils the strategic report requirements is set out in the Strategic Report on pages 4 to 98. The Non-Financial Information Statement on page 208 forms part of the Strategic Report.

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The Strategic Report and the Directors' Report, together with the sections of this Annual Report incorporated by reference, have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Board of Directors

Details of the Directors of the Company who held office during the year, and up to the date of the signing of the Financial Statements, are set out on pages 102 to 105. During the period Rick Haythornthwaite was appointed as an Independent Non-Executive Director on 1 January 2021. Stephen Daintith joined the Board as an Executive Director and Chief Financial Officer on 22 March 2021 and Nadia Shouraboura became an Independent Non-Executive Director on 1 September 2021.

Details of Directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 172. Options granted to Directors under the Save As You Earn (SAYE) and Executive Share Option Schemes are shown on pages 173 and 174.

Powers of the Directors

Subject to the Company's Articles of Association (the "Articles"), the Companies Act 2006 and any special resolution of the Company, the business of the Company is managed by the Board, who may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Appointment and Replacement of Directors

The appointment and replacement of Directors is governed by the Articles, the UK Corporate Governance Code 2018 (the "Code"), the Companies Act 2006 and related legislation.

Appointment of Directors: A Director may be appointed by the Company by ordinary resolution of the shareholders or by the Board. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next annual general meeting of the Company and is then eligible for reappointment.

Retirement of Directors: At every annual general meeting of the Company, each Director shall retire from office and may offer himself or herself for reappointment by the members.

Removal of Directors by Special Resolution: The Company may, by special resolution, remove any Director before the expiration of his or her period of office.

Vacation of Office: The office of a Director shall be vacated if: (i) they resign; (ii) their resignation is requested by all of the other Directors (not fewer than three in number); (iii) they have been suffering from mental or physical ill health and the Board resolves that their office be vacated; (iv) they are absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by them attends) for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Companies Act 2006; or (viii) they are removed from office pursuant to the Articles.

Directors' Insurance and Indemnities

The Company maintains directors' and officers' liability insurance cover for its Directors and officers as permitted under the Articles and the Companies Act 2006. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. The Company also agrees to indemnify the Directors under an indemnity deed with each Director, which contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Articles. An indemnity deed is usually entered into by a Director at the time of his or her appointment to the Board.

Amendment of Articles of Association

The Company's Articles may be amended by a special resolution of the Company's shareholders. The existing articles of association were adopted in May 2020. A special resolution will be put to shareholders at the AGM to adopt new Articles. The proposed new Articles have been amended to reflect the growth and change in the Company's business, as well as our response to the Covid-19 pandemic. Proposed changes include amending the language in the Articles to be more gender neutral; to better cater for hybrid meetings given the learnings of the past 24 months; to remove the limit on the maximum number of Directors to allow for flexibility during periods of Board transition; to clarify that any Director first appointed after the notice for an annual general meeting has been published does not need to retire from office at that annual general meeting; to increase the aggregate cap for Directors' fees from £1,000,000 to £3,000,000 to reflect general inflation and the increase in size and complexity of the Company since the Company's IPO in 2010 when the cap was last set; and to enable the Board to pass written resolutions by a simple majority to allow for administrative flexibility.

Share Capital

The Company's authorised and issued ordinary share capital as at 28 November 2021 comprised a single class of ordinary shares. The shares have a nominal value of 2 pence each. The ISIN of the shares is GB00B3MBS747. The LEI of the Company is 213800LO8F61YB8MBC74. As at 28 January 2022, being the last practicable date prior to publication of this report, the Company's issued share capital consisted of 751,599,463 issued ordinary shares, compared with 748,802,273 issued ordinary shares per the 2020 Annual Report. Details of movements in the Company's issued share capital can be found in Note 4.9 to the Consolidated Financial Statements. During the period, shares in the Company were issued to satisfy options and awards under the Company's share and incentive schemes, as set out in Note 4.10 to the Consolidated Financial Statements.

Rights Attached to Shares

The Company's shares when issued are credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, as described below.

Except in relation to dividends that may have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Company's shares are not redeemable. However, the Company may purchase or contract to purchase any of the shares on or off-market, subject to the Companies Act 2006 and the requirements of the Listing Rules, as described below.

Directors' Report

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the JSOS, where share interests can be transferred to a spouse, civil partner or lineal descendant of a participant in the JSOS or certain trusts under the rules of the JSOS (as noted below).

Voting Rights

Each ordinary share carries one right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of no less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No shareholder shall be entitled to vote in respect of a share held by themselves if any call or sum then payable by themselves in respect of such share remains unpaid or if a member has been served a restriction notice, described on the following page.

JSOS Voting Rights: Of the issued ordinary shares, as at 28 November 2021, 564,988 (2020: 625,750) were held by Wealth Nominees Limited and 9,889,160 (2020: 9,890,729) were held by Numis Nominees (Client) Ltd, both on behalf of Ocorian Limited (formerly known as Estera Trust (Jersey) Limited), the independent company which is the trustee of Ocado's employee benefit trust (the "EBT Trustee"). The EBT Trustee has waived its right to exercise its voting rights in respect of 9,889,160 of these ordinary shares, although it may at the request of a participant vote in respect of 564,988 ordinary shares which have vested under the JSOS and remain in the trust at period-end. The total of 10,454,148 ordinary shares held by the EBT Trustee are treated as treasury shares in the Group's Consolidated Balance Sheet in accordance with IAS 3 – Financial Instruments: Presentation. As such, calculations of earnings per share for Ocado exclude the ordinary shares held by the EBT Trustee. Note 4.10 to the Consolidated Financial Statements provides more information on the Group's accounting treatment of treasury shares.

Restrictions on Transfer of Securities

The Company's shares are freely transferable, save as set out below. The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share that is not a fully paid share. The Company does not currently have any partially paid shares. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (ii) is in respect of only one class of share; and (iii) if to joint transferees, is in favour of not more than four such transferees. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Restriction on Transfer of JSOS Interests: Participants' interests under the JSOS are generally non-transferable during the period beginning on acquisition of the interest and ending at the expiry of the relevant restricted period as set out in the JSOS rules. However, interests can be transferred to a spouse, civil partner or lineal descendant of a participant; a trust under which no person other than the participant or their spouse, civil partner or lineal descendant has a vested beneficial interest; or any other person approved by the EBT Trustee. If a participant purports to transfer, assign or charge their interest other than as set out above, the EBT Trustee may acquire the participant's interest for a total price of £1.

Other than as described above and on page 172 with respect to agreements concerning the Directors' shareholdings, the Company is not aware of any agreements existing at the end of the period between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Powers for the Company to Buy Back its Shares

The Company was authorised by shareholders on 13 May 2021, at the 2021 Annual General Meeting, to purchase in the market up to 10% of its issued ordinary shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. This standard authority is renewable annually; the Directors will seek to renew this authority at the AGM. The Directors did not exercise their authority to buy back any shares during the period.

Powers for the Company to Issue its Shares

The Directors were granted authority at the 2021 Annual General Meeting on 13 May 2021, to allot shares in the Company under two separate resolutions: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. These authorities apply until the end of the AGM (or, if earlier, until 13 August 2022).

The Directors were also granted authority at the 2021 Annual General Meeting on 13 May 2021 to disapply pre-emption rights. This resolution (which is in accordance with the guidance issued by the Pre-Emption Group (the "PEG Principles")) sought the authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. A further authority was granted to the Directors to disapply pre-emption rights for an additional 5% for certain acquisitions or specified capital investments as allowed by the PEG Principles. The Company sought similar authorities at the 2020 Annual General Meeting.

The Company will, at the AGM, continue to seek authority to allot shares on the basis of the authorities sought at the 2021 Annual General Meeting. The Company believes such approach is appropriate given that it follows the guidance set by the Pre-Emption Group and IA on the allotment of shares.

Significant Shareholders

During the period, the Company has received notifications, in accordance with Disclosure Guidance and Transparency Rule 5.1.2R, of interests in 3% or more of the voting rights attaching to the Company's issued share capital, as set out in the table below:

	Number of Ordinary Shares/Voting Rights	Percentage of Issued Share Capital	Date of notification of interest
The London & Amsterdam Trust Company Limited (direct/indirect holding)	113,482,0294	15.14%	12 May 2021
The Capital Group Companies (indirect holding)	83,091,572	11.10%	23 February 2021

These figures represent the number of shares and percentage held as at the date of notification to the Company.

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 28 November 2021 and 28 January 2022.

American Depositary Receipt Program

The Company has a sponsored level 1 American Depositary Receipt ("ADR") program with The Bank of New York Mellon as depositary bank. Each ADR represents two ordinary shares of the Company. The ADRs trade on the over-the-counter ("OTC") market in the United States. The CUSIP number for the ADRs is 674488101, the ISIN is US6744881011 and the symbol is OCDDY. An ADR is a security that has been created to permit US investors to hold shares in non-US companies and, in a level 1 programme, to trade them on the OTC market in the United States. In contrast to underlying ordinary shares, ADRs permit US investors to trade securities denominated in US Dollars in the US OTC market with US securities dealers. Were the Company to pay a dividend on its ordinary shares, ADR holders would receive dividend payments in respect of their ADRs in US dollars.

Senior Secured Notes Due 2024 listed on the Irish Stock Exchange

During the year, the Company had Senior Secured Notes due 2024 (the "Notes") listed on the Irish Stock Exchange and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes was XS163400189. Interest on the notes was payable semi-annually in arrears.

The Company was able to redeem the Notes in whole or in part at any time on or after 15 June 2020, in each case, at the redemption prices set out as part of the offering. After 15 June 2021, the Company was entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

On 8 October 2021, the Company redeemed the remaining £225 million of the aggregate principal amount of the Notes at a redemption price equal to 101% of the principal amount of the Notes redeemed, plus accrued and unpaid interest. Prior to their redemption, the maturity date of the Notes was 15 June 2024.

Senior Unsecured Notes 2026 listed on the Irish Stock Exchange

On 8 October 2021, the Company issued £500 million new due Senior Unsecured Notes 2026 (the "Notes") listed on the Irish Stock Exchange and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes under Reg. S is XS2393761692 and under 144A is XS2393969170. Interest on the notes is payable semi-annually in arrears. The Notes will mature on 8 October 2026. In addition to funding the redemption of the 2024 Senior Secured Notes, the net proceeds of the 2026 Notes will be used by the Company to fund capital expenditure in relation to Ocado Solutions' commitments and general corporate purposes. The 2026 Notes are currently guaranteed by certain members of the Ocado Group.

The Company may redeem the Notes in whole or in part at any time on or after 8 October 2023, in each case, at the redemption prices set out as part of the offering. Prior to 8 October 2023, the Company is entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, plus a "make-whole" premium. Prior to 8 October 2023, the Company is also able to, at its option, and on one or more occasions, redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price as set out in the offering. Additionally, the Company may redeem the Notes in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law.

Convertible Bonds Due 2025 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £600 million of guaranteed senior unsecured convertible bonds due 2025 (the "2025 Bonds") on 9 December 2019. The net proceeds of the 2025 Bonds will be used by the Company to fund capital expenditure in relation to Ocado Solutions' commitments and general corporate purposes. The 2025 Bonds are currently guaranteed by certain members of the Ocado Group.

The 2025 Bonds were issued at par and carry a coupon of 0.875% per annum payable semi-annually in arrears in equal instalments on 9 June and 9 December, with the first payment on 9 June 2020. The 2025 Bonds will be convertible into ordinary shares of the Company (the "Ordinary Shares"). The initial conversion price shall be £17.9308, representing a premium of 45.0% above the reference price of £12.3661, being the volume weighted average price ("VWAP") of an Ordinary Share on the London Stock Exchange between the opening and pricing of the offering on 2 December 2019. The conversion price will be subject to adjustment in certain circumstances in line with market practice. The conversion period commenced on 19 January 2020 and shall end on the

Directors' Report

tenth calendar day prior to the maturity date or, if earlier, ending on the tenth calendar day prior to any earlier date fixed for redemption of the 2025 Bonds. Unless previously redeemed, or purchased and cancelled, the 2025 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2025 Bonds on or after 30 December 2023, at par plus accrued but unpaid interest, if the parity value (as described in the Terms and Conditions relating to the 2025 Bonds) on each of at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2025 Bonds, at par plus any accrued but unpaid interest, at any time if 85% or more of the principal amount of the 2025 Bonds shall have been previously converted or repurchased and cancelled.

Convertible Bonds Due 2027 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £350 million of guaranteed senior unsecured convertible bonds due 2027 (the "2027 Bonds") on 18 June 2020. The net proceeds of the 2027 Bonds will be used by the Company to give it the financial flexibility to capitalise on opportunities arising from the significant acceleration in online adoption and grow faster over the medium term. The 2027 Bonds are currently guaranteed by certain members of the Ocado Group.

The 2027 Bonds were issued at par and carry a coupon of 0.75% per annum payable semi-annually in arrears in equal instalments on 28 January and 18 July, with the first payment on 18 January 2021. The 2027 Bonds will be convertible into Ordinary Shares of the Company. The initial conversion price shall be £26.46, representing a premium of 35% above the reference price of £19.60, being the placing price determined in the concurrent placing bookbuild. The conversion price will be subject to adjustment in certain circumstances in line with market practice. The conversion period commenced on 29 July 2020 and shall end on the tenth calendar day prior to the maturity date or, if earlier, ending on the tenth calendar day prior to any earlier date fixed for the redemption of the 2027 Bonds. Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2027 Bonds on or after 8 February 2025, at par plus accrued interest, if the parity value (as described in the Terms and Conditions relating to the 2027 Bonds) on each of the at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2027 Bonds, at par plus accrued interest, at any time if 85% or more of the principal amount of the 2027 Bonds shall have been previously converted or repurchased and cancelled.

Significant Related Party Agreements

With the exception as detailed in Note 5.4 of the Financial Statements on page 300 of using a small number of chartered flights due to restrictions in place during the Covid-19 pandemic through accessing flying hours owned by a key management person's family member, there were no contracts of significance during the period between the Company or any Group company and: (i) a Director of the Company; (ii) a close member of a Director's family; or (iii) a controlling shareholder of the Company.

Change of Control

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid except that it should be noted that: (i) provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover; and (ii) certain members of Senior Management (not including the Directors) who were employed prior to 2010 are entitled to a payment contingent on a change of control of the Company or merger of the Company (irrespective of loss of employment) as set out in his or her respective employment contract. For further information on the change of control provisions in the Company's share schemes refer to the Directors' Remuneration Report on page 126 of the 2018 Annual Report.

Significant Agreements

There are a number of key agreements to which the Group is a party that contain certain rights triggered on the change of control of the Company. Details of the change of control provisions of these agreements are summarised below.

Solutions Agreements: The Group has a number of agreements to provide retailers with access to OSP (comprising the Ocado Group's proprietary MHE and end-to-end software platform). The key Solutions agreements are those with Aeon, Alcampo, Bon Preu, Coles, Groupe Casino, ICA, Kroger, Ocado Retail and Sobeys.

Under those agreements (save for those with Ocado Retail and Kroger), the retailer is entitled to terminate for convenience at any time following the commencement date of the relevant services. On termination in these circumstances the client would be obliged to pay Ocado termination fees calculated relative to the length of time for which the service has been live. However, such termination fees are not payable should the client terminate within a certain period following the Company coming under the control of certain of the retailer's competitors (or certain controllers with whom the client has a strategic conflict) or if there is a marked deterioration in service levels following the Company coming under the control of any person.

Morrisons Agreements: The Group has a number of commercial arrangements with Morrisons, including for access to certain elements of the Ocado Smart Platform. If certain competitors of Morrisons acquire more than 50% of the voting rights in the Company's shares or take control of the composition of the Board, or acquire all or substantially all of the Group's business and undertakings, then Morrisons would be entitled to give notice to terminate the agreements by giving not less than four (but not more than four and a half) years' notice. Following Morrisons giving such a notice, Morrisons would be entitled to procure equivalent services from third parties, the Company losing its remaining exclusivity rights to be Morrisons' supplier of online grocery fulfilment services. Similarly, all restrictions within those agreements on the UK retail grocers to whom the Company is entitled to provide certain services would cease to apply. At the end of the four to four and a half years' notice period, the Company would be required to purchase Morrisons' shares in MHE JVCo Limited (the owner of the mechanical handling equipment in Dordon CFC).

Convertible Bonds Due 2025: Following a change of control of the Company, the holder of each 2025 Bond will have the right to require the Company to redeem that 2025 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2025 Bonds.

Senior Unsecured Notes Due 2026: Following a change of control of the Company, holders of the Notes may require it to repurchase all or part of their holding at a purchase price in cash equal to 101% of the aggregate principal amount of their holding, plus accrued and unpaid interest.

Convertible Bonds Due 2027: Following a change of control of the Company, the holder of each 2027 Bond will have the right to require the Company to redeem that 2027 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2027 Bonds.

Shareholders' Agreement relating to Ocado Retail: If there is a change of control of Ocado Holdings and/or the Company where the person having control following the change of control is a competitor of M&S, this would amount to an event of default and M&S could elect to purchase all shares held in Ocado Retail at a price prescribed in the agreement.

Solutions and Third Party Logistics Agreement with Ocado Retail: If there is a competitor change of control of Ocado Operating, Ocado Retail may terminate the third-party logistics agreement by giving six months' written notice within three months of the competitor change of control becoming effective. In addition, if there is a change of control (whether or not a competitor change of control) and there is a marked deterioration in the service levels thereafter, Ocado Retail may terminate the third party logistics agreement and the Solutions agreement.

Research and Development Activities

The Group has dedicated in-house software, logistics and engineering design and development teams with primary focus on IT and improvements to the customer interfaces, the CFCs and the automation equipment used in them. Costs relating to the development of computer software are capitalised if it is probable that the future economic benefits that are attributable to the asset will accrue to the entity and the costs can be measured reliably. The Company is carrying out a number of IT and engineering design and build projects with the intention of developing new and improved automation equipment and processes for its warehouses.

Greenhouse Gas Emissions Methodology

To calculate our Greenhouse Gas Emissions ("GHG"), we use an operational control approach, in accordance with selected aspects of the GHG protocol by the World Business Council for Sustainable Development and World Resources Institutes. ("WBCSD/WRI"). The following sources of information have been considered: government GHG conversion factors for company reporting, published by BEIS (2020 and 2021); IPCC fourth assessment report: climate change 2007; IPCC guidelines for national greenhouse gas inventories: reference manual (2006); EPA emissions and generation resource integrated database ("eGRID") (2020 and 2021); Environment Canada National Inventory Report, Greenhouse Gas Sources and Sinks in Canada: 1990-2019 (2021); EC (2021) Integrating renewable and waste heat and cold sources into district heating and cooling systems; United Nations (2021) UN Statistics Division; Energy Balance Visualizations and EPA (2020) GHG Emission Factors Hub; Centre for Corporate Climate Leadership (2020).

Details regarding the Group's carbon emissions, energy consumption and energy efficiency are included in the Strategic Report on page 68. We also include more information on our carbon emission calculations in our Basis of Preparation document, which can be found on our Corporate Website.

Future Developments of the Business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 12 to 15.

Statement of engagement with employees

Refer to page 111 for the detailed statement. Further details on engagement with employees by the Board and the Group and the mechanisms employed to consult and communicate with employees can be found in the Engaging With Our Stakeholders section on pages 60 to 65, Our People section on pages 74 to 81 and the Corporate Governance Report from page 102.

Employees with Disabilities

Applications for employment by people with disabilities are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able bodied person.

Statement of Engagement with Suppliers, Customers and Others

Refer to page 111 for the detailed statement. Further details on the methods used to build strong business relationships with the Group's suppliers, customers and partners and the effect of those interests on decision-making can be found in the Engaging With Our Stakeholders section on pages 60 to 65 and the Corporate Governance Report from page 102.

Profit/Loss and Dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 223. The Group's loss before tax for the period amounted to £176.9 million (2020 restated: £52.3 million). The Directors do not propose to pay a dividend for the period (2020: £nil).

Branches

There are no branches of the Company.

Post Balance Sheet Events

See Note 5.5 on page 301 for details of post-balance sheet events.

Political Donations

No donations were made by the Group to any political party, organisation or candidate during the period (2019: nil).

Disclosure of Information to Auditor

In accordance with Section 418 of the Companies Act 2006, each Director who held office at the date of the approval of this Directors' Report (included in the Biographies of the Directors on pages 102 to 105 confirms that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Directors' Report

Non-Financial Information Statement

The following table sets out where stakeholders can find relevant non-financial information within this Annual Report, further to the Financial Reporting Directive requirements contained in Sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that support these requirements.

Reporting requirement	Relevant Ocado policies and procedures	Where to read more in this report	Page
1 Business model		Our Business Model	20–22
2 Principal risks and impact of business activity	Risk Management Policy	How We Manage Our Risks	84–97
		Audit Committee Report	134–142
3 Non-financial KPIs		Strategy	12
		Key Performance Indicators	34–36
4 Employee Engagement	Code of Conduct and Employee Handbook	Our People	81
	Whistleblowing Policy	Our People	81
	Board Diversity Policy	Corporate Governance Report	122
	Equal Opportunities Policy	Our People	76
		Directors' Remuneration Report	148, 160
	Peakon	Stakeholder Engagement	60
		Our People	75
	Fuse	Stakeholder Engagement	60
		Our People	81
	Work from Anywhere Policy	Our People	75
5 Human rights	Human Rights Policy	Our People	74–82
	Modern Slavery Statement	Corporate Responsibility	82
	Code of Conduct	Ethics and Compliance	81
6 Social matters	Corporate Responsibility Strategy	Corporate Responsibility	66
	Code of Conduct		81
7 Anti-bribery and corruption	Anti-Bribery Policy	Ethics and Compliance	82
	Money Laundering Policy	Corporate Governance Report	102
8 Environmental matters	Corporate Responsibility Strategy	Corporate Responsibility	66

Statement of Directors' Responsibilities

The Directors are responsible for preparing this Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and parent Company Financial Statements in accordance with International Financial Reporting Standards (the "IFRSs") as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the result of the Company and the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Corporate Website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

As is required under the Code, the Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors who held office at the date of the approval of this Annual Report (included in the Biographies of the Directors on pages 102 to 105) confirms, to the best of their knowledge, that:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the "Management Report" (as defined in the Directors' Report on page 202) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors' Report is approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary

11 February 2022

Ocado Group plc,
Registered Number: 07098618
Registered Office Address: Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom
Country of Incorporation: England and Wales
Type: Public Limited Company

Group Financials

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to the members of Ocado Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ocado Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 November 2021 and of the Group's loss for the 52-week period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1.1 to 5.5 to the consolidated financial statements and 1.1 to 5.2 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the period are disclosed in note 2.4 to the financial statements. We confirm that no non-audit services prohibited by the FRC's Ethical Standard were provided to the Group or the parent company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current period were: • Impairment of capitalised project costs • Accounting for Solutions contracts • Commercial income: promotional allowances and volume-related rebates
Materiality	The materiality that we used for the Group financial statements was £20.0 million which was determined on the basis of revenue as the primary benchmark. We also considered net assets as a supporting benchmark.
Scoping	The scope of the Group audit includes the significant trading companies in the UK, whose results taken together account for over 95% of the Group's revenue and net assets. We performed specified or analytical audit procedures on the overseas entities and certain UK entities.
Significant changes in our approach	In the current period we have included promotional allowances and volume-related rebates in the Ocado Retail business as a key audit matter. See further detail on page 216. Recognition of Retail revenue has not been identified as a key audit matter in the current period because we are satisfied, based on our cumulative knowledge and experience, that this process has limited opportunity for manual intervention and management manipulation.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the detailed steps of the forecasting process through enquiries with management and inspection of the underlying models;
- assessing the arithmetic accuracy of the models used to prepare the Group's base case forecast and related scenarios;
- challenging the reasonableness of the detailed assumptions underpinning the Group's forecasts;
- comparing and assessing the historical accuracy of forecasts against previous performance;
- assessing management's considerations of the reasonably possible scenarios and their impact on the Group's forecasts and performing additional sensitivity scenario analysis;
- considering the feasibility of the Group's plans to raise funds with reference to recent experience and potential mitigating actions, such as reducing capital expenditure; and
- assessing the sufficiency of the Group's disclosure concerning going concern and potential uncertainties arising.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report
to the members of Ocado Group plc

5.1. Impairment of capitalised project costs

Key audit matter description	The Group continues to invest significantly in developing the software and hardware it uses to provide the end-to-end Ocado Solutions Platform ("OSP") to Solutions customers in the UK and overseas. The net book value of the Group's other intangible assets (excluding goodwill) and property, plant and equipment has increased to £1,603.0 million (2020: £1,016.2 million). Amounts that have been capitalised in the period include ££144.7 million (2020: £120.5 million) of internally generated intangible assets relating to staff costs (see note 2.5) and £489.9 million (2020: £320.7 million) of fixtures, fittings, plant and machinery (see note 3.3). Expenditure is held in capital work-in-progress and is not depreciated or amortised if it relates to projects that are not yet live and ready for use. This includes expenditure for in-progress UK and overseas Customer Fulfilment Centres ("CFCs") as well as bot and automation development for future use. At period end, capital work-in-progress amounts to £482.3 million (2020: £339.2 million) (see notes 3.2 and 3.3). Given the nature of this expenditure, we identified the possibility of unrecorded impairment as a key audit matter. The significant sums being invested each period, the fast pace of development and the potential for new technology to supersede previously capitalised assets mean there is significant judgement in determining whether an impairment charge or acceleration of depreciation and amortisation may be required. There is also judgement in assessing whether project assets in relation to the Solutions business will generate future economic benefits in excess of the capitalised value. As a result, there is a potential risk that management exhibits bias in their judgements over the identification and timeliness of recognition of impairment. The impairment charge recognised in the period was £12.5 million (2020: £5.4 million). The Group's accounting policies for intangible assets and property, plant and equipment are set out in notes 3.2 and 3.3 respectively. In addition, impairment of goodwill and intangible assets and amortisation and depreciation charges are included as significant judgements in note 1.4.
How the scope of our audit responded to the key audit matter	To address the risk that the value of capitalised project costs is overstated due to unrecorded impairments, our audit procedures included: • obtaining a detailed understanding of management's impairment review control, including obtaining evidence of each step of the control activities; • applying professional scepticism to the significant judgements made and conclusions drawn by management, including searching for indicators of bias for example in the criteria used for investigation and follow up; • selecting a risk-focused sample of projects and: a. conducting detailed enquiries with project managers, outside of the finance function, to enhance our understanding of the plans, business rationale and economic benefits of those projects, and obtaining evidence of budget approvals and extensions; b. obtaining and inspecting evidence of budget approvals, expenditure against budget, and milestones achieved to search for contradictory evidence and indicators of impairment such as significant delays, over-spend or replacement of existing assets; and c. inspecting evidence of performance of the projects against customer expectations where relevant. • challenging management's assertion that Solutions assets are inter-dependent and generate economic benefits across multiple Solutions customers; • analysing the capital work-in-progress balance, with a focus on aged items to assess whether these remained recoverable or should be impaired; and • scrutinising the manual adjustments and reconciling items between the accounting records for intangible assets and property, plant and equipment,, the general ledger and the amounts disclosed in notes 3.2 and 3.3 to search for potential evidence of management manipulation or error.
Key observations	We are satisfied that the impairment charge on capitalised project costs has been appropriately determined and recorded.

5.2. Accounting for Solutions contracts

Key audit matter description	The Ocado Solutions business has agreed contracts with ten (2020: nine) customers. As discussed on page 8, Kroger's first CFCs went live during the period. At period end, the Group had contract liabilities of £378.5 million (2020: £299.5 million) predominantly in respect of fees invoiced in advance of the "go-live" date on these contracts which is the point from which revenue is recognised. Of this amount, £21.8 million (2020: £14.4 million) is expected to be recognised within the next financial year with the remainder over future years. The accounting for these arrangements is complex and requires significant judgement. For the upfront and ongoing fees, the appropriate timing and profile of revenue recognition, driven by the identification of distinct performance obligations, needs to be considered under IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). Given the considerable external focus on the Solutions business, there is a significant risk of management manipulation or bias as to the timing of revenue recognition with reference to "go-live". We have therefore identified this as a fraud risk in relation to revenue recognition of Solutions contracts that have gone live. See notes 2.1 and 2.2 to the financial statements for further detail on the accounting policies for revenue recognition and the segment revenues. In addition, see note 1.4 for significant accounting policies in relation to revenue recognition.
How the scope of our audit responded to the key audit matter	To address the risk we identified over the timing of revenue recognition with reference to "go-live", our audit procedures included: • obtaining a detailed understanding of relevant controls over the accounting for Solutions contracts, in particular the go-live assessment and the period of time over which revenue will be recognised; • obtaining and evaluating evidence for the go-live conclusions reached and the corresponding revenue recognised; and • considering contradictory evidence or potential management bias – for example by comparing the go-live dates between different contracts against the contractual requirements.
Key observations	We are satisfied that revenue from Ocado Solutions contracts has been recognised appropriately in line with IFRS 15.

Independent Auditor's Report
to the members of Ocado Group plc

5.3. Commercial income: promotional allowances and volume-related rebates

Key audit matter description	The Retail business's supply arrangement switched from Waitrose to M&S in the prior period and as a result management now contracts with individual suppliers of its grocery products and general merchandise. As described in note 2.4 of the financial statements, the Group has agreements where promotional allowances and volume-related rebates are received in connection with the purchase of goods for resale from these suppliers. The Group recognises these allowances and rebates as a reduction in cost of sales. The variety and number of the buying arrangements with suppliers can make it complex to determine the performance conditions associated with the amounts due from the suppliers, giving rise to management judgement and the potential for manipulation. In our view, this aspect of the Retail business is where such potential risk of manipulation is greatest and hence we increased our audit effort compared to the prior period.
How the scope of our audit responded to the key audit matter	To address the risk that promotional allowances and volume-related rebates have not been appropriately and accurately recorded, our procedures included: • obtaining a detailed understanding of relevant controls in the commercial income process; • independently requesting a sample of supplier confirmations to validate the amounts recorded throughout the period; • independently recalculating the promotional allowances and volume-related rebates recognised using underlying supplier arrangements, such as contracts and joint business plans, and sales and purchase inputs; • conducting enquiries with senior personnel outside of the finance function, for example legal counsel and the Head of Internal Audit, on matters relating to compliance with the Groceries Supplier Code of Practice ("GSCOP") and controls in the commercial income process, in order to identify any areas where further investigation was required; • inspecting the volume and value of credit notes raised post-period end as an indicator of potential manipulation of commercial income; and • assessing the adequacy of the disclosures made in relation to commercial income in the Group's financial statements.
Key observations	We are satisfied that the promotional allowances and volume-related rebates have been recognised appropriately and accurately. In response to feedback from the internal audit function and from our independent enquries and procedures, management intends to improve the quality and evidence of controls that prevent and detect error in its commercial income processes.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£20.0 million (2020: £10.5 million)	£18.0 million (2020: £9.5 million)
Basis for determining materiality	We determined materiality based on 0.8% (2020: 0.5%) of Group revenue as the primary benchmark. We also considered the supporting benchmark of 1.1% (2020: 0.6%) of net assets.	Parent company materiality is determined on the basis of net assets and capped at 90% (2020: 90%) of Group materiality. Parent Company materiality equates to 0.9% of net assets.
Rationale for the benchmark applied	We determined materiality principally based on revenue given the importance of this as a measure of overall performance of the Group. However, we also considered net assets as a supporting benchmark as the Group has continued to invest significant sums in capital expenditure in the Solutions business. We have changed the percentage applied to revenue to align more closely with those of other comparable listed companies where revenue is the primary basis for determining materiality. The overall increase in materiality compared to the prior year is as a result of this change, the growth in the Retail business and the further capital expenditure in the Solutions business.	The parent company's principal activities include holding investments in other Group companies and incurring costs and liabilities on behalf of the Group, including borrowings. As a result, we considered net assets to be the most relevant benchmark on which to base materiality.

Independent Auditor's Report
to the members of Ocado Group plc

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2020: 65%) of Group materiality	65% (2020: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In the current period, we determined that maintaining performance materiality at 65% of Group materiality was appropriate by considering: • management's continued willingness to investigate and correct misstatements identified in the audit; and • the next phase of the finance transformation project, including implementation of a new finance system and processes during the period, adding potential risk, complexity and scope for error in the financial reporting and closing process. See further detail in the Report of the Chair of the Audit Committee on page 141.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2020: £0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our Group audit was consistent with the prior period covering all significant trading companies in the UK, including Ocado Retail Limited (a joint venture with M&S Group plc which is controlled and consolidated by the Group). The results for these entities account for over 95% (2020: 95%) of the Group's revenue and net assets. Furthermore, we performed specified audit procedures on certain balances in the overseas entities including cash, capitalised project costs, revenue and contract liabilities.

For the entities not subject to detailed audit work, we tested the consolidation process and conducted analytical procedures to confirm our conclusion that there were no material misstatements in the aggregated financial information. All entities are currently managed in the UK and all audit work relevant to the Group audit was conducted by the Group and Retail audit teams based in London. The Group audit partner attended key meetings with the Retail audit team and Retail management.

7.2. Our consideration of the control environment

We tested and relied on the relevant controls in the inventory process at one CFC location. Members of the Retail audit team visited four CFCs and one General Merchandise Distribution Centre ("GMDC") to test controls relevant to inventory existence, and we involved IT specialists to evaluate controls over the key warehouse IT systems. The Group audit partner visited the newly-opened Purfleet CFC. We also involved IT specialists to test the general IT controls over key financial reporting systems such as Oracle R12, Oracle Fusion and Webshop.

As noted on page 139 of the Report of the Chair of the Audit Committee, during the year, the Group continued with the next phase of its significant finance transformation programme. This included the deployment of two new finance systems (Oracle Fusion and the consolidation system EPM) with one objective, amongst others, to improve internal control over financial reporting. An additional objective was to enhance significantly the automation of financial reporting appropriate for the Group's global expansion plans.

Consistent with the Report of the Chair of the Audit Committee, we observed that the programme presented challenges. The switchover from Oracle R12 to Oracle Fusion and the time taken to build a team with the right experience and skills meant that key financial reporting controls such as reconciliations of key balance sheet accounts did not operate on a timely basis. This caused a delay to the period end financial reporting and closing process and impacted the planned timetable for certain core audit procedures. We performed additional audit procedures to mitigate the risks that were presented by these difficulties.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report
to the members of Ocado Group plc

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the legal function including the Group's General Counsel and Chief Compliance Officer, the Chief Executive Officer and Chief Financial Officer of the Group and of the Ocado Retail businesses, and the Audit Committee at Group and at Ocado Retail about their own identification and assessment of the risks of irregularities;
- the period of transition between the Group's existing and new finance systems, where new or alternative processes and controls were required to make payments to suppliers;
- the ongoing series of claims filed by AutoStore Technology AS and the counter-claims filed by the Group referred to in the Finance Review on page 54 to 57 and in note 3.13 to the financial statements;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the Group and Retail audit engagement teams involving relevant internal specialists, including IT, IP, tax and fraud specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of capitalised project costs, accounting for Solutions contracts and commercial income. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included the Groceries Supply Code of Conduct.

11.2. Audit response to risks identified

As a result of performing the above, we identified the following key audit matters related to the potential risk of fraud: 1) impairment of capitalised project costs, 2) accounting for Solutions contracts and 3) promotional allowances and volume-related rebates. The key audit matters section of our report explains these in more detail and also describes the specific procedures we performed in response.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal and external legal advisers concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- challenging management's assessment that no contingent liability or asset should be recognised; our work included involving our own forensic intellectual property specialists in designing our audit approach, holding detailed discussions with Group General Counsel and external legal counsel, and performing procedures to consider whether there was any contradictory evidence;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- involving our fraud specialists to design tailored audit procedures in response to the risk of management override of controls arising from the processing and approval of payments in the period of transition between the existing and new finance systems.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 97;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 97;
- the directors' statement on fair, balanced and understandable 209;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 82 to 93;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems 84; and
- the section describing the work of the audit committee set out on pages 134 to 142.

Independent Auditor's Report
to the members of Ocado Group plc

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 May 2017 to audit the financial statements for the 52-week period ending 3 December 2017and subsequent annual financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the 52-week periods ending 3 December 2017 to 28 November 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Lee-Amies FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

11 February 2022

Consolidated Income Statement
For the 52 weeks ended 28 November 2021

		52 weeks ended 28 November 2021			52 weeks ended 29 November 2020 (restated[1])		
	Notes	**Results before exceptional items Ⓐ £m**	**Exceptional items Ⓐ (note 2.6) £m**	**Total £m**	Results before exceptional items Ⓐ £m	Exceptional items Ⓐ (note 2.6) £m	Total £m
Revenue	2.1	**2,498.8**	**(0.5)**	**2,498.3**	2,331.8	–	2,331.8
Cost of sales		**(1,562.9)**	**(2.6)**	**(1,565.5)**	(1,531.8)	–	(1,531.8)
Gross profit		**935.9**	**(3.1)**	**932.8**	800.0	–	800.0
Other income	2.3	**104.1**	**82.3**	**186.4**	87.6	103.9	191.5
Distribution costs		**(666.7)**	**(7.2)**	**(673.9)**	(623.7)	(1.0)	(624.7)
Administrative expenses		**(548.4)**	**(29.2)**	**(577.6)**	(358.8)	(6.6)	(365.4)
Operating (loss)/profit before results of joint ventures and associate		**(175.1)**	**42.8**	**(132.3)**	(94.9)	96.3	1.4
Share of results of joint ventures and associate	3.5	**(2.3)**	**–**	**(2.3)**	(0.9)	–	(0.9)
Operating (loss)/profit		**(177.4)**	**42.8**	**(134.6)**	(95.8)	96.3	0.5
Finance income	4.5	**10.0**	**–**	**10.0**	5.5	–	5.5
Finance costs	4.5	**(52.3)**	**–**	**(52.3)**	(58.3)	–	(58.3)
Loss before tax		**(219.7)**	**42.8**	**(176.9)**	(148.6)	96.3	(52.3)
Income tax	2.7	**(8.3)**	**(0.5)**	**(8.8)**	(18.0)	(7.6)	(25.6)
Loss for the period		**(228.0)**	**42.3**	**(185.7)**	(166.6)	88.7	(77.9)
Attributable to:							
Owners of Ocado Group plc				**(223.2)**			(134.3)
Non-controlling interests	5.2			**37.5**			56.4
				(185.7)			(77.9)

Loss per share		**pence**	pence
Basic and diluted loss per share	2.8	**(30.18)**	(18.70)

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)Ⓐ

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Operating profit/(loss)		**(134.6)**	0.5
Adjustments for:			
Exceptional itemsⒶ	2.6	**(42.8)**	(96.3)
Amortisation of intangible assets	3.2	**78.0**	49.0
Impairment of intangible assets	3.2	**1.1**	3.3
Depreciation of property, plant and equipment	3.3	**84.4**	57.2
Impairment of property, plant and equipment	3.3	**9.3**	2.1
Depreciation of right-of-use assets	3.4	**65.6**	57.3
EBITDAⒶ		**61.0**	73.1

1. See note 1.5 for the details of the restatements.

The notes on pages 228 to 301 form part of these Financial Statements.

Ⓐ See **Alternative Performance Measures** pages 324 and 325.

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 28 November 2021

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Loss for the period		**(185.7)**	(77.9)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Gain arising on cash flow hedges	4.9	**0.4**	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.9	**(10.5)**	(0.9)
Foreign exchange loss on translation of foreign joint venture reclassified to profit or loss	4.9	**0.8**	–
Items that will not be reclassified to profit or loss in subsequent periods:			
(Loss)/Gain on equity investments designated as at fair value through other comprehensive income	4.9	**(3.9)**	5.2
Other comprehensive income for the period, net of income tax		**(13.2)**	4.7
Total comprehensive expense for the period		**(198.9)**	(73.2)
Attributable to:			
Owners of Ocado Group plc		**(236.4)**	(129.6)
Non-controlling interests	5.2	**37.5**	56.4
		(198.9)	(73.2)

[1] See note 1.5 for the details of the restatements

The notes on pages 228 to 301 form part of these Financial Statements.

Consolidated Balance Sheet

As at 28 November 2021

	Notes	**28 November 2021 £m**	29 November 2020 (restated[1]) £m
Non-current assets			
Goodwill	3.2	**144.8**	4.7
Other intangible assets	3.2	**345.2**	231.2
Property, plant and equipment	3.3	**1,257.8**	785.0
Right-of-use assets	3.4	**494.6**	385.0
Investment in joint venture and associate	3.5	**26.5**	41.5
Other financial assets	3.6	**211.4**	166.8
Trade and other receivables	3.9	**0.5**	–
Contract assets	2.1	**–**	0.3
Costs to obtain contracts	2.1	**0.7**	0.7
Deferred tax assets	2.7	**7.2**	4.3
Derivative financial assets	4.6	**9.6**	–
		2,498.3	1,619.5
Current assets			
Other financial assets	3.6	**1.2**	402.0
Asset held for sale	3.7	**4.2**	4.2
Inventories	3.8	**86.7**	61.6
Trade and other receivables	3.9	**323.9**	204.8
Cash and cash equivalents	3.10	**1,468.6**	1,706.8
Insurance reimbursement asset	3.12	**–**	5.5
Contract assets	2.1	**0.3**	0.1
Costs to obtain contracts	2.1	**0.1**	0.1
Derivative financial assets	4.6	**0.3**	0.2
		1,885.3	2,385.3
Total assets		**4,383.6**	4,004.8
Current liabilities			
Contract liabilities	2.1	**(21.8)**	(14.4)
Trade and other payables	3.11	**(393.2)**	(422.9)
Provisions	3.12	**(1.0)**	(8.4)
Lease liabilities	4.2	**(51.0)**	(48.1)
Derivative financial liabilities	4.6	**–**	(0.3)
		(467.0)	(494.1)
Net current assets		**1,418.3**	1,891.2
Non-current liabilities			
Contract liabilities	2.1	**(356.7)**	(284.9)
Provisions	3.12	**(48.7)**	(35.6)
Borrowings	4.1	**(1,300.0)**	(997.4)
Lease liabilities	4.2	**(477.4)**	(359.7)
Deferred tax liabilities	2.7	**(24.4)**	–
		(2,207.2)	(1,677.6)
Net assets		**1,709.4**	1,833.1
Equity			
Share capital	4.9	**15.0**	15.0
Share premium	4.9	**1,372.0**	1,361.6
Treasury shares reserve	4.9	**(113.0)**	(113.2)
Other reserves	4.9	**69.9**	76.9
Retained earnings		**244.3**	421.4
Equity attributable to owners of Ocado Group plc		**1,588.2**	1,761.7
Non-controlling interests	5.2	**121.2**	71.4
Total equity		**1,709.4**	1,833.1

[1] See note 1.5 for the details of the restatements

The notes on pages 228 to 301 form part of these Financial Statements.

The Consolidated Financial Statements on pages 223 to 227 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

Ocado Group plc
Company number: 07098618 (England and Wales)

11 February 2022

Consolidated Statement of Changes in Equity

For the 52 weeks ended 28 November 2021

		Equity attributable to owners of Ocado Group plc							
	Notes	Share capital £m	Share premium £m	Treasury shares reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 December 2019		**14.2**	**705.3**	**(113.6)**	**(112.2)**	**554.2**	**1,047.9**	**9.4**	**1,057.3**
Loss for the period (restated[1])		–	–	–	–	(134.3)	(134.3)	56.4	(77.9)
Other comprehensive income:									
Gain arising on cash flow hedges	4.9	–	–	–	0.4	–	0.4	–	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.9	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Gain on equity investments designated as at fair value through other comprehensive income	4.9	–	–	–	5.2	–	5.2	–	5.2
Total comprehensive expense for the period (restated[1])		–	–	–	4.7	(134.3)	(129.6)	56.4	(73.2)
Transactions with owners									
– Issue of ordinary shares	4.9	0.7	645.6	–	–	(0.1)	646.2	–	646.2
– Allotted in respect of share option schemes	4.9	0.1	10.7	–	–	–	10.8	–	10.8
– Disposal of treasury shares on exercise by participants	4.9	–	–	0.3	–	0.2	0.5	–	0.5
– Disposal of unallocated treasury shares	4.9	–	–	0.1	–	(0.1)	–	–	–
– Share-based payments charge	4.10	–	–	–	–	22.4	22.4	–	22.4
– Issue of convertible bonds		–	–	–	184.5	–	184.5	–	184.5
– Adjustments arising from part-disposal of Ocado Retail Limited		–	–	–	–	(24.8)	(24.8)	5.2	(19.6)
– Additional investment in Jones Food Company Limited		–	–	–	(0.1)	(0.3)	(0.4)	0.4	–
– Gain on reinstating carved-out asset		–	–	–	–	4.2	4.2	–	4.2
Total transactions with owners		0.8	656.3	0.4	184.4	1.5	843.4	5.6	849.0
Balance at 29 November 2020 (restated[1])		**15.0**	**1,361.6**	**(113.2)**	**76.9**	**421.4**	**1,761.7**	**71.4**	**1,833.1**
Loss for the period		**–**	**–**	**–**	**–**	**(223.2)**	**(223.2)**	**37.5**	**(185.7)**
Other comprehensive income:									
Gain arising on cash flow hedges	4.9	**–**	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**0.4**
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.9	**–**	**–**	**–**	**(10.5)**	**–**	**(10.5)**	**–**	**(10.5)**
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.9	**–**	**–**	**–**	**0.8**	**–**	**0.8**	**–**	**0.8**
Loss on equity investments designated as at fair value through other comprehensive income	4.9	**–**	**–**	**–**	**(3.9)**	**–**	**(3.9)**	**–**	**(3.9)**
Total comprehensive expense for the period		**–**	**–**	**–**	**(13.2)**	**(223.2)**	**(236.4)**	**37.5**	**(198.9)**
Transactions with owners									
– Issue of ordinary shares	4.9	**–**	**1.9**	**–**	**–**	**–**	**1.9**	**–**	**1.9**
– Allotted in respect of share option schemes	4.9	**–**	**8.5**	**–**	**–**	**–**	**8.5**	**–**	**8.5**
– Disposal of treasury shares on exercise by participants	4.9	**–**	**–**	**0.1**	**–**	**0.1**	**0.2**	**–**	**0.2**
– Disposal of unallocated treasury shares	4.9	**–**	**–**	**0.1**	**–**	**(0.1)**	**-**	**–**	**-**
– Share-based payments charge	4.10	**–**	**–**	**–**	**–**	**36.0**	**36.0**		**36.0**
– Tax on share-based payments charge	2.7	**–**	**–**	**–**	**–**	**0.5**	**0.5**	**–**	**0.5**
– Acquisition of Haddington Dynamics Inc.	3.1	**–**	**–**	**–**	**6.2**	**–**	**6.2**	**–**	**6.2**
– IFRS 3 portion of the rollover shares issued by Ocado for the purchase of Kindred Systems Inc.		**–**	**–**	**–**	**–**	**1.9**	**1.9**	**–**	**1.9**
– Additional investment in Jones Food Company Limited	5.2	**–**	**–**	**–**	**–**	**7.7**	**7.7**	**12.3**	**20.0**
Total transactions with owners		**–**	**10.4**	**0.2**	**6.2**	**46.1**	**62.9**	**12.3**	**75.2**
Balance at 28 November 2021		**15.0**	**1,372.0**	**(113.0)**	**69.9**	**244.3**	**1,588.2**	**121.2**	**1,709.4**

[1] See note 1.5 for the details of the restatements

The notes on pages 228 to 301 form part of these Financial Statements.

Consolidated Statement of Cash Flows

For the 52 weeks ended 28 November 2021

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Cash flows from operating activities			
Loss before tax		**(176.9)**	(52.3)
Adjustments for			
– Revenue recognised from long-term contracts	2.1	**(15.2)**	(6.1)
– Depreciation, amortisation and impairment charges	2.4	**238.4**	168.9
– Insurance proceeds recognised as other income	2.6	**(80.6)**	(103.9)
– Non-cash exceptional items*	2.6	**(7.5)**	0.9
– Share of results of joint ventures and associate	3.5	**2.3**	0.9
– Movement of provisions		**4.2**	18.5
– Net finance cost	4.5	**42.3**	52.8
– Net gain on derivative financial instruments		**–**	0.4
– Settlement of cash flow hedges		**–**	(2.5)
– Share-based payments charge	4.10	**35.5**	22.4
Changes in working capital			
– Movement in contract assets		**0.1**	–
– Movement in contract liabilities		**107.0**	97.5
– Movement of inventories		**(55.2)**	38.5
– Movement of trade and other receivables		**(77.6)**	(59.2)
– Movement of trade and other payables		**(1.8)**	52.8
Cash generated from operations		**15.0**	229.6
Insurance proceeds relating to business interruption		**30.0**	40.0
Corporation tax paid		**(26.2)**	(18.4)
Interest paid		**(34.8)**	(25.8)
Net cash flow from operating activities		**(16.0)**	225.4
Cash flows from investing activities			
Insurance proceeds regarding Erith claim		**2.0**	–
Insurance proceeds relating to rebuilding Andover CFC		**–**	25.0
Net cash outflow from disposal of Speciality Stores Limited ("Fetch"), net of cash sold	2.6	**(0.4)**	–
Proceeds from disposal of Marie Claire Beauty Limited ("Fabled"), net of cash sold		**–**	3.0
Acquisition of Kindred Systems Inc. and Haddington Dynamics Inc., net of cash acquired	3.1	**(189.7)**	–
Purchase of intangible assets		**(131.8)**	(107.2)
Purchase of property, plant and equipment		**(558.9)**	(344.6)
Dividend received from MHE JVCo Limited	3.5	**7.7**	7.7
Purchase of other treasury deposits		**–**	(355.0)
Proceeds from disposal of other treasury deposits		**370.0**	95.0
Purchase of unlisted equity investments		**(11.4)**	(0.7)
Loans made to investee companies		**(12.5)**	(11.2)
Interest received		**1.0**	5.2
Net cash flow (used in) investing activities		**(524.0)**	(682.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**1.9**	646.2
Proceeds from allotment of share options		**8.5**	10.8
Proceeds from disposal of treasury shares on exercise by participants		**0.2**	0.5
Proceeds from issue of borrowings	4.1	**500.0**	950.0
Transaction costs on issue of borrowings	4.1	**(8.4)**	(14.5)
Repayment of borrowings	4.1	**(225.0)**	–
Repayment of principal element of lease liabilities		**(48.6)**	(53.4)
Payment of financing fees		**–**	(0.5)
Net cash as a result of additional investment in Jones Food Company Limited	5.2	**20.0**	–
Proceeds from part-disposal of Ocado Retail Limited		**–**	(11.5)
Cash received in respect of contingent consideration receivable		**33.9**	–
Transaction costs on part-disposal of Ocado Retail Limited		**–**	(1.6)
Net cash flow from financing activities		**282.5**	1,526.0
Net (decrease) in cash and cash equivalents		**(257.5)**	1,068.6
Cash and cash equivalents at beginning of period		**1,706.8**	640.6
Effect of changes in foreign exchange rates		**19.3**	(2.4)
Cash and cash equivalents at end of period	3.10	**1,468.6**	1,706.8

The notes on pages 228 to 301 form part of these Financial Statements.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc (hereafter the "Company") is a listed company, limited by shares, incorporated in England and Wales under the Companies Act 2006 (company number: 07098618). The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial statements comprise the results of the Company and its subsidiaries (hereafter the "Group") (see note 5.1 for a full list of the subsidiaries). The financial period represents the 52 weeks ended 28 November 2021. The prior financial period represents the 52 weeks ended 29 November 2020. The principal activities of the Group are described in the Strategic Report on pages 04 to 98.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable), International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, including the interpretations issued by IFRS Interpretation Committee. The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 29 November 2020 of the Group, unless otherwise stated.

The financial statements are presented in pounds sterling, rounded to the nearest million unless otherwise stated, and have been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain other financial assets and liabilities, which are held at fair value.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

New standards, amendments and interpretations adopted by the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 30 November 2020, and concluded either that they are not relevant to the Group or that they would not have a significant effect on the Group's financial statements other than on disclosures:

	Effective date
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The amendment to IFRS 16 "Leases" in relation to Covid-19-related rent concession does not have any impact on the Group.

IFRS 3 "Business Combinations"

During the year, the Group adopted IFRS 3 "Business Combinations (amendments)", which is effective for annual periods beginning on or after 1 January 2020. The guidance of the amendment has been applied to these financial statements when evaluating whether acquisitions in the year to 28 November 2021 should be deemed to be asset acquisitions or business combinations.

IFRIC Agenda Decision – Configuration or customisation costs in a cloud computing arrangement

During the year, the Group updated its Policy on IAS 38 Intangible Assets following the International Financial Reporting Interpretations Committee's ("IFRIC") interpretation on accounting for configuration or customisation costs in cloud computing or software as a service ("SaaS") arrangement. The interpretation resulted in a charge of £13.3 million to administration expenses as an exceptional item in the period. As a result of the change in accounting policy following the IFRIC's agenda decision in relation to Saas arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item.

1.2 Basis of preparation continued

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations that are relevant to the Group have been issued but are not effective for the period beginning 30 November 2020, and have not been adopted early:

		Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IAS 16	Property, Plant and Equipment – proceeds of intended use	1 January 2022
IAS 37	Onerous Contracts – costs of fulfilling a contract	1 January 2022
Annual Improvements to IFRS, 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Group's financial statements.

1.3 Basis of consolidation

The Group's consolidated financial statements consist of the financial statements of the Company, all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Company obtains control, and excluded when the Company loses control over them. Control is achieved when the Company has power over a subsidiary, exposure or rights to variable returns from it, and the ability to use its power to affect these returns. This ability enables the Company to affect the amount of economic benefit generated from the entity's activities. This ability and right exists for all of the Group's subsidiaries listed in note 5.1.

All subsidiaries have a reporting date of 28 November 2021 except for the following:

	Reporting date
JFC Hydroponics Ltd	31 March
Jones Food Company Limited	30 April
Haddington Dynamics II LLC	31 December
Kindred Inc.	31 December
Kindred Systems II Inc.	31 December
Ocado Bulgaria EOOD	31 December
Ocado Solutions (US) ProCo LLC	31 December
Ocado Spain S.L.U.	31 December
Ocado US Holdings Inc.	31 December

All these companies have prepared additional financial information for the 52 weeks ended 28 November 2021 to enable consolidation.

All intercompany balances and transactions, including recognised gains arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

The Group allocates the total comprehensive income or expense of subsidiaries to the owners of the Company and non-controlling interests, based on their respective ownership interests.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

1.3 Basis of consolidation continued

Joint ventures and associates

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures and associates are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entities, less any impairment in value and dividends received. The carrying values of the investments in joint ventures and associates include implicit goodwill.

If the Group's share of losses in a joint venture or associate equals or exceeds its initial investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to the financial statements. Accounting policies not specifically attributable to a note are set out below. These policies have been applied consistently to all the periods presented unless stated otherwise.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The pound sterling is the Company's functional and the Group's presentational currency.

Income statements and cash flows of overseas subsidiaries, joint ventures and associates are translated into sterling at the average rates for the year. Balance sheets of overseas subsidiaries, joint ventures and associates are translated into sterling at the Balance Sheet exchange rates.

Exchange differences arising on the translation of the net investment in overseas subsidiaries, joint ventures and associates, less exchange differences arising on related foreign currency financial instruments that hedge the Group's net investments in these operations, are taken to other comprehensive income. On disposal of the net investment, the cumulative exchange difference is reclassified from equity to operating profit.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, where items are remeasured, at the dates of the remeasurements. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Income Statement within finance income or costs. All other foreign exchange gains and losses are presented in the Consolidated Income Statement within operating profit or loss.

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a different functional currency to the Group's presentational currency are translated into the presentational currency as follows:

a. Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
b. Income and expenses for each Income Statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions);
c. Intercompany balances are translated at the closing rate at the date of that Balance Sheet and;
d. All resulting exchange differences are recognised as a separate component of equity.

1.4 Significant accounting policies, estimates, judgements and assumptions

The preparation of the Group's financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are evaluated continually, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's key judgements and estimates remain broadly consistent with those identified in the Annual Report and Accounts for the 52 weeks ended 29 November 2020 with the addition of impairment of goodwill and other intangible assets as a new key estimation uncertainty in FY21.

Significant judgements are those that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key estimation uncertainties are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimates were based, or as a result of new information or more experience.

Significant accounting policies, key estimation uncertainties and significant judgements are provided below:

Significant Accounting Policy

Area	Policy	Note
Revenue recognition	For the Retail segment, revenue from the sale of goods is recognised when the customer obtains control of the goods, which is generally on delivery to the customer's home for Ocado deliveries, and upon transfer of goods to the courier for third-party deliveries. For the UK Solutions & Logistics and International Solutions segments, revenue from the rendering of services is recognised over the life of the contract from the date the customer first benefits from those services. Management prepares IFRS 15 accounting papers for each new contract which are reviewed internally and discussed with our Auditors. Management continually assess go live triggers and whether performance obligations specific to each contract have been satisfied and then recognise revenue accordingly.	2.1

Key estimation uncertainties

Area	Estimation uncertainty	Note
Fair value measurement	The fair value of contingent consideration receivable is based on an estimate of discounted future cash in-flows. At the reporting date, the fair value recognised was £156.7 million. The majority of this relates to the payment of £156.3 million plus interest by Marks and Spencer Holdings Limited, agreed on the sale of 50.0% of Ocado Retail Limited ("ORL"), which is contingent on ORL's adjusted EBITDA reaching a pre-agreed level for FY 2023. The fair value reflects the full, discounted £156.3 million plus interest, since it is expected that the agreed target will be hit. Should the target be missed, no consideration would be received. Should the discount rate applied be changed, the fair value of the consideration would change, but the amount of consideration that would actually be received would not necessarily change.	4.7
Impairment of goodwill and other intangible assets	At the reporting date, the Group recognised £144.8 million of goodwill as a result of business combinations. The businesses acquired are at early stages of commercial development and, therefore, there is a risk that they will not be commercially viable. Goodwill and other intangibles under construction are not amortised, but subject to an annual impairment review. The impairment review requires future profits and cash generation to be estimated based on management approved financial budgets and plans covering a five-year period for Retail and UK Solutions & Logistics and ten-year for International Solutions, and then extrapolated using long-term growth rates, and discounted at the pre-tax discount rate. Management engages external experts to determine the discount rate used to calculate the fair value less costs to dispose of each cash generating unit ("CGU").	3.2

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

1.4 Significant accounting policies, estimates, judgements and assumptions continued

Significant judgements

Area	Judgement	Notes
Consolidation of Ocado Retail	Management reviews if the Group still has control over the JV in accordance with IFRS 3.Management has concluded that the Group controls ORL, since it holds 50.0% of the voting rights of the company, and an agreement signed by the shareholders grants the Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of ORL's business plan and budget and the appointment and removal of ORL's Chief Executive Officer who is responsible for directing the relevant activities of the business.	5.1
Revenue from contracts with customers	Due to the size and complexity of some of Ocado Solutions' contracts, there are significant judgements that must be made. The identification of performance obligations in a contract is a significant judgement, since it determines when revenue is recognised. Management has judged that there is one underlying performance obligation in each contract, and that revenue should begin to be recognised when a working solution is operational for a customer. The identification of consideration and material rights in a contract is another significant judgement, since it determines the period over which upfront fees are recognised as revenue. Alternative judgements would result in different amounts of revenue being recognised at different times. It is expected that more revenue will be recognised as more Solutions contracts go live.	2.1
Provisions, Contingent Liabilities and Contingent Assets – Solutions	Determined from assessments of progress against agreed milestones to highlight if any financial penalties might be incurred in case of delay or non-performance of milestones, in which case provisions are made in accordance with IAS 37.	2.1
Amortisation and depreciation charges	At the reporting date, intangible assets (excluding goodwill) and plant, property and equipment totalled £1,603.0 million (2020 (restated): £1,016.2 million). For the period, the amortisation charge and depreciation charge totalled £238.4 million (2020 (restated): £168.9 million). Management's judgement is required in assessing the useful lives of assets, which determines the level of the amortisation and depreciation charge recognised each period. A shorter assessed useful life of a specific asset would result in a higher amortisation or depreciation charge being recognised per period over a smaller number of periods.	3.2, 3.3

Other estimates, assumptions and judgements are applied by the Group. These include those relating to identifying exceptional items (management assess if incidents/transactions are non-recurring and have material impact to the Group and therefore come under the definition of exceptional items), recognising deferred tax assets for historical losses, and calculating fair values of equity instruments granted. These estimates, assumptions and judgements are also evaluated on an ongoing basis but are not deemed significant.

1.5 Restatement of prior year

The prior period comparatives have been restated to reflect the impact of the following:

1. During the period, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangements. As a result of the Group's change in accounting policy, following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item. This restatement has increased the Group's loss for the prior period by £8.3 million and a corresponding decrease in the net exceptional income for the same amount. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.
2. During the period, the Group implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Group reviewed the categorisation of certain prior year costs and made the following reclassifications: cost of sales (£13.9 million increase), distribution costs (£29.7 million decrease) and administrative expenses (£15.8 million increase). The impact on prior periods to FY2020 has been assessed and is not material. There is no impact on the Group's balance sheet.
3. During the period, an adjustment of £4.2 million was identified relating to the part-disposal of ORL. The impact on the balance sheet is an increase of £4.2 million in current assets and a corresponding increase in opening reserves.
4. During the period, the Group updated its approach to netting deferred tax assets and liabilities and the prior period comparatives have been restated. The impact on the balance sheet is a reduction in deferred tax liabilities of £19.3 million and a corresponding reduction in deferred tax assets. There is no impact on net assets.

1.5 Restatement of prior year continued

The effect of the above restatements on the Consolidated Balance Sheet is as follows:

Balance sheet (extract)	29 November 2020 (previously reported) £m	Restatement £m	29 November 2020 (restated) £m
Other intangible assets[1]	239.5	(8.3)	231.2
Deferred tax assets[4]	23.6	(19.3)	4.3
Non-current assets	1,647.1	(27.6)	1,619.5
Trade and other receivables[3]	200.6	4.2	204.8
Current assets	2,381.1	4.2	2,385.3
Total assets	4,028.2	(23.4)	4,004.8
Current liabilities	(494.1)	–	(494.1)
Net current assets	1,887.0	4.2	1,891.2
Deferred tax liabilities	(19.3)	19.3	–
Non-current liabilities	(1,696.9)	19.3	(1,677.6)
Net assets	1,837.2	(4.1)	1,833.1
Equity			
Retained earnings	425.5	(4.1)	421.4
Other equity	1,340.3	–	1,340.3
Equity attributable to owners of Ocado Group plc	1,765.8	(4.1)	1,761.7
Non-controlling interests	71.4	–	71.4
Total equity	1,837.2	(4.1)	1,833.1

The effect of the above restatements on the Consolidated Income Statement is as follows:

	52 weeks ended 29 November 2020 (previously reported) £m	Profit decrease	Re-classification	52 weeks ended 29 November 2020 (restated) £m
Revenue	2,331.8	–		2,331.8
Cost of sales	(1,517.9)	–	(13.9)	(1,531.8)
Gross profit	813.9	–	(13.9)	800.0
Other income	191.5	–	–	191.5
Distribution costs	(654.4)	–	29.7	(624.7)
Administrative expenses	(341.3)	(8.3)	(15.8)	(365.4)
Operating profit before results of joint ventures and associate	9.7	(8.3)	–	1.4
Share of results of joint ventures and associate	(0.9)	–	–	(0.9)
Operating profit	8.8	(8.3)	–	0.5
Finance income	5.5	–	–	5.5
Finance costs	(58.3)	–	–	(58.3)
Loss before tax	(44.0)	(8.3)	–	(52.3)
Income tax	(25.6)	–	–	(25.6)
Loss for the period	(69.6)	(8.3)	–	(77.9)
Attributable to:				
Owners of Ocado Group plc	(126.0)	(8.3)	–	(134.3)
Non-controlling interests	56.4	–	–	56.4
	(69.6)	(8.3)	–	(77.9)

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

1.5 Restatement of prior year continued

The below table shows the impact of the restatements affecting the exceptional items. All of these restatements are non-cash items. Therefore, they do not affect the totals of the Group's operating, investing or financing cash flows for the 52 weeks ended 29 November 2020.

Exceptional items

	52 weeks ended 29 November 2020 previously reported £m	Profit decrease[3]	52 weeks ended 29 November 2020 - Restated £m
Revenue	–	–	–
Cost of sales	–	–	–
Gross profit	–	–	–
Other income	103.9	–	103.9
Distribution costs	(1.0)	–	(1.0)
Administrative expenses	1.7	(8.3)	(6.6)
Operating profit before results of joint ventures and associate	104.6	(8.3)	96.3
Share of results of joint ventures and associate	–	–	–
Operating profit	104.6	(8.3)	96.3
Finance income	–	–	–
Finance costs	–	–	–
Income before tax	104.6	–	96.3
Income tax	–	–	–
Income for the period	104.6	(8.3)	96.3

1.6 Going concern basis

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude on whether or not it is appropriate to prepare financial statements on the going concern basis. There has been no material uncertainty identified that would cast significant doubt upon the Group's ability to continue using the going concern basis of accounting for the 12 months following the approval of this Annual Report.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At the reporting date, the Group had cash and cash equivalents of £1,468.6 million (2020: £1,706.8 million), other treasury deposits of £nil (2020: £370.0 million), external gross debt of £1,794.4 million (2020: £1,355.5 million) (excluding lease liabilities payable to MHE JVCo Limited of £34.0 million (2020: £49.7 million)) and net current assets of £1,418.3 million (2020 (restated): £1,891.2 million). The Group has a mixture of medium-term financing arrangements, including £600.0 million of senior unsecured convertible bonds due in 2025, £500.0 million of senior unsecured notes due in 2026, and £350.0 million of senior unsecured convertible bonds due in 2027. The Group forecasts its liquidity and working capital requirements, and ensures it maintains sufficient headroom so as not to breach any financial covenants in its borrowing facilities, as well as maintaining sufficient liquidity over the forecast period. The financial position of the Group, including information on cash flows, can be found in Group Financials on pages 212 to 303. In determining whether there are material uncertainties, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position (see the Strategic Report on pages 04 to 97) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 84 to 98).

Unlike its effect on many other businesses, Covid-19 has increased customers' demand for the Group's services, and this trend looks set to continue both in the short term and through the longer-term. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 98.

Section 2 – Results for the period

2.1 Revenue

Accounting policies

Revenue represents the transaction prices to which the Group expects to be entitled in return for delivering goods or services to its customers. The amount recognised in any period is based on a judgement of when the customer is able to benefit from the goods or services provided, and an assessment of the progress made towards completely satisfying each performance obligation. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts and the related revenue recognition policies, categorised by reportable segments. For information about reportable segments, see note 2.2.

Retail segment

Identification of performance obligations

In a typical Retail contract, there is one performance obligation, which is to deliver goods ordered online to the customer at the scheduled time and to the agreed address. Ocado Smart Pass, the Group's discounted pre-pay membership scheme, is a separate contract with a customer and has a separate single performance obligation which is to provide delivery services for an agreed period of time. The Group applies the practical expedient allowed under IFRS 15 "Revenue from Contracts with Customers" to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar, and that doing so does not materially affect the financial statements.

Determining transaction prices

Customers pay in full at the point of sale. The transaction price is based on the aggregation of all order values, shown net of any material adjustment for expected returns or expected future redemption of marketing vouchers in accordance with guidance on variable consideration in IFRS 15. Standard delivery charges and carrier bag receipts are included in transaction prices. Smart Pass transaction prices are the contracted values of the memberships for the agreed periods of delivery services.

Allocation of transaction prices to performance obligations

Each contract has a single performance obligation and so the whole transaction price is assigned to that single obligation. At the end of each reporting period, Management reviews and adjusts for elements of variable consideration such as expected refunds or expected voucher redemptions.

Revenue recognition

Revenue from online grocery orders is recognised at a point in time when the customer obtains control of the goods, which for deliveries performed by the Group usually occurs when the goods are delivered to and have been accepted at the customer's home. For goods that are delivered by third-party couriers, revenue is recognised when the items have been transferred to the third party for onward delivery to the customer. These are shown net of returns, relevant marketing vouchers and offers and value added taxes. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and offers such as buy three for the price of two. Revenue from Ocado Smart Pass is recognised over the duration of the membership on a time-elapsed, straight-line basis.

UK Solutions & Logistics and International Solutions segments

Identification of performance obligations

Solutions contracts are allocated to one of the two Solutions segments based on geography. The approach taken to evaluate the accounting treatment of a contract is the same for both segments, with each contract being considered on a case-by-case basis. A typical Ocado Solutions contract has a single performance obligation: "to enable the client to access the Ocado Smart Platform ("OSP") end-to-end online grocery platform from the go-live date, with an agreed physical capacity, from a CFC for example, for the use of its retail brands". The ability to derive independent benefit is a key determinant. For example, there are several critical contractual milestones that occur before the service is operational, such as the design of the CFC for the customer or preparation of the OSP. However, Management has concluded that the customer is not able to derive any benefit from these individual elements until the service is operational and they are able to fulfil an order. Depending on the individual customer, fulfilment of an order may include the delivery of goods to the final consumer, and this would make up part of the obligation.

Consequently, designing the CFC or building the customer OSP is not a separate performance obligation and no revenue can be assigned to satisfying these aspects of the contract. Some contracts, however, have multiple components, for example, the addition of Store Pick services or additional CFCs, which lead to additional distinct performance obligations. In these situations, Management uses its judgement to determine whether there are separable performance obligations from which the customer is able to benefit independently.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.1 Revenue continued

Determining transaction prices

At the inception of a contract, the total transaction price is estimated, being the amount to which the Group expects to be entitled over the expected duration of the contract, based on the rights it has under the present contract. Such expected amounts are only included to the extent that it is highly probable that no revenue reversal will occur.

In order to arrive at the transaction price, Management is initially required to make a judgement about the duration of the contract. The majority of Solutions contracts do not have a fixed term, but run for an indefinite period until cancelled. For the purposes of applying IFRS 15, and in particular making the disclosures in respect of unsatisfied performance obligations, Management determines the duration of a contract, having considered the type of contract, performance against contractual service level agreements ("SLAs") and termination provisions. The point at which any termination penalties payable by the customer would no longer be considered "substantive" is particularly relevant. This key judgement on contract duration defines the period for which unsatisfied and partially unsatisfied performance obligations are measured and disclosed when calculating the transaction price.

Typically, Solutions contracts include both up-front fees, paid by the customer in the period prior to the solution going live, and subsequent annual amounts that are either recurring or variable. The up-front fees are one-off payments and are included in the transaction price and recognised over the expected customer life. Expected customer life is a key judgement as it affects the amount of deferred up-front fees that are released as revenue each period, and the factors considered in reaching the judgement on expected customer life include the nature of the performance obligation, the scale of current and future planned investment, performance against contractual SLAs, the evolving technology and competitive landscape. The judgements made for contract duration may be different to those judgements for expected customer life.

A Solutions contract often includes recurring fees, which are due on an annual basis throughout the contract, are recognised over the duration of the contract and are included in the estimate of the total transaction price.

Variable amounts are annual fees whereby typically the variability relates to the volume of sales transactions processed or variable costs associated with providing the service to the customer. It has been determined that these variable amounts should be recognised in the period in which they arise, because they relate to the services provided in that period. In determining the total transaction price for disclosure, the amount of future variable consideration has been estimated for the contract duration described above.

IFRS 15 requires estimates of future variable consideration to be conservative and "highly probable" to become due. In respect of agreements that are already operating, constrained estimates have been reached by assuming 90.0% of the committed capacity only. This estimate excludes potential benefits from both indexation and future revenue growth from capacity improvements and the continued channel shift to online in the industry. It also considers potential risks from new entrants to the online fulfilment market as it continues to grow and the competitive nature of the grocery market itself, which could have an adverse effect on volumes.

Although for most Solutions contracts, there is the possibility that the customer will add capacity in the form of additional modules in existing CFCs or additional CFCs in new locations, which would lead to increased revenue, this has been excluded from the calculation of the estimated transaction price.

Taken together, it is considered that the above approach represents a suitably conservative view of future estimated revenue in the disclosures of unsatisfied performance obligations as required by IFRS 15.

For each Solutions contract an assessment has been made by the Group as to whether there is a significant finance benefit arising from the timing of payments required from the customer. Judgement is required to choose an appropriate interest rate used in the assessment and to set a reasonable threshold for determining whether any finance benefit is significant.

Allocation of transaction prices to performance obligations

Single component contracts have a single performance obligation and the whole transaction price is assigned to that single deliverable. Multiple component contracts will have more than one obligation, each with its own contract duration as adjudged by Management. Each contract clearly states the fees relating to each component. This provides Management with a basis for allocation of the calculated transaction price to the performance obligations as required by IFRS 15 in proportion to their relative revenue value in the contract.

Revenue recognition

For each performance obligation and its allocated transaction price, revenue is recognised from the point at which the customer starts to benefit from the services, and over the period the services are provided. The nature of the services provided, that is the ability to fulfil online grocery orders, represents equal value to the customer every day that the service is provided. This uniformity of value to the customer over time has led the Group to decide that the most appropriate way of measuring the satisfaction of obligations is by using a straight-line, time-elapsed basis. IFRS 15 defines this as an "output method", which recognises revenue by reference to the value to the customer.

Judgement is applied in relation to contract and customer lives, as typically contracts have no end date. Depending on the expected customer life, the amount and timing of revenue recognised may be different in different accounting periods. International CFCs are still a relatively new aspect of the business and consequently the Directors have limited relevant historical information on which to base their assumptions on expected customer life. Therefore, in making their judgements, the Directors have considered qualitative and quantitative reasonable and supportable information such as market evidence and certain clauses contained within Solutions contracts.

2.1 Revenue continued

Contract modifications

The Group's contracts may be amended for changes to specifications and requirements. Contract modifications exist when the amendment creates new, or changes existing, enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract;
b. Prospectively as a termination of the existing contract and creation of a new contract;
c. As part of the original contract using a cumulative catch-up; or
d. As a combination of b and c.

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under a or b.

The facts and circumstances of any contract modification are considered individually as the types of modifications vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the reporting date, since Management needs to determine if a modification has been approved and, if so, whether it creates new, or changes existing, enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in different accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, Management uses its judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Contract-related assets and liabilities

As a result of the contracts into which the Group enters with its customers, a number of different assets and liabilities are recognised on the Consolidated Balance Sheet. These include:

- Intangible assets;
- Property, plant and equipment;
- Contract assets;
- Contract liabilities; and
- Costs to obtain contracts.

Contract assets and liabilities

The Group's contracts with customers include a diverse range of payment schedules, depending upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the terms of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be made at the delivery dates, in arrears or through part-payments in advance. Where cumulative payments made (or when the Group has an unconditional right to payment) at the reporting date are greater than the cumulative revenues recognised, the Group recognises the differences as contract liabilities. Where cumulative payments made at the reporting date are less than the cumulative revenues recognised, and the Group has an unconditional right to payment, the Group recognises the differences as contract assets or accrued income.

Costs to obtain contracts

These are costs that are incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or not shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The incremental costs of obtaining a contract with a customer are recognised as an asset if they are expected to be recoverable.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.1 Revenue continued

Utilisation, derecognition and impairment of costs to obtain contracts

Incremental costs to obtain a contract are amortised on a straight-line basis over the estimated duration of the contract life, beginning on the date the customer begins to benefit from the goods or services the Group agreed to provide.

Incremental costs to obtain a contract are derecognised either when they are disposed of or when no further economic benefits are expected to flow from their use or disposal.

Management is required to determine the recoverability of contract-related assets within intangible assets, property, plant and equipment, capitalised costs to obtain contracts, accrued income and trade receivables. At each reporting date, the Group determines whether or not the capitalised costs to obtain contracts are impaired by comparing the carrying amounts of the assets with the remaining amounts of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contracts. In determining the estimated amount of consideration to be received, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Retail	**2,289.9**	2,188.6
UK Solutions & Logistics	**710.4**	654.3
International Solutions	**66.6**	16.6
Other	**0.4**	–
Group eliminations	**(568.5)**	(527.7)
Revenue	**2,498.8**	2,331.8
Timing of revenue recognition		
At a point in time	**2,289.9**	2,188.5
Over time	**208.9**	143.3
	2,498.8	2,331.8

Revenue split by geographical area

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
UK	**2,432.2**	2,315.2
Overseas	**66.6**	16.6
Revenue	**2,498.8**	2,331.8

Contract balances

	28 November 2021 £m	29 November 2020 £m
Trade receivables	**50.8**	33.8
Contract assets	**0.3**	0.4
Contract liabilities	**(378.5)**	(299.3)

Contract assets

	28 November 2021 £m	29 November 2020 £m
Current	**0.3**	0.1
Non-current	**–**	0.3
	0.3	0.4

The contract assets represent Solutions revenue recognised in the Consolidated Income Statement, but not yet invoiced.

2.1 Revenue continued

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Balance at beginning of period	**0.4**	0.4
Amount recognised as revenue	**(0.1)**	–
Balance at end of period	**0.3**	0.4

Contract liabilities

	28 November 2021 £m	29 November 2020 £m
Current	**(21.8)**	(14.4)
Non-current	**(356.7)**	(284.9)
	(378.5)	(299.3)

The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied.

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Balance at beginning of period	**(299.3)**	(191.8)
Amount invoiced	**(94.4)**	(113.6)
Amount recognised as revenue	**15.2**	6.1
Balance at end of period	**(378.5)**	(299.3)

£15.2 million (2020: £6.1 million) of revenue recognised during the period was included in contract liabilities at the beginning of the period.

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) are expected to be recognised as revenue as follows:

	28 November 2021 £m	29 November 2020 £m
Within one year	**258.6**	195.3
In between one and five years	**1,643.5**	1,407.2
In more than five years	**4,016.3**	3,554.4
Total transaction price	**5,918.4**	5,156.9

The total transaction price includes £1,812.6 million (2020: £2,154.5 million) in respect of potential revenue in relation to the recovery of costs that are expected to be incurred in existing Solutions contracts.

The amounts disclosed above in respect of unsatisfied and partially unsatisfied performance obligations do not include estimates of any amounts that will arise if the customer continues to receive services beyond the estimated contract term. In addition, they are reduced, during the contract term, so as to limit the estimate of future variable amounts to a conservative amount that is "highly probable". The figures disclosed do not include any incremental amounts in relation to CFCs and other solutions to which a customer is not yet committed. However, they do include any amounts that are payable by the customer irrespective of whether an option for future CFCs and other solutions is exercised (i.e. amounts that are equivalent to a non-refundable deposit).

Costs to obtain contracts

	28 November 2021 £m	29 November 2020 £m
Current	**0.1**	0.1
Non-current	**0.7**	0.7
	0.8	0.8

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.1 Revenue continued

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Balance at beginning of period	0.8	0.8
Amortisation recognised in profit or loss	–	–
Balance at end of period	**0.8**	0.8

Management expects the incremental costs of obtaining contracts (i.e. sales bonuses) to be recovered. The Group, therefore, capitalises them as costs to obtain contracts.

These capitalised costs will be amortised over the period of transferring goods or services to the customer.

2.2 Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for online grocery retailing, fulfilment, logistics and services in the United Kingdom, Europe, North America, Australia and Japan. The Group is not currently reliant on any major customer for 10% or more of its revenue.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The Group has determined it has three reportable segments: Retail, UK Solutions & Logistics, and International Solutions.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and comprises Ocado Retail Limited. The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics for customers in the United Kingdom (Wm Morrisons Supermarkets plc and Ocado Retail Limited). The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom. In order to reconcile segmental revenue Ⓐ and segmental EBITDA Ⓐ with the Group's revenue and EBITDA Ⓐ, two other headings are used: "Other" represents revenue and costs that do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions.

The Board assesses the performance of all segments on the basis of EBITDA Ⓐ. EBITDA Ⓐ, as reported internally by segment, is the key measure utilised in assessing the performance of operating segments within the Group.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental revenue* and segmental EBITDA Ⓐ for the period are as follows:

	Retail £m	UK Solutions & Logistics £m	International Solutions £m	Other £m	Group eliminations £m	Total £m
52 weeks ended 28 November 2021						
Segmental revenue Ⓐ	**2,289.9**	**710.4**	**66.6**	**0.4**	**(568.5)**	**2,498.8**
Segmental EBITDA Ⓐ	**150.4**	**68.5**	**(119.3)**	**(37.5)**	**(1.1)**	**61.0**
52 weeks ended 29 November 2020						
Segmental revenue	2,188.6	654.3	16.6	–	(527.7)	2,331.8
Segmental EBITDA	148.5	44.4	(83.3)	(36.5)	–	73.1

Ⓐ See **Alternative Performance Measures** pages 324 and 325.

No measure of total assets and total liabilities is reported for each reportable segment, as such amounts are not regularly provided to the chief operating decision maker.

2.3 Other income

Accounting policies

Other income comprises the fair value of consideration received or receivable for advertising services provided by the Group to suppliers and other third parties on the Webshop, commission income, rental income, sub-lease payments receivable and amounts receivable not in the ordinary course of business. Income for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. An adjustment is made at the reporting date to accrue for the amount of income in relation to campaigns that may span the reporting date, but such adjustments are not typically material.

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Rental income	13.2	13.2
Media and other income	90.8	74.4
Exceptional insurance income	80.6	103.9
Income from litigation settlement	1.8	–
Other income	**186.4**	191.5

2.4 Operating expenses

Accounting policies

Cost of sales

Cost of sales represents the cost of groceries and other products the Group sells, any associated licence fees that are driven by the volume of sales of specific products or product groups, including the branding and sourcing fees payable to Marks and Spencer, adjustments to inventory and charges for transportation of goods from a supplier to a CFC.

Commercial income

The Group has agreements with suppliers whereby promotional allowances and volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. The allowances and rebates are included in cost of sales. For the period, promotional allowances represent 82% (2020: 82%) of commercial income, with volume-related rebates representing 18% (2020: 18%).

Promotional allowances

Cost of sales includes monies received from suppliers in relation to the agreed funding of selected items that are sold by the Group on promotion, and these are recognised once the promotional activity has taken place in the period to which it relates on an accruals basis. The estimates required for this source of income are limited because the time periods of promotional activity, in most cases, are less than one month and the invoicing for the activity occurs on a regular basis shortly after the promotions have ended.

Volume-related rebates

At the reporting date the Group is required to estimate supplier income due from annual agreements for volume-related rebates that cross the reporting date. Estimates are required since confirmation of some amounts due is often only received three to six months after the reporting date. Where estimates are required, these are based on current performance, historical data for prior periods and a review of significant supplier contracts.

Uncollected commercial income

Uncollected commercial income at the reporting date is recognised within trade and other receivables. Where commercial income has been earned, but not invoiced at the reporting date, the amount is recorded in accrued income.

Distribution costs

Distribution costs consist of all the costs incurred, excluding product costs, to the point of sale. In most cases, this is the customer's home. This includes the payroll-related expenses for the picking, dispatch and delivery of products sold to the point of sale, the cost of making those deliveries, including fuel, tolls, maintenance of vehicles, the operating costs of the properties required for the picking, dispatch and onward delivery operations and all associated depreciation, amortisation and impairment charges, call centre costs and payment processing charges. These include costs incurred on behalf of Wm Morrisons Supermarkets plc ("Morrisons") which are subsequently recharged.

Administrative expenses

Administrative expenses consist of all IT costs, advertising and marketing expenditure (excluding vouchers), share-based payment costs, employment costs of all central functions, which include board, legal, finance, human resources, marketing and procurement, property-related costs for the head office, all fees for professional services, and the depreciation, amortisation and impairment associated with IT equipment, software, fixtures and fittings. These include costs incurred on behalf of Morrisons which are subsequently recharged.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.4 Operating expenses continued
Operating expenses include:

	Notes	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Cost of inventories recognised as an expense*		**1,671.4**	1,496.3
Employment costs	2.5	**644.2**	502.0
Amortisation of intangible assets	3.2	**78.0**	49.0
Impairment of intangible assets	3.2	**1.1**	3.3
Depreciation of property, plant and equipment	3.3	**84.4**	57.2
Derecognition of previously capitalised SaaS costs	3.3	**13.3**	8.3
Impairment of property, plant and equipment	3.3	**9.3**	2.1
Impairment of property, plant and equipment – Erith assets	3.3	**2.1**	–
Depreciation of right-of-use assets	3.4	**65.6**	57.3
Increase in provision for impairment of receivables	4.8	**2.4**	0.4
Research and development costs		**–**	0.1
Lease rentals on short-term leases and low-value items			
– Land and buildings	4.2	**0.3**	0.2
– Plant, machinery, fixtures, fittings and motor vehicles	4.2	**0.1**	0.1
Net foreign exchange loss		**0.9**	4.4

* This amount is included within cost of sales.

During the period, the Group paid the following to its auditor:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**1.7**	1.2
Total audit fees	**1.8**	1.3
Audit-related assurance services		
– ISRE 2410 services	**0.2**	0.2
– Specified audit procedures	**0.4**	0.4
Other assurance services		
– Reporting accountant services	**0.3**	–
– Agreed-upon assurance services	**–**	0.4
Total non-audit fees	**0.9**	1.0
Total fees	**2.7**	2.3

2.5 Employee information
Accounting policies
The Group contributes to the personal pension plans of its employees through Group Personal Pension Plans administered by Legal & General. Legacy employer's contributions to the plans are calculated as a percentage of salary based on length of scheme membership. Since October 2017, new members to the plans have been enrolled through a matching contribution structure. Contributions are charged to the Consolidated Income Statement in the period to which they relate.

	Notes	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Wages and salaries		**666.3**	514.1
Social security costs		**61.1**	46.9
Pension costs		**19.0**	16.0
Share-based payment charge[1]		**41.8**	45.5
Gross employment costs		**788.2**	622.5
Staff costs capitalised as intangible assets	3.2	**(109.0)**	(89.6)
Staff costs capitalised as property, plant and equipment	3.3	**(35.0)**	(30.9)
Employment costs		**644.2**	502.0
Average monthly number of employees (including Executive Directors) by function			
Operational staff		**16,098**	13,747
Support staff		**4,034**	3,374
		20,132	17,121

1. Included in the share-based payment charge is an IFRS 2 "Share-based Payment" equity-settled charge of £35.5 million (2020: £22.4 million) and an additional provision of £6.3 million (2020: £23.1 million) for the payment of amounts due to participants in the Retail VCP, and for the payment of employer's National Insurance contributions on HMRC-unapproved employee incentive schemes.

2.6 Exceptional items*
Accounting policies
Exceptional items*, as disclosed on the face of the Consolidated Income Statement, are items that due to their material and/or non-recurring nature have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitates comparison with prior periods to assess trends in financial performance more readily. The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional.

	Notes	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Andover CFC			
– Insurance income		**78.6**	103.9
– Other costs		**(5.6)**	(4.0)
		73.0	99.9
Erith CFC			
– Insurance income		**2.0**	–
– Other costs		**(10.1)**	–
		(8.1)	–
Impairment of certain intangible assets associated with Software-as-a-service arrangements		**(13.3)**	(8.3)
Gain on disposal of Speciality Stores Limited ("Fetch")		**1.0**	–
Gain on disposal of investment in Infinite Acres Holding B.V.		**5.0**	–
Litigation settlement		**1.8**	–
Litigation costs		**(28.9)**	(2.7)
Change in fair value of contingent consideration receivable		**16.9**	7.4
Development of ORL IT systems		**(4.6)**	–
Net exceptional income		**42.8**	96.3

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.6 Exceptional items* continued

Andover CFC

In February 2019, a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

Insurance income

This mainly comprises reimbursement for the costs of rebuilding the CFC, and business interruption losses. Reimbursement has been recognised as other income. In FY20, a portion of reimbursement has been received and recognised as deferred income. This was released to profit or loss as the costs of rebuilding the CFC were incurred. Another portion has not yet been received but has been recognised as accrued income. This relates to reimbursement of spend on capital expenditure and will be received in FY 2022.

The Group expects to receive further insurance reimbursement relating to reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group has not recognised any future reimbursement related to business interruption losses since the likely insurance proceeds cannot yet be quantified accurately. Income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred.

Other exceptional costs

These include temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employees' destroyed personal assets, and redundancy costs.

Erith CFC

Insurance income

In July 2021, a fire destroyed part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurer.

The Group received a £2.0 million interim cash payment from the insurer.

Other exceptional costs

These include stock write-offs, customer goodwill refund, impairment of property, plant and equipment and labour costs.

Implementation of SaaS accounting guidance

During the 52 weeks ended 28 November 2021, the Group implemented various SaaS solutions across the business (the primary one being Oracle Cloud for our finance platform). Given the IFRIC agenda decision, the Group has chosen to update its accounting treatment and policy for IAS 38 Intangible Assets accordingly.

We have determined that £13.3 million of SaaS related costs (incurred and capitalised during the financial year) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale.

As a result of the Group's change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS-related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item.

Gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, ORL completed the sale of the entire share capital of Specialty Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings"), resulting in a gain on disposal of £1.0 million in the year.

Gain on disposal of investment in Infinite Acres Holding B.V.

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres' issued share capital, resulting in a gain on disposal of £5.0 million. 80 Acres was one of the three joint venture partners in Infinite Acres. The company builds and operates vertical farms. For more details on the investment in 80 Acres, see note 3.6.

Litigation costs and settlement

Litigation costs principally relate to patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). Litigation costs also include costs of legal proceedings brought by the Group against Jonathan Fairman, Jonathan Hiliary and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intelllectual property. These costs are considered to be material and one-off in nature and are therefore treated as exceptional items.

In June 2021, the proceeding against Jonathan Fairman, Jonathan Hilary and T0day were settled. The defendants gave commitments to Ocado and the Court to refrain from using Ocado confidential information, to destroy c.500 files under the supervision of an independent party, and made a payment of £1.75 million to the Group, in addition to the £0.4 million previously recovered from Mr. Hilary under the malus and clawback provisions of the Group's incentive scheme.

2.6 Exceptional items* continued

Litigation costs of £27.9 million have been incurred during the year in connection with the Autostore litigation, which have been recorded as an exceptional expense. Further updates are captured in note 3.13 Claims and litigation section below. Given the ongoing nature of this litigation, the outcome is currently uncertain and not quantifiable at this time, and so the Group has not recognised a contingent asset or liability in respect of the action.

Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next Holdings Limited, and 50.0% of Ocado Retail Limited to Marks and Spencer Holdings Limited ("M&S"). Part of the consideration agreed for these transactions was contingent on future events. The Group holds contingent consideration receivable as a financial asset at fair value through profit or loss, and revalues it at each reporting date. Accordingly, for the current financial year an exceptional credit of £16.9 million has been recorded (2020: £7.4 million). See note 3.6 for more information.

Development of ORL IT systems

This relates to the costs incurred in respect of one-off development and introduction of ORL IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its value.

Tax impact on exceptional items

The change in fair value of contingent consideration receivable, the gain on disposal of Infinite Acres and the gain on disposal of Speciality Stores are not subject to tax. The remaining exceptional items are taxable or tax deductible. A tax charge of £0.5 million (2020: £7.6 million) has been recognised. A tax charge of £3.7 million (2020: £12.1 million) has not been recognised as the related tax losses arising are not recognised.

2.7 Income tax

Accounting policies

The tax charge for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement.

Deferred tax

Deferred tax is recognised using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The recognition of deferred tax assets is supported by management's forecast of the future profitability of the relevant countries. Significant judgement is used when assessing the extent to which deferred tax assets should be recognised, and the final outcome of some of these judgements may give rise to material profit and loss and/or cash flow variances. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Factors that may affect future tax charges

Factors that may affect future tax charges include the level and mix of profitability in different countries, changes in tax legislation and tax rates and transfer pricing regulations.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

2.7 Income tax continued

Income tax – Consolidated Income Statement

	52 weeks ended 28 November 2021 £m United Kingdom	52 weeks ended 28 November 2021 £m Rest of world	52 weeks ended 28 November 2021 £m Total	52 weeks ended 29 November 2020 £m United Kingdom	52 weeks ended 29 November 2020 £m Rest of world	52 weeks ended 29 November 2020 £m Total
Current tax						
Current year	7.8	0.7	8.5	18.3	0.7	19.0
Adjustment in respect of prior years	(0.1)	–	(0.1)	–	–	–
Total current tax	7.7	0.7	8.4	18.3	0.7	19.0
Deferred tax						
Origination and reversal of temporary differences	8.8	(10.2)	(1.4)	7.7	0.1	7.8
Effect of change in tax rate	1.6	–	1.6	(1.2)	–	(1.2)
Adjustments in respect of prior years	0.2	–	0.2	–	–	
Total deferred tax	10.6	(10.2)	0.4	6.5	0.1	6.6
Total tax charge/(credit)	18.3	(9.5)	8.8	24.8	0.8	25.6

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated) million
Loss before tax	(176.9)	(52.3)
Effective tax credit at United Kingdom tax rate of 19.0% (2020: 19.0%)	(33.6)	(9.9)
Effect of:		
Joint Venture and associate income reported net of tax	0.5	–
Losses arising in period on which no deferred tax is recognised	44.7	38.1
Permanent differences	(8.3)	(5.8)
UK rate change	1.6	–
Differences in overseas tax rates	(2.9)	(0.8)
Temporary differences on which no deferred tax is recognised	20.8	4.0
Recognised tax losses from prior period	(14.2)	–
Adjustments in respect of prior periods	0.2	–
Income tax charge	8.8	25.6

The adjustments in respect of prior periods arise from revising the prior period's tax provision to reflect the tax returns subsequently filed.

2.7 Income tax continued

Income tax – Consolidated Balance Sheet

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated) million
Deferred tax assets	7.2	4.3
Deferred tax liabilities	(24.4)	–
Net deferred tax (liability)/asset	(17.2)	4.3

The movement in deferred tax assets and liabilities is as follows:

	Tax losses carried forward £m	Accelerated capital allowances £m	Intangibles £m	Share-based payments £m	Other short-term timing differences £m	Total £m
Balance at 1 December 2019	22.5	4.7	(16.3)	–	–	10.9
Effect of change in rate of United Kingdom Corporation Tax	2.6	0.5	(1.9)	–	–	1.2
Amount (charged)/credited to Consolidated Income Statement	(23.0)	7.3	(1.1)	7.9	1.1	(7.8)
Balance at 29 December 2020	2.1	12.5	(19.3)	7.9	1.1	4.3
Foreign exchange movements	0.6	(0.4)	–	–	–	0.2
Effect of change in rate of United Kingdom Corporation Tax	0.6	1.8	(7.2)	2.8	0.3	(1.6)
Amount credited/(charged) to Consolidated Income Statement	27.2	(11.9)	(2.4)	(5.0)	(6.6)	1.2
Amount credited/(charged) to equity	–	–	–	0.5	–	0.5
Acquisitions/Disposals	–	–	(21.8)	–	–	(21.8)
Balance at 28 November 2021	30.5	2.0	(50.7)	6.2	(5.2)	(17.2)

Other short-term timing differences include temporary differences in respect of provisions.

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2.7 Income tax continued

At the reporting date, the Group had approximately £677.7 million of unutilised tax losses (2020: approximately £407.4 million) available to offset against future profits. Deferred tax assets of £30.5 million (2020: £2.1 million) have been recognised in respect of £119.7 million (2020: £11.0 million) of such losses, the recovery of which is supported by the expected level of future profits of the Group. The recognition of the deferred tax assets is based on forecast operating results calculated in approved business plans and a review of tax planning opportunities.

In addition the Group had approximately £352.8 million (2020: £220.5 million) of other gross deductible temporary differences for which no deferred tax asset is recognised.

No deferred tax asset has been recognised in respect of the remaining losses on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. With the exception of £33.7 million which expire in 2041, all tax losses, both recognised and unrecognised, can be carried forward indefinitely

Management has concluded that there is sufficient evidence for the recognition of the deferred tax assets of £7.2 million (2020: £4.3 million).

The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided is not material.

Deferred tax assets of £6.2 million (2020: £4.3 million) have been recognised in countries that reported a tax loss in either the current or preceding year. The majority arises overseas (2020: the majority arose in the UK).

2.8 Loss per share

The basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme ("JSOS") and linked jointly owned equity ("JOE") awards under the Value Creation Plan ("VCP"), which are accounted for as treasury shares.

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all potentially dilutive shares. The Company has five classes of instruments that are potentially dilutive: share options; share interests held pursuant to the Group's JSOS; linked JOE awards under the VCP; and shares under the Group's staff incentive plans and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of the basic and diluted loss per share since the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	52 weeks ended 28 November 2021 million	52 weeks ended 29 November 2020 (restated) million
Weighted average number of shares at end of period	**739.5**	718.0
	£m	£m
Loss attributable to owners of the Company	**(223.2)**	(134.3)
	pence	pence
Basic and diluted loss per share	**(30.18)**	(18.70)

Section 3 – Assets and liabilities

3.1 Business combinations

Accounting policies

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the date the Group assumes control of the acquiree.

Acquisition-related costs are recognised in the Consolidated Income Statement as incurred and are included in administrative expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from agreed contingent consideration measured at fair value at the date control is achieved. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Goodwill generated from acquisition is allocated to, and monitored at CGU level - which is the same as our operating segments. Hence goodwill will be tested for impairment in future periods at this level.

Business combinations

Kindred Systems Inc.

On 15 December 2020, the Group acquired 100% of the issued share capital of Kindred Systems Inc. ("Kindred Systems"), a company incorporated in Canada with its principal operations in the US that designs, supplies and services sophisticated piece-picking robots for e-commerce and order fulfilment. The total net consideration (after completion adjustments) was US$ 251.8 million (£189.0 million). This represented goodwill of £135.7 million, intangibles acquired of £65.7 million and net liabilities of £12.2 million. Goodwill represents the future benefit of new technology, combined talent, and future cost saving synergies.

The acquisition of Kindred, an advanced AI-powered robotics company that designs, supplies and services sophisticated piece-picking robots for e-commerce and order fulfilment will enhance the Group's robotic manipulation capabilities. Kindred's robotic picking solution has a proven track record within the general merchandise and logistics sectors. Robotics solutions represents a large and fast-growing new segment for the Group, and management are confident that the synergy of this acquisition and integration of both technologies will increase operational efficiencies, reduce costs, and put the Group in the fore-front of robotic solutions technology.

Haddington Dynamics Inc.

On 21 December 2020, the Group acquired 100% of the issued share capital of Haddington Dynamics Inc. ("Haddington Dynamics"), an advanced research and development company incorporated in the US which specialises in the design and manufacture of highly dextrous, lightweight, low-cost robotic arms. The total net consideration (after completion adjustments) was US$ 14.9 million (£11.0 million). This represented goodwill of £4.4 million, intangibles acquired of £9.0 million and net liabilities of £2.3 million. Goodwill represents the future benefit of new technology, combined talent, and future cost saving synergies.

The allocation of goodwill as a proportion of the total intangible assets has been benchmarked against comparable transactions in the sector. Both Kindred Systems and Haddington Dynamics were within the average range identified from comparable transactions (56% for Haddington after adjusting for deferred consideration, and 67% for Kindred, against a comparable range of 52–74%).

Kindred Systems and Haddington Dynamics together contributed an EBITDA loss from trading of £8.5 million for the period ended 28 November 2021. Non-trading losses of £6.7 million in the period have been presented in the 'Other' segment. The acquisitions of Kindred Systems and Haddington Dynamics, is expected to accelerate the development of the Group's robotic picking solutions, improving their speed, accuracy, product range and economics.

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3.1 Business combinations continued

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of Kindred Systems and Haddington Dynamics as at the dates of acquisitions were:

	Kindred Systems Inc £m	Haddington Dynamics Inc £m	Total fair value on acquisition £m
Assets			
Fixed assets	9.1	–	9.1
Cash and cash equivalents	2.2	–	2.2
Investments	0.9	–	0.9
Working capital	2.7	0.1	2.8
Intangible assets	65.7	9.0	74.7
	80.6	**9.1**	**89.7**
Liabilities			
Trade and other payables	(7.2)	(0.5)	(7.7)
Deferred tax liabilities	(19.9)	(1.9)	(21.8)
	(27.1)	**(2.4)**	**(29.5)**
Total identifiable net assets at fair value	**53.5**	**6.7**	**60.2**
Consideration transferred	189.0	11.0	200.0
Less fair value of identifiable net assets	(53.5)	(6.7)	(60.2)
Retranslation adjustment	0.2	0.1	0.3
Goodwill	**135.7**	**4.4**	**140.1**

Consideration

The total carrying value of the acquired assets recognised on the balance sheet is £200.0 million. £139.4 million of the total consideration is allocated to goodwill with £74.7 million allocated to intangibles (mainly technology).

Deferred Consideration and Replacement Share Awards

£2.6 million of Deferred Cash Consideration is payable to key members of the Kindred Systems management team. After applying a leaver assumption, £2.1 million will be treated as an employment cost under IAS 19 Employee Benefits through the post-acquisition Income Statement through the 'Other' segment, given the nature of the balance as effectively being part of the headline price paid. The resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £1.3 million.

In addition, £7.9 million of Rollover Options (Replacement Share Awards) were awarded to key management personnel of Kindred Systems as part of the acquisition transactions. After applying a leaver assumption, the net award is £6.3 million: £1.9 million is allocated as part of the consideration transferred under IFRS 3 (Business Combinations). The remaining £4.4 million is spread over the vesting period of the award as additional employment compensation under IFRS 2 (Share Based Payments) and will therefore be treated as an employment cost through the post-acquisition Income Statement through the 'Other' segment – the resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £2.0 million.

For Haddington Dynamics, £6.9 million of deferred shares were awarded to key management personnel as part of the transaction. After applying a leaver assumption, £5.7 million will be spread over employees' service periods as additional employment compensation under IFRS 2 (Share Based Payments) and will therefore be treated as an employment cost under IFRS 2 (Share Based Payments) through the post-acquisition Income Statement through the 'Other' segment over a three year period – the resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £3.4 million.

A total of £6.7 million has therefore been charged to the post acquisition Income Statement through the 'Other' segment for the 52 weeks ended 28 November 2021, representing the deferred cash consideration and replacement share awards for Kindred Systems and the deferred shares for Haddington Dynamics.

There are a number of adjustments between the total IFRS 3 consideration figure of £200.0 million and cash paid on acquisition of £189.7 million, comprising the non-cash elements of consideration (in respect of the Kindred Systems Rollover Options and part payment of the Haddington Dynamics consideration in shares), together with £2.2 million cash and cash equivalents acquired within the subsidiaries. Se note 3.2 below.

None of the total goodwill which arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. is deductible for tax purposes. The carrying value of goodwill on acquisition has been assessed at the CGU level, per note 3.2 below.

3.1 Business combinations continued

We have also performed a review for indicators of impairment with regard to the acquisitions, as part of the Group's post acquisition integration activities. As noted in the Group's Strategic Review, the growth in revenue at Kindred Systems has been slower than assumed in the original acquisition case. However, the assessment of indicators of impairment carried out at year end includes the latest view of the contract pipeline and concluded that there is sufficient value in the application of Kindred Systems' and Haddington Dynamic's technology and capabilities (for example from robotic pick enhancements for the Group) to offset any short term reduction in expectations for trading performance. We therefore concluded that no impairment was required as a result of the change in revenue growth expectation versus the acquisition case.

3.2 Goodwill and other intangible assets

Accounting policies

Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration exceeds the fair value attributed to the net assets acquired (including contingent liabilities). It is subject to annual impairment reviews. Acquisition related costs are charged to the Income Statement as incurred. Goodwill generated from the acquisition is allocated to, and monitored, at the CGU level- which is the same as our reporting segments. Hence goodwill will be tested for impairment in future periods at this level.

Impairment is recognised where there is a difference between carrying value of the cash-generating unit and the estimated recoverable amount of the cash-generating unit to which that goodwill has been allocated. Impairment is recognised immediately in the income statement and is not subsequently reversed. Impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the cash-generating unit. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value-in-use at the date the impairment review is undertaken. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Following initial recognition, goodwill is stated at costs less any accumulated impairment losses. Goodwill is reviewed annually for impairment and the recoverability of goodwill assessed by comparing the carrying amount of the cash generating units with the expected recoverable amount. In each assessment, the recoverable amount has been calculated based on five year plan projections for Retails and UK Solutions & Logistics, and ten year plan projections for International Solutions. The projections which incorporate our best estimates of future cash flows and take into account future growths and price increases have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Other intangibles are amortised using the straight line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific assets, but are typically:

Internally-generated intangible assets	3 – 15 years
Other intangible assets	3 – 15 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Cost capitalisation

The cost of an internally-generated intangible asset is capitalised as an intangible asset where Management determines that the ability to develop the asset is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. This is in line with the recognition criteria outlined in IAS 38. Management determines whether the nature of the projects meets the recognition criteria to allow for the capitalisation of internal costs, which include the total cost of any external products or services and labour costs directly attributable to development. During the period, Management has considered whether costs in relation to the time spent on specific software projects can be capitalised. Time spent that was eligible for capitalisation included time which was intrinsic to the development of new assets, CFCs and General Merchandise Distribution Centres, and the enhancement and efficiency improvements of existing warehouse system capabilities to accommodate expanding capacity and scalable opportunities. Time has also been spent on the ongoing implementation and integration of the functionality of the OSP used by the Group's customers.

Other development costs that do not meet the above criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are never capitalised in subsequent periods.

Research costs are recognised as expenses as incurred. These are costs that contribute to gaining new knowledge, which Management assesses as not satisfying the capitalisation criteria of IAS 38 as outlined above. Examples of research costs include, but are not limited to, the following: salaries and benefits of employees assessing and analysing future technologies and their likely viability, and professional fees such as marketing costs and the cost of third-party consultancy.

In certain circumstances, some assets are ready for use, but are not performing as intended by Management. Development costs that relate to the enhancement or modifications of existing assets are capitalised until the asset is performing as intended by Management. Management assesses the capitalisation of these costs by consulting the guidance outlined in IAS 38, and exercises judgement in determining the qualifying costs. When unsure if the enhancement or modification costs relate to the development of the asset or to its maintenance, Management treats the costs as if incurred in the research phase only in line with the guidance in IAS 38.

Internally-generated intangible assets consist primarily of costs relating to intangible assets which provide economic benefit independent of other assets, and intangible assets that are utilised in the operation of property, plant and equipment.

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3.2 Goodwill and other intangible assets continued

These intangible assets are required for certain tangible assets to operate as intended by Management. Management assesses each material addition of an internally-generated intangible asset and considers whether it is integral to the successful operation of a related item of hardware, can be used across a number of applications and, therefore, whether the asset should be recognised as an intangible asset. If the asset could be used on other existing or future projects it will be recognised as an intangible asset. For example, should an internally-generated intangible asset, such as the software code to enhance the operation of existing equipment in a CFC, be expected to form the foundation or a substantial element of future software development, it has been recognised as an intangible asset.

Estimation of useful life

The periodic amortisation charge is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced amortisation charge in the Consolidated Income Statement.

The useful life is determined by Management at the time software is acquired and brought into use, and is reviewed for appropriateness regularly. For computer software licences, the useful life represents Management's view of the expected period over which the Group will receive benefits from the software.

For unique software products developed and controlled by the Group, useful life is based on historical experience with similar products as well as anticipation of future events which may affect their useful life, such as changes in technology.

Where the right to use land has been granted, amortisation is charged over the period until the right expires.

Impairment of non-financial assets (including plant, property and equipment (note 3.3))

Those non-financial assets which do not have indefinite useful lives are subject to an annual amortisation or depreciation charge. These assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. Management makes an assessment based on the current usage level and condition of an asset and assesses whether the asset will continue to stay in use for the remainder of its useful life. Those non-financial assets which do have indefinite useful lives are reviewed for impairment at least once a year.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately-identifiable cash flows (cash-generating units ("CGUs")). Given the Group's current operating structure, separately-identifiable cash flows are only available for operating segments.

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period. When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment charge been recognised for the asset in prior periods. A reversal of an impairment charge is recognised immediately as income.

	Goodwill £m
Cost	
At 1 December 2019	4.7
At 29 November 2020	4.7
Additions	**139.8**
Effect of changes in foreign exchange rates	**0.3**
At 28 November 2021	**144.8**
Accumulated amortisation	
At 1 December 2019	–
Charge for the period	–
At 29 November 2020	–
Charge for the period	**–**
At 28 November 2021	**–**
Net book value	
At 29 November 2020	4.7
At 28 November 2021	**144.8**

Goodwill relates to the acquisitions of Jones Food Company Limited ("Jones Food Company"), Kindred Systems Inc., and Haddington Dynamics Inc. For the purpose of annual impairment testing, it has been allocated to the UK Solutions & Logistics and International Solutions segment. Management has calculated the recoverable amount of the Group's investments as their fair values less costs to sell. It has also reconsidered factors such as the skills and expertise of the workforce and expectations of future growth, and at the time of writing there are no indicators to suggest that the goodwill has been impaired.

3.2 Goodwill and other intangible assets continued

Goodwill

Impairment testing

The Group tests Cash Generating Units ("CGUs") at least annually for impairment, or more frequently if there are indications that goodwill might be impaired. In accordance with IAS 36 - Impairment of Assets, indicators for impairment are assessed at the lowest level for which there are separately identifiable cash flows and are monitored at the CGU level which reflect the way management exercises oversight and monitors the Group's performance.

The fair value measurement was categorised at Level 3 in the fair value hierarchy according to IFRS 13 Fair Value Measurement.

Given the Group's current operating structure, separately-identifiable cash flows are only available for operating segments. CGUs are grouped into the operating reporting segments – Retail, UK Solutions & Logistics and International Solutions.

Goodwill acquired through business combinations is allocated to CGUs that are expected to benefit from the synergies of the combination. The recoverable amounts of these CGUs are the higher of fair value less costs to dispose ("FVLCD") and value-in-use. Management concluded that FVLCD was more appropriate for valuing the Group because the Group's cash flow is mainly based on future growth expectation from CFC commitments/expected capital investments.

FVLCD has been estimated using discounted cash flows. In undertaking the annual impairment review, the directors considered both external and internal sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. This included comparison to the Group's market capitalisation.

Goodwill has been allocated to two of our CGUs. The long-term growth rates applied to cash flows after 2026 for UK Solutions & Logistics and after 2031 for International Solutions, and the rates used to discount the projected cash flows for these CGUs are shown in the table below:

Cash generating unit	Goodwill carrying value 2021 £m	Long-term growth rate 2021 %	Discount rate (Post-tax) 2021 %
Retail	–	2.0	6.6
UK Solutions & Logistics	40.8	2.0	7.2
International Solutions	104.0	2.0	7.2

Goodwill arising on the recently acquired Kindred Solutions and Haddington Dynamics businesses has been included UK Solutions & Logistics and International Solutions as the synergies arising on the acquisition are expected to benefit these CGUs.

Growth rates are determined by a combination of Management's budget and forecasts based on revenue and operating profit assumptions for the first five years for UK Solutions & Logistics and ten years for International Solutions, together with a further estimate of cash flows into perpetuity using GDP growth rates based on longer term cash flow models. The cash flows are discounted using a post-tax Weighted Average Cost of Capital ("WACC") which reflects current market assessments of the time value of money and the risks specific to the cash generating units, including risk premiums. A future economic growth rate of 2% has been used to extrapolate projections beyond five years for UK Solutions & Logistics and beyond ten years for International Solutions.

Future cash flows reflect Management's expectation of revenue and operating profit taking into account the timing of economic and industry specific information and outlook.

Expected future cash flows are uncertain, subject to change and are affected by a multiple variables including estimates and the roll out of CFCs, changes in customers' plans, confidence in technology, prices, discount rates, currency exchange rates and climate change. The Group conducted sensitivity analysis on the key assumptions applied to the FVLCD calculations for the CGUs. This analysis included a significant reduction in forecast cash flows and long-term growth rates, and an increase in the discount rate.

In order to gauge the sensitivity of the result of a change in any one or a combination of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonable possible alternatives and measures which CGUs are the most susceptible to an impairment should the assumptions used be varied. The Group performed this assessment across all assets, including goodwill and other intangible assets across all of its CGUs, and concluded there was significant headroom, and therefore no impairment was required at the CGU level.

Management have considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities include applying increases in the discount rate by 1% and reductions in the long term growth rate to 0%. Under these severe scenarios, the estimated recoverable amount of goodwill still exceeds the carrying value. The sensitivity analysis shows that no reasonable possible change in assumptions would lead to an impairment.

Based on current available information the Directors do not consider there are any reasonably possible sensitivities that could arise in the next 12 months that would result in a material impairment charge being recognised. The Directors have concluded that no impairment charge is required in 2021.

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3.2 Goodwill and other intangible assets continued

Carrying amount of goodwill as at 28 November 2021 is as follows:

	Kindred Systems Inc. £m	Haddington Dynamics Inc. £m	Jones Food Company Ltd £m	Total Fair Value £m
Balance as at 29 November 2020	–	–	4.7	4.7
Kindred Systems Inc. acquisition	**135.5**	**–**	**–**	**135.5**
Haddington Dynamics Inc. acquisition	**–**	**4.3**	**–**	**4.3**
	135.5	**4.3**	**–**	**139.8**
Retranslation adjustment	**0.2**	**0.1**	**–**	**0.3**
At 28 November 2021	**135.7**	**4.4**	**4.7**	**144.8**

As at 28 November 2021, the total goodwill which arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. on 15 December 2020 and 21 December 2020 respectively, was retranslated (IAS 21 "The Effects of Changes in Foreign Exchange Rates") to £140.1 million. None of the total goodwill which arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. is deductible for tax purposes.

Brought forward goodwill of £4.7 million arose on the acquisition of Jones Food Company Ltd on 7 June 2019.

Acquisition related costs

A total of £5.0 million acquisition related costs were incurred for the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.; £1.5 million of which has been recognised within administrative expenses in the Consolidated Income Statement for the 52 weeks ended 28 November 2021 (2020: £3.5 million).

Analysis of Cash Flow on Acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.

Analysis of cash flow on acquisition	Cash flow on acquisition £m
Consideration	(200.0)
Kindred Systems Inc. Rollover options (Replacement Shares Awards)	1.9
Haddington Dynamics Inc. consideration payable in shares	6.2
Cash acquired with subsidiary (included in cash flows from investing activities)	2.2
Net cash flow on acquisition	(189.7)

3.2 Goodwill and other intangible assets continued

Other intangible assets

	Internally-generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 1 December 2019*	278.3	48.3	326.6
Additions	–	17.4	17.4
Internal development costs capitalised	89.6	–	89.6
Reversal of previously capitalised SaaS costs*	(8.3)	–	(8.3)
Disposals	(2.1)	(1.8)	(3.9)
At 29 November 2020	357.5	63.9	421.4
Additions	**7.6**	**14.8**	**22.4**
Internal development costs capitalised	**95.6**	**–**	**95.6**
Acquired on purchase of Kindred Systems Inc. and Haddington Dynamics Inc.	**64.6**	**10.1**	**74.7**
Disposals**	**(73.6)**	**(10.0)**	**(83.6)**
Effect of changes in foreign exchange rates	**0.4**	**–**	**0.4**
At 28 November 2021	**452.1**	**78.8**	**530.9**
Accumulated amortisation			
At 1 December 2019	(124.4)	(16.4)	(140.8)
Charge for the period	(40.7)	(8.3)	(49.0)
Impairment charge	(1.7)	(1.6)	(3.3)
Disposals	1.2	1.7	2.9
At 29 November 2020 – restated	(165.6)	(24.6)	(190.2)
Charge for the period	**(63.4)**	**(14.6)**	**(78.0)**
Impairment charge	**–**	**(1.1)**	**(1.1)**
Disposals	**73.6**	**10.0**	**83.6**
At 28 November 2021	**(155.4)**	**(30.3)**	**(185.7)**
Net book value			
At 29 November 2020 - restated	191.9	39.3	231.2
At 28 November 2021	**296.7**	**48.5**	**345.2**

* The application of the new guidance on Software as a Service accounting (in respect of IAS 38 Intangible Assets) resulted in the derecognition of previously capitalised costs to be expensed. The prior period has been restated to derecognise £8.3 million of previously capitalised costs.

**Prior to the migration to the new accounting system, a review of the fixed asset register was undertaken. Following the review, certain fully depreciated assets have been identified that are no longer in use, hence, the costs and the corresponding accumulated depreciation have been derecognised accordingly. There is no impact on the balance sheet as the NBV of these assets is nil.

Included within intangible assets is capital work-in-progress for internally generated intangible assets of £39.7 million (2020: £31.2 million) and £6.2 million (2020: £3.9 million) for other intangible assets.

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For the 52 weeks ended 28 November 2021

3.3 Property, plant and equipment

Accounting policies

Property, plant and equipment (excluding land) are stated at cost, less accumulated depreciation and any recognised impairment charge. Cost includes the original purchase price of the asset, any costs attributable to bringing the asset to its working condition for its intended use, and major spares. An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

At the reporting date, property, plant and equipment made up 28.7% (2020: 19.6%) of the total asset base of the Group. The estimates and assumptions made to determine the carrying value of property, plant and equipment and related depreciation are important to the Group's financial position and performance. Management assesses the estimates and assumptions based on available external information and historical experience.

In determining the cost of property, plant and equipment, certain costs that relate to the intangible element of an asset are separately disclosed within intangible assets (see note 3.2.) Management exercises judgement in reviewing each material addition of an asset and considers whether the intangible asset element can be used for other property, plant and equipment additions in the current or future periods. The OSP has been identified as a standalone intangible asset, because it has been developed and used to deliver the Group's latest CFCs, and will be used to provide part of the foundation software for future CFCs. Similarly, the restructuring of the software which manages CFC operations to increase modularity has been identified as a separate asset because it will improve software stability for CFCs.

Depreciation on an item of property, plant and equipment is calculated on a straight-line basis from the date on which the item is brought into use, is charged to distribution costs or administrative expenses depending on the nature of the item, and is calculated based on the useful lives indicated below:

Freehold buildings	30 years
Fixtures and fittings	5 – 10 years
Plant and machinery	3 – 20 years
Motor vehicles	2 – 7 years

Land is held at cost and not depreciated.

Assets in the course of construction are held at cost, less any recognised impairment charge. Cost includes professional fees and other directly-attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other assets.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount, and are recognised within operating profit.

For more information on the Group's Policy on capitalising borrowing costs, see note 4.1.

Estimation of useful life

Depreciation is provided at rates estimated to write off the cost of the relevant assets, less their estimated residual values, by equal annual amounts over their expected useful lives. Residual values and expected useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The charge in respect of periodic depreciation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Income Statement. The useful lives of the Group's assets are determined by Management at the time the assets are acquired, and reviewed at least once a year for appropriateness.

Management also assesses the useful lives based on historical experience with similar assets, as well as anticipation of future events which may affect their useful lives, such as changes in technology. A review of useful lives took place during the period, and no change in useful lives was required.

3.3 Property, plant and equipment continued

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 1 December 2019	67.3	569.3	11.0	647.6
Additions	22.5	320.7	–	343.2
Internal development costs capitalised	–	30.9	–	30.9
Disposals	–	(1.2)	–	(1.2)
Effect of changes in foreign exchange rates	–	1.0	–	1.0
At 29 November 2020	89.8	920.7	11.0	1,021.5
Additions	**32.8**	**489.9**	**0.1**	**522.8**
Internal development costs capitalised	**–**	**35.0**	**–**	**35.0**
Acquired on purchase of Kindred Systems Inc. and Haddington Dynamics Inc.	**–**	**9.1**	**–**	**9.1**
Disposals	**–**	**(24.7)**	**(2.3)**	**(27.0)**
Effect of changes in foreign exchange rates	**–**	**1.9**	**–**	**1.9**
At 28 November 2021	**122.6**	**1,431.9**	**8.8**	**1,563.3**
Accumulated depreciation				
At 1 December 2019	(4.8)	(165.9)	(8.3)	(179.0)
Charge for the period	(2.4)	(54.0)	(0.8)	(57.2)
Impairment charge	(0.1)	(2.0)	–	(2.1)
Disposals	–	1.8	–	1.8
At 29 November 2020	(7.3)	(220.1)	(9.1)	(236.5)
Charge for the period	**(2.2)**	**(81.0)**	**(1.2)**	**(84.4)**
Impairment charge	**–**	**(9.3)**	**–**	**(9.3)**
Impairment of Erith assets	**–**	**(2.1)**	**–**	**(2.1)**
Disposals	**–**	**24.5**	**2.3**	**26.8**
At 28 November 2021	**(9.5)**	**(288.0)**	**(8.0)**	**(305.5)**
Net book value				
At 29 November 2020	82.5	700.6	1.9	785.0
At 28 November 2021	**113.1**	**1,143.9**	**0.8**	**1,257.8**

* Prior to the migration to the new accounting system, a review of the fixed asset register was undertaken. Following the review, certain fully depreciated assets have been identified that are no longer in use, hence, the costs and the corresponding accumulated depreciation have been derecognised accordingly There is no impact on the balance sheet as the NBV of those assets are nil.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £24.4 million (2020: £28.0 million) and £412.0 million (£276.1 million) for fixtures, fitting, plant and machinery.

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3.4 Right-of-use assets

Accounting policies

Right-of-use assets are measured at cost, which is the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the assets at the ends of the leases, less any lease incentives received.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The Group also assesses the right-of-use assets for impairment when such indicators exist.

The right-of-use assets are included in a separate line within non-current assets on the Consolidated Balance Sheet.

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 1 December 2019*	301.1	213.9	63.2	578.2
Additions	53.2	0.2	20.1	73.5
Disposals	(0.2)	(0.3)	(3.4)	(3.9)
At 29 November 2020	354.1	213.8	79.9	647.8
Additions	**152.0**	**–**	**30.8**	**182.8**
Disposals	**(35.0)**	**(76.1)**	**(5.7)**	**(116.8)**
At 28 November 2021	**471.1**	**137.7**	**105.0**	**713.8**
Accumulated depreciation				
At 1 December 2019*	(33.9)	(158.6)	(16.9)	(209.4)
Charge for the period	(24.5)	(15.2)	(17.6)	(57.3)
Disposals	0.2	0.3	3.4	3.9
At 29 November 2020	(58.2)	(173.5)	(31.1)	(262.8)
Charge for the period	**(31.5)**	**(14.6)**	**(19.5)**	**(65.6)**
Disposals	**27.6**	**75.9**	**5.7**	**109.2**
At 28 November 2021	**(62.1)**	**(112.2)**	**(44.9)**	**(219.2)**
Net book value				
At 29 November 2020	295.9	40.3	48.8	385.0
At 28 November 2021	**409.0**	**25.5**	**60.1**	**494.6**

* Following a retrospective review of the Group`s lease arrangements and lease accounting, it was noted that the costs and accumulated depreciation of right-of-use assets as at 1 December 2019 were overstated by £36.3 million, respectively, with nil net impact on the net book value. These have been corrected in the brought forward balance for 2019.

3.5 Investment in joint venture and associate

Accounting policies

The Group has assessed the nature of its joint arrangement with MHE JVCo Limited under IFRS 11 "Joint Arrangements" and determined it to be a joint venture.

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement, and is accounted for using the equity method of accounting. Investments in joint ventures are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. On transfer of assets to joint ventures and associates, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

If the Group's share of losses of a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Investment in joint venture and associate

The Group holds a 50.0% interest in MHE JVCo Limited ("MHE JVCo"), a private company incorporated in England and Wales, with its registered address at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. MHE JVCo holds assets which it leases to the Group.

During the period, the Group disposed of its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres"), a private company incorporated in the Netherlands, with its registered address at Oude Delft 128, 2611 CG Delft, Netherlands. Infinite Acres designs and builds vertical farms. For more details on the disposal, see note 2.6.

The Group also holds a 26.3% interest in Karakuri Limited ("Karakuri"), a private company incorporated in England and Wales, with its registered address at 14 Amherst Avenue, London, England, W13 8NQ. Its principal place of business is Unit 2, Hammersmith Studios, 55a Yeldham Road, London, W6 8JF, United Kingdom. Karakuri develops and builds robots.

The carrying amounts of the investments at the beginning and end of the period can be reconciled as follows:

	MHE JVCo		Infinite Acres		Karakuri		Total	
	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m
Investment at beginning of period	**30.4**	37.6	**7.0**	8.2	**4.1**	4.6	**41.5**	50.4
Additional investment during period	**–**	–	**0.1**	–	**–**	–	**0.1**	–
Share of total comprehensive income/(expense) attributable to Group	**0.2**	0.5	**(1.9)**	(0.9)	**(0.6)**	(0.5)	**(2.3)**	(0.9)
Foreign exchange difference recognised in other comprehensive income	**0.1**	–	**–**	(0.3)	**–**	–	**0.1**	(0.3)
Dividend received	**(7.7)**	(7.7)	**–**	–	**–**	–	**(7.7)**	(7.7)
Disposal during period		–	**(5.2)**	–	**–**	–	**(5.2)**	–
Investment at end of period	**23.0**	30.4	**–**	7.0	**3.5**	4.1	**26.5**	41.5

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3.5 Investment in joint venture and associate continued

The tables below provide summarised financial information of the Group's joint ventures and associates. The information disclosed reconciles the amounts presented in the financial statements of the relevant joint ventures and associates with the Group's share of those amounts.

	MHE JVCo		Infinite Acres		Karakuri		Total	
	28 November 2021 £m	29 November 2020 £m	**28 November 2021 £m**	29 November 2020 £m	**28 November 2021 £m**	29 November 2020 £m	**28 November 2021 £m**	29 November 2020 £m
Non-current assets	**27.1**	43.3	**–**	2.9	**2.3**	0.3	**29.4**	46.5
Current assets								
– Cash and cash equivalents	**1.7**	1.6	**–**	3.3	**6.9**	9.8	**8.6**	14.7
– Other current assets	**18.3**	17.0	**–**	9.8	**0.2**	0.1	**18.5**	26.9
Current liabilities								
– Other current liabilities	**(1.0)**	(0.7)	**–**	(6.2)	**(0.2)**	(0.2)	**(1.2)**	(7.1)
Non-current liabilities								
– Non-current financial liabilities (excluding trade and other payables)	**–**	–	**–**	(9.0)	**(7.0)**	(6.3)	**(7.0)**	(15.3)
– Other non-current liabilities	**–**	–	**–**	(0.1)	**–**	–	**–**	(0.1)
Net assets	**46.1**	61.2	**–**	0.7	**2.2**	3.7	**48.3**	65.6
Share of net assets attributable to Group	**23.0**	30.6	**–**	0.2	**0.5**	0.8	**23.5**	31.6
Adjustment for specific allocation of assets to investors	**–**	(0.2)	**–**	–	**–**	–	**–**	(0.2)
Legal costs capitalised on acquisition	**–**	–	**–**	0.5	**0.1**	0.1	**0.1**	0.6
Implicit goodwill	**–**	–	**–**	6.3	**2.9**	3.2	**2.9**	9.5
Investment at end of period	**23.0**	30.4	**–**	7.0	**3.5**	4.1	**26.5**	41.5

	MHE JVCo		Infinite Acres*		Karakuri		Total	
	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m
Revenue	**–**	–	**2.9**	10.2	**0.1**	–	**3.0**	10.2
Cost of sales	**–**	–	**(4.6)**	(10.0)	**–**	–	**(4.6)**	(10.0)
Gross profit	**–**	–	**(1.7)**	0.2	**0.1**	–	**(1.6)**	0.2
Administrative expenses	**–**	0.7	**(2.9)**	(2.7)	**(2.4)**	(2.5)	**(5.3)**	(4.5)
Depreciation, amortisation and impairment charges	**(1.7)**	(1.8)	**(0.4)**	(0.4)	**(0.1)**	–	**(2.2)**	(2.2)
Interest income	**2.1**	3.0	**(0.2)**	0.5	**–**	–	**1.9**	3.5
Interest expense	**–**	–	**(0.4)**	(0.3)	**(0.2)**	–	**(0.6)**	(0.3)
Income tax expense	**–**	(0.8)	**–**	–	**0.3**	–	**0.3**	(0.8)
Profit/(loss) and total comprehensive income/(expense) for the period	**0.4**	1.1	**(5.6)**	(2.7)	**(2.3)**	(2.5)	**(7.5)**	(4.1)
Share of total comprehensive income/(expense) attributable to Group	**0.2**	0.5	**(1.9)**	(0.9)	**(0.6)**	(0.5)	**(2.3)**	(0.9)
Foreign exchange loss recognised in other comprehensive income	**0.1**	–	**–**	(0.3)	**–**	–	**0.1**	(0.3)
Dividend received	**7.7**	7.7	**–**	–	**–**	–	**7.7**	7.7

* The Group disposed of its holding in Infinite Acres on 28 October 2021. The results above represent the Group's share of results up until this date.

3.6 Other financial assets

Accounting policies

Other financial assets comprise treasury deposits with a maturity of more than three months at the date of acquisition, contingent consideration receivable, unlisted equity investments, loans receivable, and contributions towards dilapidations costs receivable.

Other treasury deposits are classified as other financial assets rather than cash and cash equivalents since they are not available to meet short-term cash commitments.

Where possible, unlisted equity investments have been designated as at fair value through other comprehensive income ("FVTOCI") because they represent strategic investments which the Group intends to hold indefinitely. They are held at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the investments; instead they will be transferred directly to retained earnings. Dividends on these investments are recognised as other income in profit or loss. All other unlisted equity investments are held at fair value through profit or loss ("FVTPL").

Loans receivable held at FVTPL were initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. They are held at fair value and revalued at each reporting date.

Loans receivable held at amortised cost were initially recognised at the fair value of the cash lent. Accrued interest is added to the carrying amount. They are held at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts.

	Note	**28 November 2021 £m**	29 November 2020 £m
Other treasury deposits		**–**	370.0
Contingent consideration receivable		**156.7**	173.6
Unlisted equity investments held at FVTOCI		**30.4**	12.0
Unlisted equity investment held at FVTPL		**1.0**	0.7
Loans receivable held at FVTPL	5.4	**10.9**	1.7
Loan receivable held at amortised cost	5.4	**12.1**	9.3
Contributions towards dilapidations costs receivable		**1.5**	1.5
Other financial assets		**212.6**	568.8
Disclosed as:			
Current		**1.2**	402.0
Non-current		**211.4**	166.8
		212.6	568.8

Other treasury deposits

Other treasury deposits are cash deposits with banks with a maturity of more than three months at the date of acquisition.

Contingent consideration receivable

Contingent consideration receivable comprises two amounts: £152.6 million (2020: £170.7 million) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019, and £4.1 million (2020: £2.9 million) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019.

The consideration due from M&S comprises one amount totalling £190.7 million in cash, which will become payable if Ocado Retail's adjusted EBITDA reaches a pre-agreed level for the 2023 financial year. Both the Group and M&S fully expect the whole amount to become payable.

The consideration due from Next is a percentage of the sales of Fabled for the period to July 2024. The total cash still receivable under the earn-out arrangement is estimated to be £5.1 million, payable in tranches in March and September each year.

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3.6 Other financial assets continued

Unlisted equity investments held at FVTOCI

Company	Principal activity	Country of incorporation	Registered address	% of share capital held 28 November 2021	% of share capital held 29 November 2020	Carrying amount 28 November 2021 £m	Carrying amount 29 November 2020 £m
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	4535 Este Avenue Cincinnati, OH 45232 United States	**2.5%**	–	**11.1**	–
Oxbotica Limited	Designing autonomous vehicle software	England and Wales	Oxbotica UHQ, 8050 Alec Issigonis Way, Oxford Business Park North, Oxford, Oxfordshire, England, OX4 2HW	**8.8%**	–	**10.3**	–
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	Paneltex House, Somerden Road, Hull, HU9 5PE	**25.0%**	25.0%	**6.1**	10.4
Inkbit Corporation	3D printing	United States of America	200 Boston Avenue, Suite 1875, Medford, MA 02155	**5.5%**	5.9%	**2.9**	1.6
Unlisted equity investments held at FVTOCI						**30.4**	12.0

The investment in Paneltex Limited has not been treated as an associate since the Group does not have significant influence over the company. In arriving at this decision, the Board has reviewed the conditions set out in IAS 28 "Investments in Associates and Joint Ventures" and concluded that despite the size of the Group's holding, it is unable to participate in the Financial and Operating Policy decisions of Paneltex due to the position of the majority shareholder as Executive Managing Director. The relationship between the Group and the company is at arm's length.

Unlisted equity investment held at FVTPL

The unlisted equity investment held at FVTPL, amounting to £1.0 million, is a 12.2% interest in Myrmex Inc., a private company incorporated in the United States of America.

Loans receivable held at FVTPL

Borrower	Principal amount	Coupon rate	Repayment due	Carrying amount 28 November 2021 £m	Carrying amount 29 November 2020 £m
Wayve Technologies Limited	£10.0 million	–	August 2024	**8.8**	–
Karakuri Limited	£1.7 million	8%	October 2023	**1.9**	1.7
Myrmex Inc.	€0.2 million	5%	July 2022	**0.2**	–
Loans receivable held at FVTPL				**10.9**	1.7

Loans receivable held at FVTPL include convertible loans to Karakuri Limited ("Karakuri"), Wayve Technologies Limited ("Wayve") and Myrmex Inc ("Myrmex"). Karakuri and Wayve are incorporated in England and Wales. Myrmex is incorporated in the United States.

The Group holds a 26.3% interest in Karakuri, made in October 2020. Interest is chargeable on the £1.7 million principal at 8.0% per annum. The principal and any unpaid accrued interest are convertible into preference shares of Karakuri at the option of the Group. Otherwise, the loan is repayable in full in October 2023 along with any unpaid interest. The fair value of the loan receivable at year end is £1.9 million. Karakuri also issued warrants to Ocado to subscribe for an additional 12,640 shares. The warrants have been valued at £1.9 million as at the year end and are recognised as derivative financial instruments (note 4.6). The warrants expire in April 2024.

The Group holds a 3% interest in Wayve, made in August 2021 following the Group's subscription for a convertible loan of £10.0 million. No interest is chargeable on the principal amount. The principal and any unpaid accrued interest are convertible into preference shares of Wayve at the option of the Group. Otherwise, the loan is repayable in full in August 2024. Wayve also issued a warrant to Ocado to subscribe for £10.0 million of the most senior class of shares, which expires four years after the loan is converted or redeemed. The subscription price is the same as the conversion price of the convertible loan. The warrants are recognised as derivative financial instruments (note 4.6).

In July 2021 the Group issued a senior unsecured convertible loan note of €0.2 million to Myrmex at 5.0% per annum. The principal and any unpaid accrued interest are convertible into preference shares of Myrmex at the option of the Group. Otherwise, the loan is repayable in full in July 2022 along with any unpaid interest.

3.6 Other financial assets continued

Loan receivable held at amortised cost

The loan receivable held at amortised cost is to Infinite Acres Holding B.V. ("Infinite Acres"), a company incorporated in the Netherlands in which the Group held a 33.3% interest. In October 2021 following the Group's divestment in Infinite Acres, 80 Acres Urban Agriculture, Inc. ("80 Acres") became a guarantor to the loan. Interest is chargeable on the $15.0 million principal at 5.0% per annum to December 2021, and 7.0% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Contributions towards dilapidations costs receivable

Contributions towards dilapidation costs are due from the former tenant of two properties whose leases the Group took over in 2017, and will be paid when the dilapidations costs are incurred on expiry of the leases.

3.7 Asset held for sale

Accounting policies

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Asset held for sale

The asset held for sale of £4.2 million (2020: £4.2 million) is a property in the United Kingdom, previously used in the Group's distribution network, which the Group is in the process of selling.

The Group remains committed to a sale, which it expects to complete within 12 months of the reporting date. Accordingly, the asset has continued to be classified as held for sale. The proceeds of the disposal are expected to exceed the carrying amount and, accordingly, no gain or loss was recognised on the classification of the property as held for sale.

3.8 Inventories

Accounting policies

Inventories comprise goods held for resale, fuel and other consumable goods. Inventories are valued at the lower of cost (using the first-in-first-out basis as provided in IAS 2 ("Inventories") and net realisable value. Goods held for resale and consumables are valued on the historical cost basis. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. It also takes into account slow-moving, obsolete and defective inventory. Fuel stocks are valued at calculated average cost. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. There has been no security granted over inventories unless stated otherwise.

The Group has a mixture of grocery and general merchandise items within inventory which have different characteristics. For example, grocery lines have high inventory turnover, while non-food lines are typically held within inventory for a longer period of time and so run a higher risk of obsolescence. As inventories are held at the lower of cost and net realisable value, this requires the estimation of the eventual sales price of goods to customers. Judgement is applied when estimating the effect on the carrying value of inventories, such as slow-moving, obsolete and defective inventory, which includes reviewing the quantity, age and condition of inventories throughout the period.

	28 November 2021 £m	29 November 2020 £m
Goods for resale	**81.8**	58.7
Consumables	**4.9**	2.9
Inventories	**86.7**	61.6

The provision for slow-moving, obsolete and defective stock has increased by £2.9 million from the prior period (2020: £0.6 million decrease) and the corresponding loss has been recognised in the Consolidated Income Statement.

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3.9 Trade and other receivables

Accounting policies

Trade receivables are not interest-bearing and are due on commercial terms. Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other receivables are also not interest-bearing and are recognised initially at their transaction price, and subsequently at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts.

Provision for impairment of trade receivables

The Group has elected to apply the IFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risks and ageing.

The expected loss rates are based on the Group's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For a reconciliation of the provisions at the end of the current and prior periods, see note 4.8.

	Note	**28 November 2021 £m**	29 November 2020 (restated[1]) £m
Gross trade receivables		**128.5**	107.1
Less: Provision for impairment of trade receivables	4.8	**(3.9)**	(2.6)
Trade receivables		**124.6**	104.5
Other receivables		**61.4**	35.6
Prepayments		**69.4**	34.1
Accrued income		**69.0**	30.6
Trade and other receivables		**324.4**	204.8
Disclosed as:			
Current		**323.9**	204.8
Non-current		**0.5**	–
		324.4	204.8

Included within trade receivables is a balance of £0.2 million (2020: £0.6 million) owed by MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest. £50.8 million (2020: £33.8 million) of trade receivables relates to contract balances outstanding for Solutions contracts. See note 2.1 for more detail.

Included in trade receivables is £50.9 million (2020: £56.3 million) due from suppliers in relation to commercial and media income. At 28 January 2022, £50.4 million had been received. Included in accrued income is £9.0 million to be invoiced to suppliers in relation to supplier-funded promotional activity (2020: £7.0 million), and £10.8 million to be invoiced to suppliers in relation to volume-related rebates (2020: £10.5 million). At 28 January 2022, £7.4 million of accrued income had been invoiced. Trade receivables and trade payables with the same supplier are presented separately until they reach their due dates, at which point they are presented on a net basis until settlement.

Also included in accrued income is £0.2 million (2020: £3.8 million) relating to the Group's right to consideration for work completed but not billed at the reporting date on Solutions contracts.

3.10 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise cash at bank and in hand, money market funds, and treasury deposits with banks with a maturity of three months or less at the date of acquisition. Cash at bank and in hand includes customers' credit card payments received within five working days where notification of a chargeback or reserve fund has not been received from the payment service provider at the reporting date. Cash and cash equivalents are classified as current assets on the Consolidated Balance Sheet. The carrying amount of these assets approximates to their fair value.

	28 November 2021 £m	29 November 2020 £m
Cash at bank and in hand	**362.1**	247.7
Money market funds	**596.5**	1,249.1
Short-term treasury deposits	**510.0**	210.0
Cash and cash equivalents	**1,468.6**	1,706.8

£1.8 million (2020: £2.5 million) of the Group's cash and cash equivalents is held by the Group's captive insurance company to maintain its solvency requirements. Included in cash at bank and in hand are customers' credit card payments of £34.9 million (2020: £28.9 million) received within five working days of the reporting date. A further £2.6 million (2020: £2.8 million) is held by the Trustee of the Group's Employee Benefit Trust relating to the Sharesave Scheme for employees in Poland. These funds are restricted and are not available to circulate within the Group on demand.

3.11 Trade and other payables

Accounting policies

Trade and other payables are initially recognised at their transaction price and subsequently at amortised cost, using the effective interest method.

	28 November 2021 £m	29 November 2020 £m
Trade payables	**93.6**	139.4
Taxation and social security	**10.9**	13.7
Accruals and other payables	**274.6**	238.7
Deferred insurance income	**–**	16.3
Other deferred income	**14.1**	14.8
Trade and other payables	**393.2**	422.9

Deferred income includes the value of delivery income received under the Ocado Smart Pass scheme, lease incentives and media income from suppliers which all relate to future periods. In the prior year it also includes the portion of insurance reimbursement received relating to the Andover CFC (see note 2.6).

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3.12 Provisions

Accounting policies

Provisions are recognised in line with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised on the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an out-flow of resources will be required to settle the obligation, and the amount can be estimated reliably.

The amounts recognised as provisions are management's best estimates of the expenditure required to settle present obligations at the reporting date. The outcome depends on future events, which are by their nature uncertain. Any difference between expectations and the actual future liability will be accounted for in the period in which this is determined. In assessing the likely outcome, Management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances.

Insurance claims

Provisions for insurance claims relate to potential motor insurance claims and potential public liability claims where accidents have occurred but a claim has yet to be made. The provision is made based on estimates provided to the Group by the third-party manager of the Ocado Cell in Atlas Insurance PCC Limited (the "Ocado Cell").

Dilapidations

Provisions for dilapidations are made for properties and vehicles where there are obligations to return the assets to the condition and state they were in when the Group obtained the right to use them. These are recognised on an asset-by-asset basis, and are based on the Group's best estimate of the likely committed cash out-flow. Where relevant, these estimated out-flows are discounted to net present value.

The dilapidation provision is based on the future expected costs required to restore the Group's leased buildings and vehicles to their fair condition at the end of their lease terms.

Lease for CFCs expire up to 2092, the GMDC leases between 2027 and 203, head office leases between 2022 and 2029, and with leases for the spokes expiring up to 2038. Contractual amounts are due to be incurred at the end of the lease terms.

Leases for vehicles run for an average of five years, with the contractual obligation per vehicle payable at the end of the lease term. If a non-contractual option to extend individual leases is exercised by the Group, the contractual obligation remains the same but is deferred by six months.

Employee incentives schemes

Provisions for employee incentive schemes relate to employer's NIC on HMRC-unapproved equity-settled schemes and the Ocado Value Creation Plan ("Retail VCP"). For all unapproved scheme and Retail VCP, the Group is liable to pay employer's NIC upon exercise of the share awards.

Unapproved schemes are the Executive Share Ownership Scheme ("ESOS"), the Longer-Term Incentive Plan ("LTIP"), the Value Creation Plan ("VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP"), the Employee Share Purchase Plan ("SPP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to note 4.10.

Insurance reimbursement

In February 2019, a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. Under the terms of the lease, the Group has an obligation to restore the site; the costs of reconstruction are covered under the Group's insurance Policy. Therefore, Management recognised the insurance reimbursement which is now fully utilised as an asset on the face of the Consolidated Balance Sheet, and also recognised a corresponding provision representing the obligation to reinstate the building.

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Insurance reimbursement £m	Total £m
Balance at 2 December 2019	0.6	13.5	5.2	49.2	68.5
Charged to Consolidated Income Statement					
– Additional provision	0.3	–	23.1	–	23.4
– Unwinding of discounting	–	0.3	–	–	0.3
Recognition of right-of-use assets	–	0.9	–	–	0.9
Recognition of insurance reimbursement asset	–	–	–	2.8	2.8
Used during period	(0.6)	–	(4.8)	(46.5)	(51.9)
Balance at 29 November 2020	0.3	14.7	23.5	5.5	44.0
Charged to Consolidated Income Statement					
– Additional provision	**0.2**	**–**	**6.3**	**–**	**6.5**
– Unwinding of discounting	**–**	**0.8**	**–**	**–**	**0.8**
Recognition of right-of-use assets	**–**	**6.0**	**–**	**–**	**6.0**
Used during period	**–**	**–**	**(2.1)**	**(5.5)**	**(7.6)**
Balance at 28 November 2021	**0.5**	**21.5**	**27.7**	**–**	**49.7**

3.12 Provisions continued

28 November 2021	**Insurance claims £m**	**Dilapidations £m**	**Employee incentive schemes £m**	**Insurance reimbursement £m**	**Total £m**
Current	**0.5**	**0.1**	**0.4**	**–**	**1.0**
Non-current	**–**	**21.4**	**27.3**	**–**	**48.7**
	0.5	**21.5**	**27.7**	**–**	**49.7**

29 November 2020	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Insurance reimbursement £m	Total £m
Current	0.3	0.3	2.3	5.5	8.4
Non-current	–	14.4	21.2	–	35.6
	0.3	14.7	23.5	5.5	44.0

Insurance claims

The Ocado Cell uses statistical information built up over several years to estimate, as accurately as possible, the future outcome of the total claims value incurred but not reported at the reporting date. In practice, the Ocado Cell receives newly-reported claims after the end of the underwriting period that must be allocated to the period of loss (i.e. the underwriting period of occurrence). The calculation of this provision involves estimating a number of variables, principally the level of claims which may be received and the level of any compensation which may be payable. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision. Although it is expected that £0.5 million of claims will be settled within 12 months of the reporting date, the exact timing of utilisation of the provision is uncertain.

Employee incentive schemes

The provision consists of the Retail VCP and employer's NIC on HMRC unapproved equity-settled schemes. In the prior period, the provision also included the cash-based Long-Term Incentive Plan which ended in the prior period upon vesting of the last award, which was settled in cash in the current period.

To calculate the employer's NIC provision, the rate of employer's NIC is applied to the number of share awards which are expected to vest, valued with reference to the share price at the reporting date. The number of share awards expected to vest is dependent on various assumptions which are determined by Management. These comprise participants' retention rate, the expectation of meeting the performance criteria, if any, and the liquidity discount. All assumptions are supported by historical trends, and internal financial forecasts, where appropriate.

For the VCP, external valuations have been obtained to determine the fair value of the awards granted and the related employer's NIC provision (see note 4.10.)

If at any point during the life of each share award, any non-market conditions are subject to change, such as the retention rate or the likelihood of the performance condition being met, the number of share awards likely to vest will need to be recalculated which will cause the value of the employer's NIC provision to change accordingly.

Once the share awards under each of the schemes have vested, the provision will be utilised when they are allotted to participants. Vesting will occur between 2022 and 2025, and allotment will take place between 2022 and 2029.

Ocado Retail Value Creation Plan

In 2019, the Group established the Ocado Retail Value Creation Plan ("Retail VCP") for the senior leadership team of Ocado Retail Limited ("Ocado Retail"), a subsidiary of the Group. The Retail VCP will be settled in cash and includes a market-based performance condition relating to the value of Ocado Retail. Therefore, it has been accounted for as cash-settled in accordance with IFRS 2 "Share Based Payment".

The Plan has a performance period of six years from the date of grant, with awards vesting in accordance with a vesting schedule, subject to annual caps and underpins. The underpin is defined as growth of 9.0% per annum in the value of Ocado Retail, and there are three measurement dates at which awards can be "banked", the first being in July 2022. There is a maximum potential allocation of 4.00% of value above the hurdle, of which 3.9% was allocated to employees/secondees during the current period.

At each reporting date, following a valuation in accordance with IFRS 2, based on the updated actual performance of Ocado Retail, the accounting cost will be trued up until the last such date where the total accounting cost will reflect the final pay-out under the Plan. This means that the final accounting cost of the Plan will not be known until after the final measurement date. However, by using a Monte Carlo model, based on the latest available analyst valuation reports at each reporting date, the accrued amounts and the final cost of the Plan will converge.

During the period, the Group recognised the cost of the Retail VCP in the Consolidated Income Statement, which includes employer's NIC which is payable on the value of the cash award on vesting.

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3.13 Contingent liabilities

Obligations under Solutions contracts

In the construction phases of its Solutions contracts, the Group agrees to reach key milestones by specific points in time. If it fails to reach these milestones, financial penalties may be incurred. These potential financial penalties could have a material effect on the Group's financial statements, and, therefore, are considered contingent liabilities.

At the reporting date, Management undertook a review of the agreed milestones within its Solutions contracts, and concluded that the possibility of not reaching them was remote.

Claims and litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company then owned by the United States private equity firm Thomas H. Lee Partners, L.P., filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission, and the United States District Court for the Eastern District of Virginia. The Group initially learned of the filing of these claims through the media. Once the position had been examined we notified the market that we did not believe Ocado had infringed any valid patent rights of AutoStore.

Later that month AutoStore applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system. The UK IPO declined to hear the entitlement application, with the consent of both parties, and AutoStore subsequently filed the same claim in the High Court. No directions hearing has yet taken place in respect of that claim, and we do not expect it to come to trial before 2023.

The Group's initial analysis on patent infringement still holds true. We are confident in the merits of our defences and in the integrity of our existing portfolio of IP, together with the disciplined approach taken to building our capabilities over the last 20 years. We have taken appropriate action to defend against these claims and to protect our own intellectual property rights.

The Group has subsequently brought two separate proceedings against AutoStore in the United States: the first a patent infringement claim; the second an antitrust claim. In the antitrust, the Group has alleged, based on the evidence available, that four of the five AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office.

The Group filed Opposition proceedings in the EPO against all six of the AutoStore patents asserted against us in the UK Proceedings. Three of the six patents have thus far been revoked by the EPO, two have been maintained (one only on condition that narrowing amendments were made) and the final patent will not be considered until the end of 2022. On 21 January 2021, proceeding by AutoStore and another party to declare invalid Ocado's European patent for its Single Space Bot (part of the OSP system) was rejected by the European Patent Office, and the patent was declared to be novel, inventive and valid. A further attempt by AutoStore to invalidate an Ocado patent on the communications element of the OSP system failed in June 2021, and our patent was maintained as granted.

On 13 December 2021, the judgement of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. The judge's findings have been appealed to the full ITC. The final ITC decision will not be issued until April 2022, however Ocado continues to have confidence in the merits of its position and the correctness of the judge's findings. Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe.

AutoStore's UK High Court infringement claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). On 14 January 2022, 15 months after starting the claim and two months before the trial, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counter-claim for declarations of invalidity in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

The trial is scheduled to begin in the High Court in two parts, on 18 March and 28 March respectively. AutoStore applied in late January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until sometime in 2023.

Ocado filed claims against three AutoStore companies in District Courts in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). AutoStore then filed an application to declare the Utility Models invalid. The German system is bifurcated in that the question of validity of IP rights is adjudicated separately, in a different forum, from the question of infringement of those rights. Our infringement claims have been stayed pending the determination of the validity hearing.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims. Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor a contingent liability. The Group also has contingent liabilities in respect of other legal claims arising in the ordinary course of business, all of which the Group expects will either be covered by its insurance or will not have a material effect on the Group's financial statements.

Section 4 – Capital structure and financing costs

4.1 Borrowings

Accounting policies

Interest-bearing loans and bank overdrafts are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets.

Convertible bonds are compound financial instruments, and so their liability and equity components are presented separately in accordance with IAS 32 "Financial Instruments: Presentation". At the date of issue, the liability component is valued by reference to a similar liability that does not have an associated equity component, and is recognised as borrowings. The difference between the proceeds received and the liability component is recognised in the convertible bonds reserve, directly in reserves. The liability and equity components are recorded net of transaction costs. The liability component is then held at amortised cost, with any difference between initial fair value and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets. The carrying amount of the equity component does not change until the liability component is redeemed through repayment or conversion into ordinary shares.

						Carrying amount	
Facility	**Inception**	**Security held**	**Coupon rate**	**Instalment frequency**	**Final payment due**	**28 November 2021 £m**	29 November 2020 £m
£225 million senior secured notes	June 2017	Collateral	4.000%	Semi Annual	June 2024	–	220.8
£0.3 million chattel mortgages	January 2019	Collateral	8.800%	Monthly	January 2023	**0.1**	0.2
£600 million senior unsecured convertible bonds	December 2019	None	0.875%	Semi Annual	December 2025	**522.0**	504.2
£350 million senior unsecured convertible bonds	June 2020	None	0.750%	Semi Annual	January 2027	**283.3**	272.2
£500 million senior unsecured notes	October 2021	None	3.875%	Semi Annual	October 2026	**494.6**	–
Borrowings						**1,300.0**	997.4
Disclosed as:							
Non-current						**1,300.0**	997.4

28 November 2021	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**	**Total £m**
Senior unsecured notes	–	–	**494.6**	–	**494.6**
Senior unsecured convertible bonds	–	–	**522.0**	**283.3**	**805.3**
Chattel mortgages	–	**0.1**	–	–	**0.1**
Borrowings	–	**0.1**	**1,016.6**	**283.3**	**1,300.0**

29 November 2020	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior secured notes	–	–	220.8	–	220.8
Senior unsecured convertible bonds	–	–	–	776.4	776.4
Chattel mortgages	–	–	0.2	–	0.2
Borrowings	–	–	221.0	776.4	997.4

The senior secured notes were issued in June 2017, raising £250.0 million, and repaid in October 2021. £25.0 million had been repaid in 2019. They were carried net of transaction fees, and were secured by charges over the issued share capital of the Company's subsidiaries which acted as guarantors for the notes. Capitalised interest of £3.2 million was written off at the time of redemption.

The £600.0 million of senior unsecured convertible bonds were issued in December 2019, raising £592.1 million, net of transaction fees. At the date of issue, the liability component was valued at £485.0 million, with the remaining £107.1 million recognised in the convertible bonds reserve, directly in reserves.

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4.1 Borrowings continued

The £350.0 million of senior unsecured convertible bonds were issued in June 2020, raising £343.4 million, net of transaction fees. At the date of issue, the liability component was valued at £266.0 million, with the remaining £77.4 million recognised in the convertible bonds reserve, directly in reserves.

The £500.0 million of senior unsecured notes were issued in October 2021, raising £491.6 million net of qualifying transaction fees. Part of the proceeds were used to repay the £225.0 million senior secured notes early.

The Group reviews its financing arrangements regularly. The senior unsecured notes and senior unsecured convertible bonds contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 Lease liabilities

Accounting policies

At the commencement date of a lease, the Group recognises a right-of-use asset and a lease liability on the Consolidated Balance Sheet.

The Group measures the lease liability at the present value of the lease payments that have not been paid at that date, discounted using the interest rate implicit in the lease (if that rate is readily available) or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability is reduced for payments made, and increased for interest charged. If required, it is remeasured to reflect modifications, with corresponding adjustments reflected in the right-of-use asset.

The Group has elected to account for short-term leases and leases of low-value items using practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments relating to these leases are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease terms.

Lease liabilities

The Group leases properties, vehicles and other items of equipment. The leases have varying terms, escalation clauses and renewal rights. With the exception of short-term leases and leases of low-value items, each lease is reflected on the Consolidated Balance Sheet as a right-of-use asset and a lease liability.

	28 November 2021 £m	29 November 2020 £m
Discounted lease payments due:		
Within one year	**51.0**	48.1
In between one and two years	**47.5**	46.9
In between two and five years	**107.6**	93.9
In more than five years	**322.3**	218.9
Lease liabilities	**528.4**	407.8

External obligations under lease liabilities are £494.4 million (2020: £358.1 million), excluding £34.0 million (2020: £49.7 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest.

	28 November 2021 £m	29 November 2020 £m
Undiscounted lease payments due:		
Within one year	**73.8**	67.1
In between one and two years	**69.2**	63.8
In between two and five years	**162.8**	134.2
In more than five years	**476.0**	324.9
	781.8	590.0
Less: Future finance charges	**(253.4)**	(182.2)
Lease liabilities	**528.4**	407.8
Disclosed as:		
Current	**51.0**	48.1
Non-current	**477.4**	359.7
	528.4	407.8

The existing lease arrangements entered into by the Group contain no restrictions concerning dividends, additional debt and further leasing. Furthermore, no material leasing arrangements exist relating to contingent rent payable, renewal or purchase options and escalation clauses.

4.2 Lease liabilities continued

The expenses relating to short-term leases and leases of low-value items not included in the measurement of the lease liability are as follows:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Short-term leases	**0.2**	0.2
Leases of low-value items	**0.2**	0.1
	0.4	0.3

At the reporting date, the Group was committed to £0.9 million (2020: £0.2 million) for short-term leases and leases of low-value items.

The total cash out-flow relating to leases during the period (including short-term leases and leases of low-value items) was £67.0 million (2020: £68.4 million).

4.3 Reconciliation of liabilities arising from financing activities

				Non-cash movements			
	Notes	29 November 2020 £m	**Cash flows £m**	**Additions £m**	**Terminations £m**	**Unwinding of interest £m**	**28 November 2021 £m**
Borrowings	4.1	997.4	**266.5**	**–**	**–**	**36.1**	**1,300.0**
Lease liabilities	4.2	407.8	**(66.6)**	**176.9**	**(7.7)**	**18.0**	**528.4**
		1,405.2	**199.9**	**176.9**	**(7.7)**	**54.1**	**1,828.4**

				Non-cash movements		
	Notes	1 December 2019 £m	Cash flows £m	Additions £m	Unwinding of interest £m	29 November 2020 £m
Borrowings	4.1	219.7	739.9	–	37.8	997.4
Lease liabilities	4.2	388.5	(68.1)	72.7	14.7	407.8
		608.2	671.8	72.7	52.5	1,405.2

4.4 Analysis of net (debt)/cash

Net (debt)/cash

	Notes	**28 November 2021 £m**	29 November 2020 £m
Current assets			
Other treasury deposits	3.6	**–**	370.0
Cash and cash equivalents	3.10	**1,468.6**	1,706.8
		1,468.8	2,076.8
Current liabilities			
Lease liabilities	4.2	**(51.0)**	(48.1)
Non-current liabilities			
Borrowings	4.1	**(1,300.0)**	(997.4)
Lease liabilities	4.2	**(477.4)**	(359.7)
		(1,777.4)	(1,357.1)
Net (debt)/cash		**(359.8)**	671.6

At the reporting date, the Group had net debt of £325.8 million (2020: net cash £721.3 million), excluding lease liabilities of £34.0 million (2020: £49.7 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest. £4.4 million (2020: £5.3 million) of the Group's cash and cash equivalents is considered to be restricted, and is not available to circulate within the Group on demand. For more information, see note 3.10.

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4.4 Analysis of net (debt)/cash continued

Reconciliation of net cash flow with movement of net cash

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Net (decrease)/increase in other treasury deposits	(370.0)	260.0
Net (decrease)/increase in cash and cash equivalents	(238.2)	1,066.2
Net increase in borrowings and lease liabilities	(430.9)	(724.3)
Non-cash movements		
– Terminations/(Assets) acquired under leases	7.7	(72.7)
Movement of net (debt)/cash in period	(1,031.4)	529.2
Net cash at beginning of period	671.6	142.4
Net (debt)/cash at end of period	(359.8)	671.6

4.5 Finance income and costs

Accounting policies

Borrowing costs

Borrowing costs, which are directly attributable to the acquisition or construction of qualifying assets, are capitalised. They are defined as the borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs which are not capitalised are charged to finance costs, using the effective interest method.

Borrowing costs capitalised during the period were £2.1 million (2020: £0.5 million). The rate used to determine the amount of finance costs capitalised during the period was 3.9% (2020: 1.1%).

Finance income and costs

Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise interest expenses on borrowings, lease liabilities and provisions. The interest expense on borrowings is recognised using the effective interest method. The interest expense on lease liabilities is recognised over the lease periods so as to produce constant periodic rates of interest on the remaining balances of the liabilities.

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Interest income on cash balances	1.0	5.2
Interest income on loans receivable	0.6	0.3
Gain on revaluation of equity investments designated at FVTPL	8.4	–
Finance income	10.0	5.5
Interest expense on borrowings	(52.7)	(40.9)
Interest expense on lease liabilities	(18.0)	(14.7)
Interest expense on provisions	(0.9)	(0.3)
Foreign exchange gain/(loss)	19.3	(2.4)
Finance costs	(52.3)	(58.3)
Net finance cost	(42.3)	(52.8)

The foreign exchange gain/(loss) relates to foreign exchange on foreign currency denominated cash and intercompany balances.

4.6 Derivative financial instruments

Accounting policies

Derivative financial instruments are initially recognised at fair value on the contract date, and are subsequently measured at their fair value at each reporting date. The method of recognising the resulting fair value gain or loss depends on whether or not the derivative is designated as a hedging instrument, and on the nature of the item being hedged. At 28 November 2021 and 29 November 2020, the Group's derivative financial instruments consisted of warrants to subscribe for additional shares of investee companies and commodity swap contracts, which are designated as cash flow hedges of highly probable transactions.

The Group documents at the inception of the hedge the relationship between hedging instruments and hedged items, the risk-management objectives and strategy, and its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This assessment is performed retrospectively at the end of each financial reporting period. Movements in the hedging reserve within reserves are shown in the Consolidated Statement of Comprehensive Income. The fair value of hedging derivatives is classified as current when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges

The Group uses commodity swap contracts to hedge the cost of future purchases of fuel to be used in the business. The cash flows are expected to occur within one year of the reporting date, and hedges cover 50% to 80% of expected risk.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedging instruments and qualify for hedge accounting is recognised in other comprehensive income. Amounts accumulated through other comprehensive income are recycled in the Consolidated Income Statement in the periods in which the hedged items affect profit or loss. Throughout the period, all of the Group's cash flow hedges were effective, and there is, therefore, no ineffective portion recognised in profit or loss.

	28 November 2021 £m	29 November 2020 £m
Non-current assets		
Warrants	9.6	–
Current assets		
Commodity swap contracts	0.3	0.2
Current liabilities		
Commodity swap contracts	–	(0.3)
Net derivative asset/(liability)	9.9	(0.1)

Commodity swap contracts

The notional principal amounts of the outstanding commodity swap contracts were £8.1 million (2020: £5.6 million). The weighted average strike price of the outstanding commodity swap contracts relating to the future purchase of fuel at the reporting date was 36.9 pence per litre of diesel (2020: 27.2 pence per litre of diesel). The hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. A cumulative net gain of £0.4 million (2020: £0.4 million net gain) has been recognised in the hedging reserve through other comprehensive income. This gain will be recognised in profit or loss in the periods during which the hedged forecast transactions affect the Consolidated Income Statement.

Warrants

		Carrying amount	
Investee company	**Expiry date**	**28 November 2021 £m**	29 November 2020 £m
Oxbotica Limited	April 2024	5.9	–
Karakuri Limited	April 2024	1.9	–
80 Acres Urban Agriculture Inc.	Sept 2026	–	–
Wayve Technologies Limited[1]	No fixed date	1.8	–
Warrants		9.6	–

1. The Group has lent Wayve Technologies Limited £10.0 million. The warrant has no fixed expiry date, but expires four years after the loan is converted or redeemed. For more details on the loan, see note 3.6. The Group rolled over its shareholding in Infinite Acres to 80 Acres in October 2021. 80 Acres issued the Group warrants to subscribe to future shares. Vesting and exercise of the warrants is linked to the loan agreement between the Group and Infinite Acres, to which 80 Acres is a guarantor (see note 3.6.). As at the year end, these warrants are valued at £nil.

Warrants are fair valued each year end, taking into account a variety of inputs, sensitivities and probabilities based on underlying forecasts and financial information of the investee company. Any fair value gains or losses on remeasurement are recognised through the Income Statement.

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4.7 Financial instruments

Accounting policies

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies its financial assets using the following categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL"); and
- Fair value through other comprehensive income ("FVTOCI").

The classification depends on the characteristics of the contractual cash flows, and the Group's business model for managing them.

Financial liabilities are measured at amortised cost, except for derivatives that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group, after deducting all of its liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group has categorised its financial instruments as follows:

28 November 2021	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.6	13.6	168.6	30.4	212.6
Trade receivables	3.9	124.6	–	–	124.6
Other receivables and accrued income	3.9	130.4	–	–	130.4
Cash and cash equivalents	3.10	1,468.6	–	–	1,468.6
Contract assets	2.1	0.3	–	–	0.3
Derivative assets	4.6	–	9.9	–	9.9
Total financial assets		1,737.5	178.5	30.4	1,946.4
Financial liabilities					
Trade payables	3.11	(93.6)	–	–	(93.6)
Accruals and other payables	3.11	(285.5)	–	–	(285.5)
Senior unsecured notes	4.1	(494.6)	–	–	(494.6)
Senior unsecured convertible bonds	4.1	(805.3)	–	–	(805.3)
Lease liabilities	4.2	(528.4)	–	–	(528.4)
Total financial liabilities		(2,207.4)	–	–	(2,207.4)

4.7 Financial instruments continued

29 November 2020	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.6	380.8	176.0	12.0	568.8
Trade receivables	3.9	104.5	–	–	104.5
Other receivables and accrued income (restated[1])	3.9	66.2	–	–	66.2
Cash and cash equivalents	3.10	1,706.8	–	–	1,706.8
Contract assets	2.1	0.4	–	–	0.4
Derivative assets	4.6	–	0.2	–	0.2
Total financial assets		2,258.7	176.2	12.0	2,446.9
Financial liabilities					
Trade payables	3.11	(139.4)	–	–	(139.4)
Accruals and other payables	3.11	(252.4)	–	–	(252.4)
Senior secured notes	4.1	(220.8)	–	–	(220.8)
Senior unsecured convertible bonds	4.1	(776.4)	–	–	(776.4)
Other borrowings	4.1	(0.2)	–	–	(0.2)
Lease liabilities	4.2	(407.8)	–	–	(407.8)
Derivative liabilities	4.6	–	(0.3)	–	(0.3)
Total financial liabilities		(1,797.0)	(0.3)	–	(1,797.3)

Derivative financial instruments are held at FVTPL, but where they are hedging instruments, related gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Assets held at amortised cost

The Group has elected to apply the simplified approach to measuring expected credit losses under IFRS 9 "Financial Instruments", using a lifetime expected credit loss provision for trade receivables (see note 3.9).

Financial assets and liabilities at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

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4.7 Financial instruments continued

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are included in the financial statements:

	Notes	28 November 2021 Carrying amount £m	28 November 2021 Fair value £m	29 November 2020 (restated[1]) Carrying amount £m	29 November 2020 (restated[1]) Fair value £m
Financial assets					
Other financial assets	3.6	**212.6**	**212.6**	568.8	568.8
Trade receivables	3.9	**124.6**	**124.6**	104.5	104.5
Other receivables and accrued income	3.9	**130.4**	**130.4**	66.2	66.2
Cash and cash equivalents	3.10	**1,468.6**	**1,468.6**	1,706.8	1,706.8
Contract assets	2.1	**0.3**	**0.3**	0.4	0.4
Derivative assets	4.6	**9.9**	**9.9**	0.2	0.2
Total financial assets		**1,946.4**	**1,946.4**	2,446.9	2,446.9
Financial liabilities					
Trade payables	3.11	**(93.6)**	**(93.6)**	(139.4)	(139.4)
Accruals and other payables	3.11	**(285.5)**	**(285.5)**	(252.4)	(252.4)
Senior unsecured notes	4.1	**(494.6)**	**(488.1)**	–	–
Senior secured notes	4.1	**–**	**–**	(220.8)	(230.1)
Senior unsecured convertible bonds	4.1	**(805.3)**	**(805.3)**	(776.4)	(776.4)
Other borrowings	4.1	**–**	**–**	(0.2)	(0.2)
Lease liabilities	4.2	**(528.4)**	**(528.4)**	(407.8)	(407.8)
Derivative liabilities	4.6	**–**	**–**	(0.3)	(0.3)
Total financial liabilities		**(2,207.4)**	**(2,200.9)**	(1,797.3)	(1,806.6)

The fair values of other financial assets, cash and cash equivalents, receivables and payables are assumed to approximate to their carrying values but for completeness are included in this analysis.

The fair value of the senior unsecured notes is determined based on the quoted price in the active market. The carrying value in the table above is stated after deduction of issue costs of £8.4 million.

The fair values of all other financial assets and liabilities have been calculated using discounted cash flows or the venture capital method.

4.7 Financial instruments continued

Financial assets and liabilities held at fair value have been valued as follows:

28 November 2021	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets held at fair value					
Contingent consideration receivable	3.6	**–**	**–**	**156.7**	**156.7**
Unlisted equity investments	3.6	**–**	**–**	**31.4**	**31.4**
Loans receivable	3.6	**–**	**–**	**10.9**	**10.9**
Derivative assets	4.6	**–**	**0.4**	**9.6**	**10.0**
Total financial assets held at fair value		**–**	**0.4**	**208.6**	**209.0**
Financial liabilities held at fair value					
Derivative liabilities	4.6	**–**	**–**	**–**	**–**
Total financial liabilities held at fair value		**–**	**–**	**–**	**–**

29 November 2020	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.6	–	–	173.6	173.6
Unlisted equity investments	3.6	–	–	12.7	12.7
Convertible loan to associate	3.6	–	–	1.7	1.7
Derivative assets	4.6	–	0.2	–	0.2
Total financial assets held at fair value		–	0.2	188.0	188.2
Financial liabilities held at fair value					
Derivative liabilities	4.6	–	(0.3)	–	(0.3)
Total financial liabilities held at fair value		–	(0.3)	–	(0.3)

Changes in the fair values of financial instruments categorised in level 3 are as follows:

	Notes	Contingent consideration receivable £m	Unlisted equity investments £m	Loans receivable £m	Derivative assets £m	Total £m
Balance at 1 December 2019		**169.1**	**6.8**	**–**	**–**	**175.9**
Recognised during period		–	0.7	1.7	–	2.4
Cash (received)		(2.9)	–	–	–	(2.9)
Gains recognised in profit or loss	2.6	7.4	–	–	–	7.4
Gains recognised in other comprehensive income	4.9	–	5.2	–	–	5.2
Balance at 29 November 2020		173.6	12.7	1.7	–	188.0
Recognised during period		**–**	**11.2**	**–**	**–**	**11.2**
Cash paid/(received)		**(33.8)**	**11.4**	**10.3**	**–**	**(12.1)**
Gains/(losses) recognised in profit or loss	2.4, 2.6	**16.9**	**–**	**(1.3)**	**9.6**	**25.2**
Interest recognised in finance income	4.5	**–**	**–**	**0.2**	**–**	**0.2**
Gains/(losses) recognised in other comprehensive income	4.9	**–**	**(3.9)**	**–**	**0.4**	**(3.5)**
Balance at 28 November 2021		**156.7**	**31.4**	**10.9**	**10.0**	**209.0**

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4.7 Financial instruments continued

The following table provides information about how the fair values of financial instruments categorised in level 3 are determined:

Description	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of the fair value measurement to input
Contingent consideration receivable	Discounted cash flow Expected cash in-flows are estimated based on the terms of the share purchase agreements and the Group's expectations of future performance and meeting financial and operational targets.	Discount rate of 8.4% Expected cash in-flows of £195.7 million	An increase in the discount rate of 1% would decrease the fair value by £3.9 million. Management does not consider that the value of expected future cash in-flows will change materially during the next 12 months.
Unlisted equity investments and derivative assets (warrants) – Oxbotica Limited	Probability weighted expected return method ("PWERM") Forecast revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in five different scenarios	An increase in the probability percentage of 5% spread across the higher case scenarios and decrease of the same percentage in the lower case scenario would increase the fair value of unlisted equity investments and derivative assets by £1.0 million and £0.9 million, respectively.
Warrant to subscribe for additional shares - 80 Acres Urban Agriculture Inc.	Undiscounted, estimate based valuation	Probabilities of various future valuations of 80 Acres	The value of the warrants is dependent on the future valuation of 80 Acres; as at the year end we ascribe nil value to the warrants, as there is currently insufficent evidence to support a higher valuation. Assuming full vesting of the warrants, a 10% increase in the valuation of 80 Acres would result in a $1.5 million (undiscounted) valuation of the warrants.
Unlisted equity investments - Paneltex Limited	Market approach along with capitalisation of earnings approach. Forecast EBITDA, EBITDA multiples and discount rates	Discount rate of 14.4% Expected long-term growth rate of EBITDA of 2.2%	An increase in the EBITDA multiple of 0.3x and 5% increase in forecast EBITDA would increase the fair value by £0.6 million.
Loans receivable and derivative assets (warrants) – Wayve Technologies Limited	Probability-weighted expected return method Conversion/exercise dates, discount rate and probabilities	Probabilities of conversion dates in four different scenarios and discount rate	An increase in discount rate of 3% and a 5% increase in the probability of fund raising nearer to FY21 would increase the fair value of the loans receivable and derivatives assets aggregating to £1.0 million.

The consideration due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail"), valued at £152.6 million (2020: £170.7 million), comprises one amount, which will become payable if Ocado Retail's adjusted EBITDA reaches a pre-agreed level for the 2023 financial year. Both the Group and M&S fully expect the whole amount to become payable, and this has been reflected in the calculation of fair value.

The consideration due from Next Holdings Limited relating to the disposal of Marie Claire Beauty Limited ("Fabled"), valued at £4.1 million (2020: £2.9 million), is based on an "earn-out" agreement whereby the Group will receive sums in proportion to Fabled's future sales.

4.8 Financial risk management

Overview

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables and payables, borrowings, lease liabilities, derivatives and unlisted investments. The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, to the availability of funds for the Group to meet its obligations as they fall due, and to fluctuations in interest and foreign exchange rates.

The management of these risks is set out below:

Credit risk

The Group's exposure to credit risk arises from holdings of cash and cash equivalents, trade and other receivables, and derivative assets. The carrying amounts of these financial assets, as set out in note 4.7, represent the maximum credit exposure. No collateral is held as security against these assets.

Management does not believe that the credit risk of any financial instrument has increased significantly since its initial recognition.

4.8 Financial risk management continued

Cash and cash equivalents

The Group's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with investment grade credit ratings (all rated A or above according to Fitch Ratings Inc.'s long-term credit ratings), and by regular review of counterparty risk.

Trade and other receivables

Trade and other receivables at the reporting date comprise mainly monies due from suppliers, which are considered of a good credit quality, as well as VAT receivable. The Group provides for doubtful receivables in respect of monies due from suppliers.

The Group has elected to apply the IFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risks and ageing.

The expected loss rates are based on the Group's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group provides for 30% of amounts due from suppliers that are between 61 and 360 days overdue, and 100% of amounts more than 360 days overdue. It provides for 100% of amounts due from Retail customers which are more than 30 days overdue. Amounts due from each Solutions customer are treated on a case-by-case basis, depending on the credit risk assigned to the counterparty, the amount outstanding, and the length of time to or from the due date.

The Group has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity. Therefore, it also has very low concentration risk. The Group has effective controls over this area.

The Group's definition of default differs between suppliers and customers. A supplier is deemed to have defaulted if they have not paid an amount due within 360 days of the due date. A Retail customer is deemed to have defaulted if they have not paid an amount due within 30 days of the due date. Solutions customers are treated on a case-by-case basis, and the definition of default varies.

Receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have sufficient assets or sources of income to repay the relevant amounts. However, receivables that have been written off may still be subject to enforcement activity. The recovery of an amount previously written off is recognised as a gain in the Consolidated Income Statement.

Movements in the provision for the impairment of trade and other receivables are as follows:

	Note	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 £m
Balance at beginning of period		**(2.6)**	(2.2)
Provision for impairment of receivables		**(2.4)**	(2.6)
Uncollectible amounts written off		**0.6**	0.8
Recovery of amounts previously provided for		**0.5**	1.4
Balance at end of period	3.9	**(3.9)**	(2.6)

Liquidity risk

The Group has adequate cash resources to manage the short-term working capital needs of the business. In October 2021, it issued £500.0 million of senior unsecured notes. Part of the proceeds were used to repay the £225.0 million senior secured notes early, thereby extending the maturity profile of its borrowings. The Group regularly reviews its financing arrangements. For further details of the review see the Viability Statement on page 98.

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs. For further details, see note 4.11.

The table below analyses the Group's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the contractual cash flows are gross and undiscounted, and include future interest payments, so will not necessarily reconcile to the carrying amounts.

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4.8 Financial risk management continued

28 November 2021	Notes	Carrying amount £m	Contractual cash flows: Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Trade payables	3.11	(93.6)	(93.6)	(93.6)	–	–	–
Accruals and other payables	3.11	(285.5)	(285.5)	(285.5)	–	–	–
Senior unsecured notes	4.1	(494.6)	(596.9)	(19.4)	(19.4)	(558.1)	–
Senior unsecured convertible bonds	4.1	(805.3)	(988.9)	(7.9)	(7.9)	(621.0)	(352.1)
Chattel Mortgages	4.1	(0.1)	(0.1)	–	(0.1)	–	–
Lease liabilities	4.2	(528.4)	(781.8)	(73.8)	(69.2)	(162.8)	(476.0)
		(2,207.5)	(2,746.8)	(480.2)	(96.6)	(1,341.9)	(828.1)

29 November 2020	Notes	Carrying amount £m	Contractual cash flows: Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Trade payables	3.11	(139.4)	(139.4)	(139.4)	–	–	–
Accruals and other payables	3.11	(252.4)	(252.4)	(252.4)	–	–	–
Senior secured notes	4.1	(220.8)	(261.0)	(9.0)	(9.0)	(243.0)	–
Senior unsecured convertible bonds	4.1	(776.4)	(996.0)	(7.9)	(7.9)	(23.6)	(956.6)
Other borrowings	4.1	(0.2)	(0.2)	(0.1)	(0.1)	–	–
Lease liabilities	4.2	(407.8)	(590.0)	(67.1)	(63.8)	(134.2)	(324.9)
Derivative liabilities	4.6	(0.3)	(0.3)	(0.3)	–	–	–
		(1,797.3)	(2,239.3)	(476.2)	(80.8)	(400.8)	(1,281.5)

Market risk

Currency risk

The Group has exposure to foreign currency risk through trade receivables and payables and lease liabilities denominated in foreign currencies and a portion of its cash and cash equivalents.

Foreign currency trade receivables arise principally on amounts invoiced under Solutions contracts, primarily in euros, Japanese yen, Swedish krona and United States dollars. Foreign currency trade payables arise principally on purchases of plant and machinery, primarily in Australian dollars, Canadian dollars, euros, Japanese yen, Polish złoty, Swedish krona and United States dollars. Bank accounts are maintained in these foreign currencies in order to minimise the Group's exposure to fluctuations in foreign currencies relating to current and future revenue and purchases of plant and equipment.

4.8 Financial risk management continued

The Group's exposure to currency risk is based on the following amounts:

	28 November 2021 £m	29 November 2020 £m
Trade receivables – EUR	0.1	0.2
Trade receivables – JPY	0.5	0.2
Trade receivables – SEK	0.1	3.0
Trade receivables – USD	1.2	12.7
Cash and cash equivalents – AUD	5.7	0.6
Cash and cash equivalents – CAD	24.5	0.8
Cash and cash equivalents – EUR	54.9	7.3
Cash and cash equivalents – JPY	7.3	1.3
Cash and cash equivalents – PLN	1.3	4.1
Cash and cash equivalents – SEK	1.1	0.2
Cash and cash equivalents – USD	277.8	232.7
Trade payables – AUD	–	(1.1)
Trade payables – CAD	(0.2)	(0.8)
Trade payables – EUR	(4.3)	(0.9)
Trade payables – JPY	–	(0.1)
Trade payables – SEK	–	(0.5)
Trade payables – USD	–	(1.5)
Lease liabilities – USD	(5.6)	(5.1)
Lease liabilities – CAD	(0.2)	–
Lease liabilities – EUR	(10.2)	(11.5)
Lease liabilities – SEK	(0.9)	–
	353.1	241.6

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies:

	28 November 2021 Increase/(decrease) in income £m	28 November 2021 Increase/(decrease) in equity £m	29 November 2020 Increase/(decrease) in income £m	29 November 2020 Increase/(decrease) in equity £m
10% appreciation of above foreign currencies against sterling	35.3	–	24.2	–
10% depreciation of above foreign currencies against sterling	(35.3)	–	(24.2)	–

During the period, the currencies to which the Group is exposed appreciated and depreciated against sterling by between 11.3% and 1.5%. Given these historical movements, as well as the ongoing uncertainty surrounding Brexit and Covid-19, a 10.0% appreciation or depreciation of foreign currencies is deemed reasonably likely to happen, and so has been used for the above analysis. The analysis assumes that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk on its variable rate cash and cash equivalents. The Group's Interest Rate Risk Policy seeks to minimise finance charges and volatility by structuring the interest rate profile into a diversified portfolio of fixed rate and variable rate financial assets and liabilities.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	28 November 2021 £m	29 November 2020 £m
Fixed rate instruments		
Financial assets	523.2	591.0
Financial liabilities	(1,828.4)	(1,405.2)
Variable rate instruments		
Financial assets	945.4	1,496.8
Financial liabilities	–	–

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4.8 Financial risk management continued

Sensitivity analysis

An increase of 1% in interest rates would affect equity and profit or loss by the amounts shown below. Given that global interest rates are expected to remain low for a number of years as the global economy continues to recover from the effects of Covid-19, a movement of 1% is deemed the maximum increase likely to occur in the short term. The calculation applies the increase to average variable rate interest-bearing borrowings and cash and cash equivalents existing during the period. This analysis assumes that all other variables remain constant and considers the effect on financial instruments with variable interest rates.

	28 November 2021 £m	29 November 2020 £m
Increase in income	**9.5**	15.0
Increase in equity	**–**	–

Capital Management

The Group manages its capital to ensure that it meets the financing covenants of its borrowing arrangements and so that it has sufficient funds for all of the Group's committed obligations, with the goals of ensuring both long-term solvency and short-term liquidity. There have been no breaches in the financial covenants of any loans or borrowings during the reporting period.

4.9 Share capital and reserves

Accounting Policy

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Share capital and reserves

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 7,259,291 (2020: 9,278,146). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

The movements in called-up share capital and share premium are set out below:

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 1 December 2019	709.2	14.2	705.3
Issue of ordinary shares	34.3	0.7	645.6
Allotted in respect of share option schemes	4.6	0.1	10.7
Balance at 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	**1.4**	**–**	**1.9**
Allotted in respect of share option schemes	**1.9**	**–**	**8.5**
Balance at 28 November 2021	**751.4**	**15.0**	**1,372.0**

Included in the total number of ordinary shares outstanding above are 10,454,148 (2020: 10,587,150) ordinary shares held by the Group's Employee Benefit Trust (see note 4.10). The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the JSOS, and the linked jointly owned equity ("JOE") awards under the Value Creation Plan ("VCP") are treated as treasury shares on the Consolidated Balance Sheet in accordance with IAS 32 ''Financial Instruments: Presentation''. These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in note 2.8, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

4.9 Share capital and reserves continued

The movements in reserves other than share premium and retained earnings are set out below:

	Other reserves						
	Treasury shares reserve £m	**Reverse acquisition reserve £m**	**Convertible bonds reserve £m**	**Merger reserve £m**	**Translation reserve £m**	**Fair value reserve £m**	**Hedging reserve £m**
Balance at 1 December 2019	(113.6)	(116.2)	–	–	(0.4)	4.9	(0.5)
Gain arising on cash flow hedges	–	–	–	–	–	–	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	–	–	–	–	(0.9)	–	–
Gain on equity investments designated as at fair value through other comprehensive income	–	–	–	–	–	5.2	–
Disposal of treasury shares on exercise by participants	0.3	–		–	–	–	–
Disposal of unallocated treasury shares	0.1	–	–	–	–	–	–
Issue of convertible bonds	–	–	184.5	–	–	–	–
Additional investment in Jones Food Company Limited	–	–	–	–	–	(0.1)	–
Balance at 29 November 2020	(113.2)	(116.2)	184.5	–	(1.3)	10.0	(0.1)
Gain arising on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**
Foreign exchange (loss) on translation of foreign subsidiaries and joint venture	**–**	**–**	**–**	**–**	**(10.5)**	**–**	**–**
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	**–**	**–**	**–**	**–**	**0.8**	**–**	**–**
(Loss) on equity investments designated as at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3.9)**	**–**
Disposal of treasury shares on exercise by participants	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of unallocated treasury shares	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of Haddington Dynamics Inc.	**–**	**–**	**–**	**6.2**	**–**	**–**	**–**
Balance at 28 November 2021	**(113.0)**	**(116.2)**	**184.5**	**6.2**	**(11.0)**	**6.1**	**0.3**

Treasury shares reserve

The treasury shares reserve arose when the Group issued equity share capital under its JSOS. During the prior period, the Group issued share capital relating to the linked jointly owned equity ("JOE") awards under the Value Creation Plan ("VCP"). The shares under both plans are held in trust by the Trustee of the Group's Employee Benefit Trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS and VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares. See note 4.10 for more information on the JSOS and VCP.

Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Holdings Limited was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". Consequently, the previously recognised book values and assets and liabilities have been retained, and the consolidated financial information for the period to 29 November 2021 has been presented as if the Company had always been the parent company of the Group.

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4.9 Share capital and reserves continued

Convertible bonds reserve

The convertible bonds reserve contains the equity components of convertible bonds issued by the Group, net of apportioned transaction costs. The carrying amounts of the equity components will not change until the liability components are redeemed through repayment or conversion into ordinary shares.

£600.0 million of senior unsecured convertible bonds were issued in December 2019, with £107.1 million being recognised in the convertible bonds reserve. Another £350.0 million of senior unsecured convertible bonds were issued in June 2020, with £77.4 million being recognised in the convertible bonds reserve.

Merger reserve

The merger reserve comprises shares issued as consideration for Haddington Dynamics Inc.

Translation reserve

The translation reserve comprises cumulative foreign exchange differences on the translation of foreign subsidiaries.

Fair value reserve

The fair value reserve comprises cumulative changes in the fair value of assets and liabilities recognised through other comprehensive income.

Hedging reserve

The hedging reserve comprises cumulative gains and losses on movements in the Group's hedging arrangements (see note 4.6)

4.10 Share options and other equity instruments

Accounting policies

Employee benefits

Employees (including Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ("equity-settled transactions") or entitlement to future cash payments ("cash-settled transactions").

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value of the equity instruments at the date on which they are granted. Where options need to be valued, an appropriate valuation model is applied. The expected lives used in the models have been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of cash-settled transactions is measured with reference to the fair value of the amounts payable, which is taken to be the closing price of the Company's shares at the measurement date. Until a liability is settled, it is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value being recognised in the Consolidated Income Statement for the relevant period. For more details, see note 3.12.

The cost of equity-settled transactions is recognised, along with a corresponding increase in equity, over the periods in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cost of cash-settled transactions is recognised, along with a corresponding provision for the expected cash settlement, over the vesting period.

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has expired, and the number of awards that, in the opinion of management, will ultimately vest. Management's estimates are based on the best available information at that date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The Group has exposure to cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined by IFRS 2 "Share-Based Payment" in respect of bad leaver provisions in the Group's JSOS and the Ocado Retail Value Creation Plan ("Retail VCP") (see note 3.12). National Insurance contribution ("NIC") obligations arising from cash-settled schemes and HMRC-unapproved equity-settled schemes are treated as if they are cash-settled, regardless of the actual cash or equity determination of the scheme itself.

4.10 Share options and other equity instruments continued

Share options and other equity instruments

The Group operates various employee share incentive schemes, namely the Executive Share Ownership Scheme ("ESOS"), the Joint Share Ownership Scheme ("JSOS"), the Sharesave Scheme ("SAYE"), the Long-Term Incentive Plan ("LTIP"), the Share Incentive Plan ("SIP"), the Value Creation Plan ("VCP"), the Ocado Technology Award, the Long-Term Operating Plan, the Annual Incentive Plan ("AIP"), the Employee Share Purchase Plan ("SPP"), and the Restricted Share Plan ("RSP"). The Group also operates the Retail VCP and the Consultant Option Plan. The Group also issued deferred consideration shares on acquisition of a subsidiary.

The total expense for the period relating to all share-based payment transactions was £41.8 million (2020: £45.5 million), of which £35.5 million related to equity-settled share-based payment transactions (2020: £22.4 million) and £6.3 million (2020: £23.1 million) to the provision for the payment of employer's NIC upon allotment of HMRC-unapproved equity-settled share schemes and the Retail VCP (see note 3.12).

(a) ESOS

The Group's ESOS is an equity-settled share option scheme approved by HMRC. Options have also been granted under the terms of HMRC's schedule, which are not approved. The ESOS was established by the Group in 2001.

Under the ESOS, the Group or the trustees of an employee trust may grant options over shares of the Company to eligible employees. The eligible employees to whom options are granted and the terms of such options are determined by the Directors of the Group or the trustees. The employees who are eligible to participate in the ESOS are all the Group's Executive Directors and employees, including the employees of the Company's wholly owned subsidiaries. Options are not transferable. With the exception of replacement options explained below, the exercise price of options may not be less than the market value of the Company's shares on the date of grant. If the trustees or the Directors have determined that the exercise of an option will be satisfied by the issue of ordinary shares, the exercise price may also not be less than the nominal value of ordinary shares.

The Directors of the Group or the trustees may impose a performance target and any further condition determined to be appropriate on the exercise of an option. In most cases, any performance target must be measured over a period of at least three years. There are currently no options granted that are subject to performance targets that have not yet been met. With the exception of replacement options explained below, the vesting period for the ESOS is three years. If the options remain unexercised after a period of ten years from the date of grant or the employee leaves the Group, the options expire (subject to a limited number of exceptions).

In the current year, on acquisition of a subsidiary, its existing unvested options were cancelled and replaced by options of the Company granted under the ESOS rules. The exercise price of each replacement option was determined as the exercise price of the pre-acquisition option divided by the option exchange ratio, being the relative share prices of the subsidiary and the Company. Replacement options shall vest in three equal instalments on the first three anniversaries of the closing date of acquisition, subject to the option holder's continued employment within the Group.

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4.10 Share options and other equity instruments continued

At the reporting date, the outstanding options were as follows:

	Year of issue	28 November 2021	Exercise price (£)	29 November 2020	Exercise price (£)	Exercise period
Approved options						
	2011	–	–	20,768	2.55	14/02/14 – 13/02/21
	2011	–	–	3,835	1.89	19/07/14 – 18/07/21
	2012	**13,204**	**1.03**	33,548	1.03	21/02/15 – 20/02/22
	2012	**61,661**	**1.05**	92,769	1.05	10/03/15 – 09/03/22
	2012	**5,471**	**0.85**	9,353	0.85	28/06/15 – 27/06/22
	2013	**34,839**	**1.28**	47,380	1.28	05/03/16 – 05/03/23
	2013	**12,312**	**3.02**	20,071	3.02	08/07/16 – 08/07/23
	2014	**2,046**	**5.10**	2,883	5.10	05/02/17 – 04/02/24
	2014	**47,212**	**4.84**	59,966	4.84	17/03/17 – 16/03/24
	2015	**49,607**	**3.77**	57,962	3.77	13/03/18 – 12/03/25
	2015	**4,925**	**4.46**	5,284	4.46	01/07/18 – 30/06/25
	2015	**5,231**	**4.39**	5,231	4.39	10/07/18 – 09/07/25
	2016	**100,819**	**2.70**	111,860	2.70	17/03/19 – 16/03/26
	2016	**2,609**	**2.59**	2,609	2.59	16/07/19 – 15/07/26
	2017	**332,091**	**2.56**	392,384	2.56	15/03/20 – 15/03/27
	2017	**4,116**	**2.92**	6,174	2.92	16/08/20 – 16/08/27
	2018	**162,823**	**5.68**	267,165	5.68	21/03/21 – 20/03/28
	2018	–	–	7,561	5.68	05/08/19 – 19/09/21
	2018	**10,881**	**10.45**	13,764	10.45	13/08/21 – 12/08/28
	2019	**171,235**	**12.40**	189,064	12.40	29/07/22 – 28/07/29
	2020	**169,993**	**14.47**	182,011	14.47	21/03/23 – 19/03/30
	2020	**4,028**	**25.08**	4,147	25.08	28/08/23 – 27/08/30
	2021	**4,451**	**18.56**	–	18.56	27/07/24 – 27/07/31
	2021	**170,333**	**20.84**	–	20.84	19/03/24 – 19/03/31
Total approved options		**1,369,887**		1,535,789		
Unapproved options						
	2012	**5,253**	**1.05**	6,159	1.05	10/03/15 – 09/03/22
	2014	**8,517**	**4.84**	9,313	4.84	17/03/17 – 16/03/24
	2014	**3,247**	**3.36**	4,128	3.36	01/08/17 – 31/07/24
	2014	**1,419**	**3.27**	1,543	3.27	08/08/17 – 07/08/24
	2015	**1,855**	**3.77**	2,783	3.77	13/03/18 – 12/03/25
	2015	**5,555**	**4.46**	6,625	4.46	01/07/18 – 30/06/25
	2015	**2,717**	**4.39**	3,065	4.39	10/07/18 – 09/07/25
	2016	**41,843**	**2.70**	48,189	2.70	17/03/19 – 16/03/26
	2016	**17,633**	**2.59**	19,128	2.59	16/07/19 – 15/07/26
	2017	**69,927**	**2.56**	79,158	2.56	15/03/20 – 15/03/27
	2017	**38,431**	**2.92**	49,122	2.92	16/08/20 – 16/08/27
	2018	**44,498**	**5.68**	66,141	5.68	21/03/21 – 20/03/28
	2018	**18,018**	**10.45**	25,283	10.45	13/08/21 – 12/08/28
	2019	**30,393**	**11.37**	34,990	11.37	16/08/22 – 15/08/29
	2019	**30,800**	**12.40**	32,978	12.40	29/07/22 – 28/07/29
	2020	**33,297**	**14.47**	36,685	14.47	21/03/23 – 19/03/30
	2020	**3,960**	**20.72**	3,960	20.72	10/06/23 – 09/06/30
	2021	–	**2.43**	–	–	15/12/23 – 14/12/30
	2021	**12,533**	**4.41**	–	–	15/12/23 – 14/12/30
	2021	**161,028**	**4.81**	–	–	15/12/23 – 14/12/30
	2021	**157,401**	**5.27**	–	–	15/12/23 – 14/12/30
	2021	**499**	**18.56**	–	–	27/07/24 – 27/07/31
	2021	**15,943**	**20.84**	–	–	19/03/24 – 19/03/31
Total unapproved options		**704,767**		429,250		
Total options		**2,074,654**		1,965,039		

4.10 Share options and other equity instruments continued

Details of the movement of the number of share options outstanding during each period are as follows:

	52 weeks ended 28 November 2021		52 weeks ended 29 November 2020	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**1,965,039**	**5.96**	2,898,111	3.98
Granted during period	**649,047**	**10.09**	232,176	14.78
Forfeited during period	**(173,891)**	**8.40**	(54,887)	7.54
Exercised during period	**(365,541)**	**3.78**	(1,110,361)	2.56
Outstanding at end of period	**2,074,654**	**7.43**	1,965,039	5.96
Exercisable at end of period	**1,105,599**	**3.44**	1,101,290	2.61

Since the Company's Admission, the market value of the Company's shares at each option grant date has been taken to be the closing mid-market price of the shares on the day prior to issuance. Prior to Admission, the market value of the Company's shares was derived from the market value of similar companies, and by taking into account transactions with shareholders during the relevant period. The Share Valuation Office of HMRC has confirmed in correspondence that in respect of options granted prior to Admission, the exercise price was not less than the market value of the Company's shares at each option grant date.

For exercises during the period, the weighted average share price at the date of exercise was £20.77 (2020: £18.19).

In determining the fair value of the share options granted during the period, the Black Scholes option pricing model was used with the following inputs:

	28 November 2021	29 November 2020
Weighted average share price	**£21.10**	£14.67
Weighted average exercise price	**£10.09**	£14.78
Expected volatility	**0.34**	0.34
Weighted expected life – years	**2.32**	3.00
Weighted average risk-free interest rate	**0.0%**	0.0%
Expected dividend yield	**0.0%**	0.0%

The expected volatility was determined by considering the historical performance of the Company's shares. The expected life used in the model has been adjusted, based on management best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All share awards under the ESOS are equity-settled, apart from employer's NIC due on unapproved ESOS awards, which are treated as cash-settled.

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4.10 Share options and other equity instruments continued

The weighted average remaining contractual lives for outstanding share options under the ESOS are as follows:

	28 November 2021			29 November 2020		
	Exercise price (£)	Number of share options	Weighted average remaining contractual life (years)	Exercise price (£)	Number of share options	Weighted average remaining contractual life (years)
	0.85	5,471	0.6	0.85	9,353	1.6
	1.03	13,204	0.2	1.03	33,548	1.2
	1.05	66,914	0.3	1.05	98,928	1.3
	1.28	34,839	1.3	1.28	47,380	2.3
	1.89	–	–	1.89	3,835	0.6
	2.55	–	–	2.55	20,768	0.2
	2.56	402,018	5.3	2.56	471,542	6.3
	2.59	20,242	4.6	2.59	21,737	5.6
	2.70	142,662	4.3	2.70	160,049	5.3
	2.92	42,547	5.7	2.92	55,296	6.7
	3.02	12,312	1.6	3.02	20,071	2.6
	3.27	1,419	2.7	3.27	1,543	3.7
	3.36	3,247	2.7	3.36	4,128	3.7
	3.77	51,462	3.3	3.77	60,745	4.3
	4.39	7,948	3.6	4.39	8,296	4.6
	4.41	12,533	9.0	–	–	–
	4.46	10,480	3.6	4.46	11,909	4.6
	4.81	161,028	9.0	–	–	–
	4.84	55,729	2.3	4.84	69,279	3.3
	5.10	2,046	2.2	5.10	2,883	3.2
	5.27	157,401	9.0	–	–	–
	5.68	207,321	6.3	5.68	340,867	7.3
	10.45	28,899	6.7	10.45	39,047	7.7
	11.37	30,393	7.7	11.37	34,990	8.7
	12.40	202,035	7.7	12.40	222,042	8.7
	14.47	203,290	8.3	14.47	218,696	9.3
	18.56	4,950	9.7	–	–	–
	20.72	3,960	8.5	20.72	3,960	9.7
	20.84	186,276	9.3	–	–	–
	25.08	4,028	8.8	25.08	4,147	9.5
Total options		**2,074,654**	**6.4**		1,965,039	6.3

(b) JSOS

The JSOS is an executive incentive scheme that was introduced to incentivise and retain the Executive Directors and senior managers of the Group ("Participants"). It is a share ownership scheme under which the Participants and Estera Trust (Jersey) Limited, Trustee of the Employee Benefit Trust ("Trustee"), held at the reporting date separate beneficial interests in 1,208,547 (2020: 1,341,549) ordinary shares, which represents 0.2% (2020: 0.2%) of the issued share capital of the Company. Of these shares, 643,559 are held by the Employee Benefit Trust on an unallocated basis (2020: 695,210).

Nature of interests

Interests take the form of a restricted interest in ordinary shares of the Company ("Interest"). An Interest permits a Participant to benefit from the increase (if any) in the value of a number of ordinary shares of the Company ("Shares") over specified threshold amounts. In order to acquire an Interest, a Participant must enter into a joint share ownership agreement with the Trustee, under which the Participant and the Trustee jointly acquire the Shares and agree that once all vesting conditions have been satisfied, the Participant is awarded a specific number of Shares equivalent to the benefit achieved, or at their discretion, when the Shares are sold, the Participant has a right to receive a proportion of the sale proceeds insofar as the value of the Shares exceeds the threshold amount.

4.10 Share options and other equity instruments continued

Participants

In prior periods, Interests were acquired by the Participants under the first JSOS scheme ("JSOS1") in 32,476,700 shares at an issue price of £1.50 per share, and under the second JSOS scheme ("JSOS2") in 3,990,799 shares at an issue price of £1.70 per share. In prior periods, 2,953,675 shares, in which interests of Participants had lapsed, were reallocated to the third group of Participants under the JSOS3. For JSOS1 and JSOS2, there are four tranches, each with their own hurdle price. For JSOS3, there are two tranches, each with their own hurdle price.

	JSOS1			JSOS2				JSOS3			
Tranche	Vesting date	Hurdle value	% of issue price	Tranche	Vesting date	Hurdle value	% of issue price	Tranche	Vesting date	Hurdle value	% of issue price
1 (2011)	January 2011	£1.73	115%	1 (2012)	June 2012	£1.96	115%	1 (2013)	January 2013	£1.70	230% – 265%
2 (2012)	January 2012	£1.91	127%	2 (2013)	June 2013	£2.15	127%	2 (2014)	January 2014	£1.80	244% – 280%
3 (2013)	January 2013	£2.08	139%	3 (2014)	June 2014	£2.36	139%	–	–	–	–
4 (2014)	January 2014	£2.28	152%	4 (2015)	June 2015	£2.59	152%	–	–	–	–

For JSOS1, Participants were required to purchase their Interest for 2.0% of the issue price. For JSOS2, the price ranged from 7.1% to 10.8%, and for JSOS3, 1.5% to 1.7% of the share price at the date of issue. When an Interest vests, the Trustee transfers shares to the Participant of equal value to the Participant's Interest, or the shares are sold and the Trustee pays the balance (i.e. the difference between the sale proceeds (less expenses) and the hurdle price) to the Participant.

Vesting conditions

The vesting of the Interests granted to Participants is subject to a time vesting condition, as detailed above.

The fair value of the Interests awarded under the JSOS was determined using the Black-Scholes option pricing model. In accordance with IFRS 2 "Share Based Payment", market-based vesting conditions and the share price target conditions in the JSOS have been taken into account in establishing the fair value of the equity instruments granted. Other non-market or performance-related conditions were not taken into account in establishing the fair value of equity instruments granted; instead, these non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that will eventually vest.

In determining the fair value of the Interests granted, the Black-Scholes option pricing model was used with the following inputs:

JSOS1	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Weighted average share price	£1.35	£1.35	£1.35	£1.35
Weighted average exercise price	£1.73	£1.91	£2.08	£2.28
Expected volatility	0.25	0.25	0.25	0.25
Weighted expected life, years	0.91	1.91	2.91	3.91
Risk-free interest rate	3.5%	3.5%	3.5%	3.5%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

JSOS2	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Weighted average share price	£1.70	£1.70	£1.70	£1.70
Weighted average exercise price	£1.96	£2.15	£2.36	£2.59
Expected volatility	0.25	0.25	0.25	0.25
Weighted expected life, years	1.0	2.0	3.0	4.0
Risk-free interest rate	3.5%	3.5%	3.5%	3.5%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Expected volatility was determined by comparing the Company with a basket of other companies of a similar size and/or which operate in a similar industry.

As the Interests in JSOS3 were reallocated from lapsed Interests in JSOS1 and JSOS2, the fair value of those Interests had been calculated in prior periods using the inputs disclosed in the tables above.

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4.10 Share options and other equity instruments continued

Details of the movement of the number of allocated Interests in shares during the current and prior periods are as follows:

	52 weeks ended 28 November 2021		52 weeks ended 29 November 2020	
	Number of interests in shares	**Weighted average exercise price (£)**	Number of interests in shares	Weighted average exercise price (£)
Outstanding at beginning of period	**646,339**	**2.26**	869,358	2.25
Exercised during period	**(81,351)**	**2.36**	(223,019)	2.22
Outstanding at end of period	**564,998**	**2.24**	646,339	2.26
Exercisable at end of period	**564,998**	**2.24**	646,339	2.26

(c) Sharesave Scheme

In 2010, the Group launched the Sharesave Scheme ("SAYE"). This is a HMRC-approved scheme and is open to any employee of the Group at the launch date. Under the scheme, members save a fixed amount each month for three years. At the end of the three-year period, they are entitled to use these savings to buy shares of the Company at 90% of the market value at launch date.

At the reporting date, employees of the Company's subsidiaries held 4,671 (2020: 3,787) contracts in respect of options over 1,970,813 shares (2020: 3,049,851).

Details of the movement of the number of Sharesave options outstanding during the current and prior periods are as follows:

	52 weeks ended 28 November 2021		52 weeks ended 29 November 2020	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**3,049,851**	**7.73**	6,723,223	4.97
Granted during period	**783,704**	**23.46**	–	–
Forfeited during period	**(320,662)**	**15.78**	(225,751)	8.23
Exercised during period	**(1,542,080)**	**4.62**	(3,447,621)	2.31
Outstanding at end of period	**1,970,813**	**15.10**	3,049,851	7.73
Exercisable at end of period	**16,327**	**4.57**	2,130	2.28

(d) Long-Term Incentive Plan

The Group operates equity-settled long-term incentive plans ("LTIP"), as approved by the Remuneration Committee and shareholders, under which shares are awarded conditionally to Executive Directors and certain senior managers. The number of awards issued is calculated based on a percentage of the participants' salaries, and will vest at the end of a period of three years from the grant date. The final number and proportion of awards that will vest depends on achievement of certain performance conditions. For both the 2017 LTIP (which vested in the prior period) and the 2018 LTIP, there were four equally weighted performance conditions based on performance in the 2020 and 2021 financial years respectively, which relate to: the efficiency of the OSP; the revenue of Ocado Solutions; the revenue of the Group's retail business; and the earnings before interest and tax of the Group's retail business.

The number of awards issued, adjusted to reflect the achievement of the performance conditions, vested during the current period for the 2018 LTIP, with the exception of awards issued to the Executive Directors, which have a two-year holding period and will be released in 2023.

4.10 Share options and other equity instruments continued

Outstanding share awards under the LTIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
Outstanding at beginning of period	**813,935**	2,470,271
Forfeited during period	**(173,661)**	(896,002)
Vested during period	**(640,274)**	(760,334)
Outstanding at end of period	**–**	813,935
Exercisable at end of period	**–**	–

The Group recognised an expense of £0.4 million (2020: £3.5 million) in the Consolidated Income Statement during the period relating to these awards. In the prior period, the expectation of meeting the performance criteria, based upon internal budgets and forecasts, was taken into account when calculating the expense for unvested awards.

(e) Share Incentive Plan

In 2014, the Group introduced the Share Incentive Plan ("SIP"). This HMRC-approved scheme provides all employees, including Executive Directors, the opportunity to receive and invest in the Company's shares. All SIP shares are held in a SIP Trust, administered by Solium Trustee (UK) Limited.

There are two elements to the plan: the Buy As You Earn ("BAYE") arrangement and the Free Share Award. Under the BAYE, participants can purchase shares of the Company ("Partnership Shares") each month using contributions from pre-tax pay, subject to an upper limit. For every seven shares purchased, the Company gifts the participant one free share (a "Matching Share").

Under the Free Shares Award, shares are given to eligible employees, as a proportion of their annual base pay, subject to a maximum. Eligible employees are those with six months' service at the grant date.

For Partnership Shares, eligible employees are those with three months' service. Partnership shares can be withdrawn from the Plan Trust at any time, but Matching Shares and Free Shares are subject to a three-year holding period, during which continuous employment within the Group is required. The Matching Shares and Free Shares will be forfeited if any corresponding Partnership Shares are removed from the Plan Trust within this three-year period, or if the participant leaves the Group.

Outstanding shares held under the SIP at the beginning and end of the period can be reconciled as follows:

	Partnership Shares	**Matching Shares**	**Free Shares**	**Total**
Outstanding at 29 November 2020	370,750	52,559	1,126,148	1,549,457
Awarded during period	**100,435**	**13,529**	**183,239**	**297,203**
Forfeited during period	**–**	**(4,438)**	**(103,162)**	**(107,600)**
Released during period	**(82,900)**	**(6,901)**	**(160,248)**	**(250,049)**
Outstanding at 28 November 2021	**388,285**	**54,749**	**1,045,977**	**1,489,011**
Unrestricted at 28 November 2021	**388,285**	**32,412**	**640,171**	**1,060,868**

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 1 December 2019	390,549	55,464	1,367,686	1,813,699
Awarded during period	54,526	7,555	117,468	179,549
Forfeited during period	–	(3,765)	(87,660)	(91,425)
Released during period	(74,325)	(6,695)	(271,346)	(352,366)
Outstanding at 29 November 2020	370,750	52,559	1,126,148	1,549,457
Unrestricted at 29 November 2020	370,750	32,500	654,148	1,057,398

During the period, the Group recognised an expense of £1.9 million (2020: £1.5 million) relating to these awards. The expectation of meeting the holding period was taken into account when calculating this expense.

(f) Value Creation Plan

Following the approval of shareholders on 1 May 2019, the Group launched the Value Creation Plan ("VCP").

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For the 52 weeks ended 28 November 2021

4.10 Share options and other equity instruments continued

Nature of conditional award

Under the VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute total shareholder return generated over the VCP period. The award gives participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle ("Threshold Total Shareholder Return") at the end of each Plan Year ("Measurement Date") over the five-year VCP period.

At each Measurement Date, up to 2.75% of the value created above the hurdle will be "banked" in the form of share awards which will be released in line with the vesting schedule. The Initial Price for Tranche 1 is the average share price over the 30-day period prior to the 2019 Annual General Meeting at which the approval of shareholders was sought for the Plan (i.e. £13.97). The Initial Price for Tranche 2 is the share price used for the issue in June 2020 of 33.5 million ordinary shares ("the June 2020 Capital Raise") (i.e. £19.60). The Initial Price is independent of the share price on the date of grant. Participants will receive the right at the end of each year of the performance period to share awards with a value representing the level of the Company's total shareholder return ("Measurement Total Shareholder Return") above the Threshold Total Shareholder Return at the relevant Measurement Date. The share price used at the Measurement Date will be the 30-day average following the announcement of the Group's results for the relevant financial year, plus any dividends in respect of the Plan.

The Threshold Total Shareholder Return or hurdle which has to be exceeded before share awards can be earned by Participants is the higher of:

- The highest previous Measurement Total Shareholder Return; and
- The Initial Price compounded by 10.0% per annum.

If the value created at the end of a given Plan Year does not exceed the Threshold Total Shareholder return, nothing will accrue in that year under the VCP.

At the first Measurement Date in March 2020, no nil-cost options were banked. At the second Measurement Date in March 2021, 4,839,781 nil-cost options were banked. The next Measurement Date will be 30 days after the publication of these financial statements.

Vesting conditions

The vesting schedule provides that 50.0% of the cumulative number of share awards will vest following the third Measurement Date, 50.0% of the cumulative balance following the fourth Measurement Date, with 100.0% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

a. A minimum TSR of 10.0% CAGR being maintained:
   - Where the TSR has been achieved at the third Measurement Date, 50.0% of the cumulative balance will vest. If the TSR has not been achieved no share awards will vest at this point but they will not lapse;
   - Where the TSR has been achieved at the fourth Measurement Date, 50.0% of the cumulative balance will vest. If the TSR has not been achieved no share awards will vest at this point but they will not lapse;
   - Where the TSR has been achieved at the fifth Measurement Date, 100.0% of the cumulative balance will vest. If the TSR has not been achieved no share awards will vest at this point and the remaining cumulative balance will lapse;

b. Any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP;

c. An annual cap on vesting of £20.0 million for the CEO and a proportionate limit for other participants:
   - In the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid-out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Share awards rolled forward will not be subject to further underpins, performance or service conditions.

Valuation of awards

In 2019, 2.55% of a possible 2.75% was awarded in total to participants, of which 0.25% lapsed during the prior period. In the current period, a further 0.25% was awarded to participants. Also, in the prior period, Tranche 2 of the VCP award was created following the June 2020 Capital Raise. As such, Tranche 1 is based on the total number of shares in issue, less the number of shares under Tranche 2. Tranche 2 is based on the total number of shares issued in the June 2020 Capital Raise.

The fair value of awards granted under the VCP to date is £65.2 million (2020: £55.6 million) million spread over the five-year period. The Group recognised an expense of £20.3 million (2020: £12.7 million) in the Consolidated Income Statement during the period relating to these awards. A further expense of £0.7 million (2020: £6.6 million) was recognised for employer's NIC payable on nil-cost options, valued independently using a Monte Carlo model. In determining the fair value of the VCP awards granted, a Monte Carlo model was used with the following inputs:

4.10 Share options and other equity instruments continued

	Tranche 1	**Tranche 1**	**Tranche 1**	**Tranche 1**	**Tranche 2**	**Tranche 1**	**Tranche 2**
Date of grant	31 May 2019	23 Oct 2019	8 Nov 2019	9 Sept 2020	9 Sept 2020	22 Mar 2021	22 Mar 2021
Portion of VCP granted	1.95%[1]	0.05%	0.30%	0.10%	2.40%	0.25%	0.25%
Share price at grant	£11.95	£12.84	£11.90	£23.02	£23.02	£20.60	£20.60
Initial price	£13.97	£13.97	£13.97	£13.97	£19.60	£13.97	£19.60
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Expected life from date of grant – years	2.78/3.78/4.78	2.39/3.39/4.39	2.34/3.34/4.34	1.50/2.50/3.50	1.50/2.50/3.50	0.97/1.97/2.97	0.97/1.97/2.97
Risk-free interest rate	0.61%	0.44%	0.50%	(0.03%)	(0.03%)	0.13%	0.13%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. The original grant was 2.20%, of which 0.25% lapsed during the prior period.

Linked JOE awards

Under the terms of the VCP, at the time a VCP award is made, the participant may acquire a linked jointly-owned equity ("JOE") award with Estera Trust (Jersey) Limited, the Trustee of the Employee Benefit Trust. The JOE award permits participants to benefit from the increase (if any) in the value of a number of ordinary shares above a hurdle of 10.0% per annum cumulative annual growth rate (which reflects the VCP Threshold Total Shareholder Return) over a time period matching the performance period of the VCP. Participants acquired JOE awards over a total of 9,245,601 shares. The value of these JOE awards (if any) will be applied to deliver part of the total value of the participants' VCP awards on realisation of the VCP awards.

JOE award participants pay an initial cost for the JOE awards, which is not repayable to them even if no value is delivered under the JOE awards.

(g) Ocado Technology Award

In 2019, the Group granted shares to a senior employee of Ocado Technology. These were conditional on continued employment within the Group. The vesting of the award was split into tranches, with vestings taking place over five years. During the prior period, the award was cancelled and replaced at the same date with an award under the RSP scheme (see note 4.10 (k).) This has been accounted for as a modification, with the incremental fair value recognised in the Consolidated Income Statement during the period being £nil.

Outstanding share awards under the Ocado Technology Award at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
Outstanding at beginning of period	–	205,475
Granted during period	–	–
Forfeited during period	–	(165,475)
Vested during period	–	(40,000)
Outstanding at end of period	–	–
Exercisable at end of period	–	–

The Group did not recognise an expense in the Consolidated Income Statement during the current or prior periods relating to this award.

(h) Long-Term Operating Plan

In 2019, the Group granted shares to selected employees. The number of awards issued was calculated based on a percentage of the participants' salaries. The awards will vest in three equal tranches over three years. Upon vesting, each tranche is subject to an additional two-year holding period after which the shares will be released to the participants. The vesting of each tranche is conditional on continued employment within the Group and subject to the Company's share price exceeding a predetermined minimum.

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4.10 Share options and other equity instruments continued

Outstanding share awards under the Long-Term Operating Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
Outstanding at beginning of period	179,815	166,856
Granted during period	–	12,959
Outstanding at end of period	179,815	179,815
Exercisable at end of period	–	–

The Group recognised an expense of £0.7 million (2020: £1.3 million) in the Consolidated Income Statement during the period relating to this award.

(i) Annual Incentive Plan

Under the Annual Incentive Plan ("AIP"), awards are granted annually in the form of nil-cost options over shares of the Company to the Executive Directors and selected members of senior management. The awards are made subject to performance targets which are set for each financial year with grants taking place retrospectively in the next period. Actual performance is assessed over each financial year against threshold and maximum conditions. The maximum opportunity is based on a participant-specific percentage of salary on the date of grant.

The 2019 AIP awards which were granted during the prior period were based on the following four performance conditions and weightings: Retail revenue (20%), Retail EBITDA (20%), OSP features (10%), number of International Solutions Commitments (30%) and individual objectives (20%).

2020 AIP awards which were granted during the current period were based on the following five performance conditions and weightings: Retail EBITDA (20%), Erith Capacity (20%) OSP features (10%), number of International Solutions commitments (30%) and individual objectives (20%).

2021 AIP awards which will be granted during the next period will be based on the following six performance conditions and weightings: Retail EBITDA (20%), OSP capacity (15%), new Solutions commitments (25%), technology capabilities (10%), engineering costs per order (10%, and individual objectives (20%).

AIP shares vest after three years from each grant date, but are subject to a further two-year holding period for the Executive Directors only, during which time they cannot be sold.

An award will lapse if a participant ceases to be employed by the Group before the vesting date.

Outstanding share awards under the AIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
Outstanding at beginning of period	150,035	–
Granted during period	215,517	150,035
Outstanding at end of period	365,552	150,035
Exercisable at end of period	–	–

The Group recognised an expense of £2.2 million (2020: £1.7 million) in the Consolidated Income Statement during the period relating to this award.

The expense recognised in a given financial year relates to all unvested AIP awards granted in the prior periods, and also to awards yet to be granted for the current period. The performance period for the 2021 AIP is the 52 weeks ended 28 November 2021. The expectation of meeting the 2021 AIP performance targets was taken into account when calculating this expense.

(j) Employee Share Purchase Plan

During the period, the Group launched the Employee Share Purchase Plan ("SPP"). The SPP is a non-United Kingdom "all-employee" share purchase plan under which all eligible employees are awarded options ("SPP Options") over shares of the Company. SPP Options are granted at the beginning of a specific offering period, which will not normally exceed 24 months. Participants enrol in the SPP by authorising payroll deductions from their salary during the relevant offering period.

At the end of an offering period, employees are entitles to use the savings to buy shares of the Company at 90.0% of the market value on the date of the grant or at the end of the offering period, whichever is lower.

At the reporting date, employees of the Group held 963 (2020: 531) contracts in respect of granted SPP options.

There were nil SPP options exercisable at the reporting date (2020: nil). The Group recognised an expense of £0.5 million (2020: £0.1 million) in the Consolidated Income Statement during the period relating to this award.

4.10 Share options and other equity instruments continued

(k) Ocado Restricted Share Plan

During the prior period, the Group established the Ocado Restricted Share Plan ("RSP"). The RSP is used for two key purposes:

(a) to allow all-employee Free Share Awards outside the United Kingdom, similar to the Group's Share Incentive Plan; and

(b) to give the Group the flexibility to make Discretionary Share Awards, particularly to aid recruitment.

RSP Free Share Awards are conditional awards of shares granted to eligible non-UK employees, as a proportion of their annual base pay. Eligible employees are those with six month's service at the grant date. Awards are subject to a three year vesting period.

RSP Discretionary Awards can either be nil-cost options over shares of the Company or conditional awards of shares. These awards may be granted subject to performance conditions, and an additional holding period following vesting. The vesting period and profile is award specific.

As a general rule, an unvested RSP award will lapse immediately upon a participant ceasing to hold office or employment within the Group.

Outstanding share awards under the RSP at the beginning and end of the period can be reconciled as follows:

	RSP – Free Shares	RSP – Discretionary	Total
Outstanding at 29 November 2020	11,698	25,145	36,843
Granted during period	26,294	377,929	404,223
Forfeited during period	(3,146)	(49,707)	(52,853)
Exercised during period	–	(1,559)	(1,559)
Outstanding at 28 November 2021	34,846	351,808	386,654

	RSP – Free Shares	RSP – Discretionary	Total
Outstanding at 1 December 2019	–	–	–
Granted during period	12,090	76,894	88,984
Forfeited during period	(392)	(105)	(497)
Exercised during period	–	(51,644)	(51,644)
Outstanding at 29 November 2020	11,698	25,145	36,843

There were no awards exercisable as at 28 November 2021.

The Group recognised an expense of £1.7 million (2020: £1.4 million) in the Consolidated Income Statement during the period relating to this award.

(l) Consultant Option Plan

Under the rules of the Consultant Option Plan, options over shares of the Company can be granted to non-employees, both individuals and companies engaged to provide services to the Group.

The option exercise price is determined with reference to the closing share price of the shares on the day, or day prior to issuance. The options vest over a range of 18 months to three years depending on the award, and may be exercised once and in full anytime during a three year exercise period.

Any unvested options will lapse on cessation of the engagement to provide services to the Group.

Outstanding share awards under the Consultant Option Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
Outstanding at beginning of period	185,000	185,000
Granted during period	40,000	–
Outstanding at end of period	225,000	185,000
Exercisable at end of period	185,000	–

The Group recognised an expense of £0.6 million (2020: £nil) in the Consolidated Income Statement during the period relating to this award.

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4.10 Share options and other equity instruments continued

(m) Deferred Consideration Shares

In the current period, shares were issued to select employees of a subsidiary on its acquisition. These shares will be held in trust until such time as the agreement allows the shareholders to access them. On each of the first three anniversaries of the closing date of acquisition, one third of these shares will be released from transfer restrictions subject to achievement of performance conditions and continued employment.

Outstanding consideration shares at the begging and end of the period can be reconciled as follows:

	52 weeks ended 28 November 2021
Outstanding at beginning of period	–
Granted during period	294,472
Outstanding at end of period	**294,472**
Exercisable at end of period	**–**

The Group recognised an expenses of £3.4 million (202: £Nil) in the Consolidated Income Statement during the period relating to this award.

4.11 Capital management

The Board's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to sustain future development of the business, and to maximise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets, plus net cash*.

Net cash* is calculated as cash and cash equivalents, plus other treasury deposits, less gross debt (borrowings and lease liabilities as shown on the Consolidated Balance Sheet). The Group's net assets at the reporting date were £1,709.4 million (2020 (restated): £1,833.1 million), and it had net debt* of £359.8 million (2020: net cash £671.6 million).

The main areas of capital management revolve around working capital and compliance with externally imposed financial covenants. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to allow the Group to grow, whilst operating with sufficient headroom within its covenants. The components of working capital management include monitoring inventory turnover, age of inventory, age of receivables, receivables days, payables days, Balance Sheet re-forecasting, period projected profit or loss, weekly cash flow forecasts, and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows, and all major capital expenditure requires approval by the Board. There were no changes in the Group's approach to capital management during the period.

The Group issued £500.0 million of senior unsecured notes in October 2021 to fund growth and to repay the £225.0 million senior secured notes early.

The Group reviews its financing arrangements regularly. Throughout the period, the Group has complied with all covenants imposed by lenders.

Given the Group's commitment to expand the business and the investment required to complete future CFCs, the declaration and payment of a dividend is not part of the short-term capital management strategy of the Group.

At the reporting date, the Group's undrawn facilities, cash and cash equivalents and other treasury deposits were as follows:

	Notes	28 November 2021 £m	29 November 2020 £m
Total facilities available		2,041.6	1,656.6
Facilities drawn down		(1,978.6)	(1,583.1)
Undrawn facilities		63.0	73.5
Other treasury deposits	3.6	–	370.0
Cash and cash equivalents	3.10	1,468.6	1,706.8
Undrawn facilities, cash and cash equivalents and other treasury deposits		**1,531.6**	2,150.3

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Section 5 – Other notes

5.1 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, their countries of incorporation, and the effective percentage of equity owned at the reporting date is disclosed below. All undertakings are indirectly owned by the Company unless otherwise stated.

Name	Country of incorporation	Principal activity	Share class	% of share capital held
Haddington Dynamics II LLC	United States of America[13]	Holding company	Ordinary shares	100.0%
JFC Hydroponics Ltd	United Kingdom[2]	Non-trading company	Ordinary shares	51.8%
Jones Food Company Limited	United Kingdom[2]	Vertical farming	Ordinary shares	51.8%
Karakuri Limited	United Kingdom[3]	Robotics	Preference shares	26.3%
Kindred Inc.	United States of America[13]	Holding company	Ordinary shares	100.0%
Kindred Systems II Inc.†	Canada[1]	Holding company	Ordinary shares	100.0%
Last Mile Technology Limited	United Kingdom[4]	Non-trading company	Ordinary shares	100.0%
MHE JVCo Limited	United Kingdom[4]	Leasing	"B" shares	50.0%
Ocado Bulgaria EOOD	Bulgaria[5]	Technology	Ordinary shares	100.0%
Ocado Central Services Limited	United Kingdom[4]	Business services	Ordinary shares	100.0%
Ocado Finco 1 Limited†	United Kingdom[4]	Financing	Ordinary shares	100.0%
Ocado Finco 2 Limited†	United Kingdom[4]	Financing	Ordinary shares	100.0%
Ocado Holdings Limited†	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Innovation Limited†	United Kingdom[4]	Technology	Ordinary shares	100.0%
Ocado Operating Limited	United Kingdom[4]	Logistics and distribution	Ordinary shares	100.0%
Ocado Polska Sp. z o.o.	Poland[6]	Technology	Ordinary shares	100.0%
Ocado Retail Limited	United Kingdom[7]	Retail	Ordinary shares	50.0%
Ocado Solutions Australia Pty Limited	Australia[8]	Business services	Ordinary shares	100.0%
Ocado Solutions Canada Inc.	Canada[9]	Business services	Ordinary shares	100.0%
Ocado Solutions France SAS	France[10]	Business services	Ordinary shares	100.0%
Ocado Solutions Japan K.K.	Japan[11]	Business services	Ordinary shares	100.0%
Ocado Solutions Limited†	United Kingdom[4]	Business services	Ordinary shares	100.0%
Ocado Solutions Sweden AB	Sweden[12]	Business services	Ordinary shares	100.0%
Ocado Solutions (US) ProCo LLC	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Solutions USA Inc.	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Spain S.L.U.	Spain[14]	Technology	Ordinary shares	100.0%
Ocado Sweden AB	Sweden[15]	Technology	Ordinary shares	100.0%
Ocado US Holdings Inc.†	United States of America[13]	Holding company	Ordinary shares	100.0%
Ocado Ventures Holdings Limited†	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (80 Acres) Limited	United Kingdom[4]	Non-trading company	Ordinary shares	100.0%
Ocado Ventures (Inkbit) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (JFC) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Karakuri) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Myrmex) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Oxbotica) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Wayve) Limited	United Kingdom[4]	Holding company	Ordinary shares	100.0%
Oxford US LLC	United States of America[16]	Non-trading company	Ordinary shares	100.0%
Paneltex Limited	United Kingdom[17]	Manufacturing	Ordinary shares	25.0%

† Interest held directly by Ocado Group plc.

Notes to the Consolidated Financial Statements
For the 52 weeks ended 28 November 2021

5.1 Related undertakings continued
The registered offices of the above companies are as follows:

1. Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8, Canada
2. Phase 2 Celsius Parc, Cupola Way, Scunthorpe, United Kingdom, DN15 9YJ
3. 14 Amherst Avenue, London, United Kingdom, W13 8NQ
4. Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL
5. 7th Floor, 13 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria
6. High5ive Building 4, Pawia 21-st, 31-154, Kraków, Poland
7. Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX
8. Level 9, 63 Exhibition Street, Melbourne, VIC 3000, Australia
9. Suite 600, 1741 Lower Water Street, Halifax, NS, B3J 0J2, Canada
10. TMF Pôle, 3-5 Rue Saint-Georges, 75009 Paris, France
11. Tokyo Club Building 11F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, Japan
12. TMF Sweden, Sergels Torg 12, 11157, Stockholm, Sweden
13. 1600 Tysons Blvd., Suite 400, McLean, VA 22102, United States of America
14. Calle Badajoz 112, 08018, Barcelona, Spain
15. Malarvarsbacken 8, 11733, Stockholm, Sweden
16. 1209 Orange Street, Wilmington, DE 19801, United States of America
17. Paneltex House, Somerden Road, Hull, United Kingdom, HU9 5PE

The Group owns 50% of the equity share capital of Ocado Retail Limited ("Ocado Retail"). However, management has determined that the Group controls Ocado Retail. This is on the basis that the Group has certain tie-breaking rights in relation to any deadlocks that may arise in respect of the approval of Ocado Retail's business plan and budget, and the appointment or removal of the chief executive officer of Ocado Retail.

The Group has effective control over the financial and operating activities of the Ocado Cell in Atlas Insurance PCC Limited, an insurance company incorporated in Malta and, therefore, consolidates the Ocado Cell in its financial statements in accordance with IFRS 10 "Consolidated Financial Statements". The Group uses the Ocado Cell to provide self-insurance for its vehicle fleet and public and product liability claims.

5.2 Non-controlling interests
Accounting policies
Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests
Non-controlling interests hold a 50% interest in Ocado Retail Limited ("Ocado Retail") and a 48.2% interest in Jones Food Company Limited ("Jones Food Company").

In April 2021, Jones Food Company undertook an equity raise, increasing non-controlling interests from 27.8% to 48.2%.

The table below provides summarised financial information of Ocado Retail and Jones Food Company. The information disclosed reconciles the amounts presented in the financial statements of the relevant companies (adjusted for differences in fair values on acquisition) with the non-controlling interests' share of those amounts.

	52 weeks ended 28 November 2021		
	Ocado Retail £m	**Jones Food Company £m**	**Total £m**
Non-current assets	493.9	7.5	501.4
Current assets	328.6	18.7	347.3
Current liabilities	(222.4)	(0.7)	(223.1)
Non-current liabilities	(382.2)	(0.1)	(382.3)
Net assets at end of period	217.9	25.4	243.3
Non-controlling interests at end of period	109.0	12.2	121.2
Revenue	2,289.4	0.4	2,289.8
Profit/(loss) and total comprehensive income/(expense) for period	77.4	(3.9)	73.5
Share of total comprehensive income/(expense) attributable to non-controlling interests	38.7	(1.2)	37.5
Net increase in cash and cash equivalents	(24.9)	17.1	(7.8)

No dividends were paid to non-controlling interests during the current or prior period.

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5.3 Commitments
Capital commitments
Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	28 November 2021 £m	29 November 2020 £m
Land and buildings	0.2	6.9
Property, plant and equipment	374.0	321.8
Capital commitments	**374.2**	328.7

Of the total capital expenditure committed at the end of the period, £348.9 million relates to new CFCs (2020: £288.5 million), £1.0 million to existing CFCs (2020: £2.5 million), £7.7 million to fleet costs (2020: £1.0 million) and £6.9 million to technology projects (2020: £36.4 million).

Lease commitments
The Group has a number of short-term leases and leases of low-value items. The payments relating to these leases are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease terms (see note 4.2).

At the reporting date, the ageing profile of future aggregate minimum payments under these non-cancellable leases is as follows:

	28 November 2021 £m	29 November 2020 £m
Due within one year	0.9	0.2
Due in more than one year	–	–
Lease commitments	**0.9**	0.2

5.4 Related party transactions
Key management personnel
Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. The aggregate emoluments of key management personnel are as follows:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Salaries and other short-term employee benefits	5.2	5.7
Share-based payments	16.2	17.7
Aggregate emoluments	**21.4**	23.4

Further information on the remuneration of Directors and Directors' interests in ordinary shares of the Company is disclosed in the Directors' Remuneration Report on pages 146 to 201.

Due to restrictions in place during the Covid-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircraft through accessing flying hours owned by a family member of one of the key management personnel. The price paid was at the open market rate and amounted to £72,000 (2020: £nil). At the end of the period, no amounts were owed in relation to the purchase of these flights.

Other related party transactions with key management personnel made during the period amounted to £nil (2020: £nil). All transactions were on an arm's length basis. At the reporting date, no amounts were owed by key management personnel to the Group (2020: £nil). During the period, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

5.4 Related party transactions continued
Joint venture
MHE JVCo Limited

The following transactions were carried out with MHE JVCo Limited ("MHE JVCo"), a company incorporated in England and Wales in which the Group holds a 50.0% interest:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Dividend received from MHE JVCo	7.7	7.7
Supplier invoices paid on behalf of MHE JVCo	2.5	2.3
Capital element of lease liability instalments paid to MHE JVCo	14.2	14.9
Capital element of lease liability instalments due to MHE JVCo	1.4	-
Interest element of lease liability instalments accrued or paid to MHE JVCo	2.1	3.0

During the period, the Group incurred lease instalments (including interest) of £17.8 million (2020: £18.0 million) to MHE JVCo.

Of the £17.8 million, £9.0 million was recovered directly from Wm Morrisons Supermarkets plc in the form of other income (2020: £9.0 million), and £7.7 million was received from MHE JVCo by way of a dividend (2020: £7.7 million). Of the remaining £1.2 million, £nil represents the capital element of the lease liability instalments due to MHE JVCo (2020: £nil).

Included within trade and other receivables is a balance of £0.2 million due from MHE JVCo (2020: £0.6 million). £0.2 million of this relates to capital recharges (2020: £0.6 million).

Included within trade and other payables is a balance of £1.8 million due to MHE JVCo (2020: £1.8 million).

Included within lease liabilities is a balance of £34.0 million due to MHE JVCo (2020: £49.7 million).

Associate
Karakuri Limited

During the prior period, the Group lent £1.7 million to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 26.3% interest. The loan was recognised within other financial assets, and its carrying amount was £1.9 million (2020: £1.7 million) at the reporting date. £152,000 of interest income was recognised within finance income during the period (2020: £17,000). Karakuri also issued warrants to Ocado to subscribe for additional shares in the future. The warrants expire in 2024. For more details on the Group's relationship with Karakuri, see note 3.5. For more details on the terms of the loan, see note 3.6.

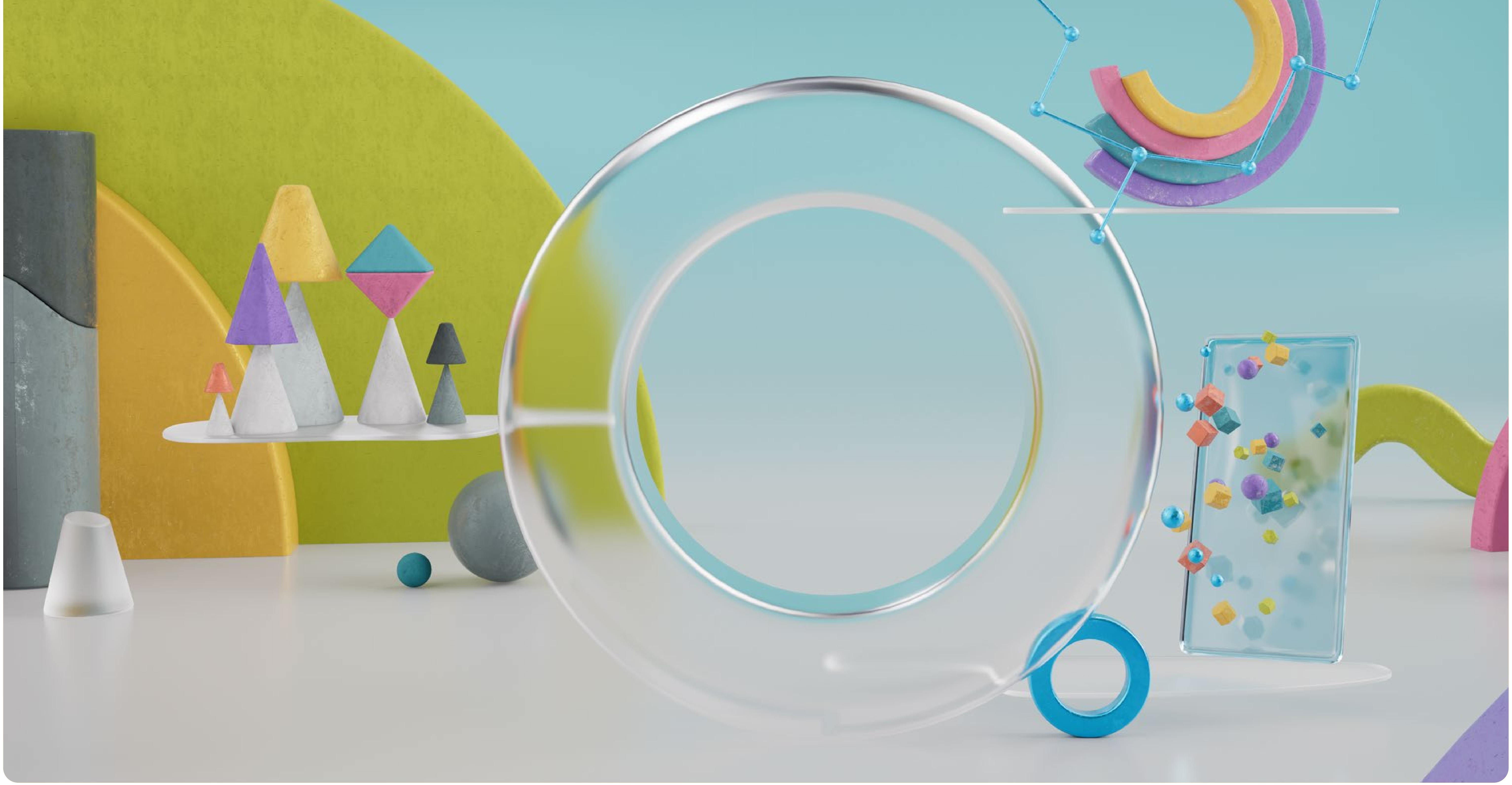
No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

5.5 Post-Balance Sheet events
Update on AutoStore Litigation
Full details on the update on the AutoStore litigation can be found in note 3.13 under Claims and Litigation.

Update on Convertible loan note with Wave Technologies Limited
On 7 January 2022, Wayve Technologies Limited ("Wayve"), a company in which the Group holds a minority interest, successfully completed its Series B Fundraising. This resulted in the Group's convertible loan note converting into equity. There is no impact on the Group's warrants in Wayve. Following the conversion of the notes, the Group holds 2.17% of the total issued share capital of Wayve.

Company Financials

Contents



Company Balance Sheet
As at 28 November 2021

	Notes	28 November 2021 £m	29 November 2020 (restated[1]) £m	01 December 2019 (restated[1]) £m
Non-current assets				
Investments	3.1	**815.8**	581.3	549.8
Amounts due from subsidiaries		**1,589.3**	2,100.1	980.0
		2,405.1	2,681.4	1,529.8
Current assets				
Other receivables	3.3	**0.3**	1.5	0.7
Other financial assets	3.2	**–**	150.0	50.0
Cash and cash equivalents	3.4	**879.2**	158.2	54.3
		879.5	309.7	105.0
Total assets		**3,284.6**	2,991.1	1,634.8
Current liabilities				
Trade and other payables	3.5	**(7.2)**	(20.3)	(277.3)
Provisions	3.6	**(0.4)**	(2.2)	(4.6)
		(7.6)	(22.5)	(281.9)
Net current assets		**871.9**	287.2	(176.9)
Non-current liabilities				
Provisions	3.6	**(8.2)**	(7.3)	(0.6)
Borrowings	4.1	**(1,300.0)**	(997.2)	(219.5)
		(1,308.2)	(1,004.5)	(220.1)
Net assets		**1,968.8**	1,964.1	1,132.8
Equity				
Share capital	4.8	**15.0**	15.0	14.2
Share premium	4.8	**1,372.0**	1,361.6	705.3
Merger reserve		**6.2**	–	–
Convertible bonds reserve		**184.5**	184.5	–
Retained earnings		**391.1**	403.0	413.3
Total equity		**1,968.8**	1,964.1	1,132.8

1. For details of the restatement, see note 1.4.

The Company's loss for the period was £47.4 million (2020 (restated): £32.6 million).

The notes on pages 307 to 319 form part of these financial statements.

The Company financial statements on pages 304 to 306 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

Ocado Group plc
Company number: 07098618 (England and Wales)
11 February 2022

Company Statement of Changes in Equity
For the 52 weeks ended 28 November 2021

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Convertible bonds reserve £m	Retained earnings £m	Total £m
Balance at 1 December 2019		14.2	705.3	–	–	413.3	1,132.8
Loss for the period (restated[1])		–	–	–	–	(32.6)	(32.6)
Total comprehensive expense for the period (restated[1])		–	–	–	–	(32.6)	(32.6)
Transactions with owners							
– Issue of ordinary shares	4.8	0.7	645.6	–	–	(0.1)	646.2
– Allotted in respect of share option schemes	4.8	0.1	10.7	–	–	–	10.8
– Share-based payments charge		–	–	–	–	22.4	22.4
– Issue of convertible bonds	4.9	–	–	–	184.5	–	184.5
Total transactions with owners		0.8	656.3	–	184.5	22.3	863.9
Balance at 29 November 2020 (restated[1])		15.0	1,361.6	–	184.5	403.0	1,964.1
Loss for the period		**–**	**–**	**–**	**–**	**(47.4)**	**(47.4)**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**(47.4)**	**(47.4)**
Transactions with owners							
– Issue of ordinary shares	4.8	**–**	**1.9**	**–**	**–**	**–**	**1.9**
– Allotted in respect of share option schemes	4.8	**–**	**8.5**	**–**	**–**	**–**	**8.5**
– Share Based payments charge	4.9	**–**	**–**	**–**	**–**	**35.5**	**35.5**
– Acquisition of Haddington Dynamics Inc		**–**	**–**	**6.2**	**–**	**–**	**6.2**
Total transactions with owners		**–**	**10.4**	**6.2**	**–**	**35.5**	**52.1**
Balance at 28 November 2021		**15.0**	**1,372.0**	**6.2**	**184.5**	**391.1**	**1,968.8**

1. For details of the restatement, see note 1.4.

The notes on pages 307 to 319 form part of these financial statements.

Company Statement of Cash Flows

For the 52 weeks ended 28 November 2021

	Notes	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Cash flows from operating activities			
Loss before tax		**(47.4)**	(32.6)
Adjustments for			
– Net finance cost		**48.5**	32.2
– Movement of provisions		**(1.8)**	(0.6)
Changes in working capital			
– Movement of amounts due from subsidiaries		**519.4**	(1,285.0)
– Movement of other receivables		**1.3**	(0.8)
– Movement of trade and other payables		**(13.1)**	(92.2)
Cash generated from operating activities		**506.9**	(1,379.0)
Interest paid		**(16.5)**	(11.0)
Net cash flow from operating activities		**490.4**	(1,390.0)
Cash flows from investing activities			
Purchase of other treasury deposits		**–**	(150.0)
Proceeds from other treasury deposits		**150.0**	50.0
Purchase of equity investments		**(191.6)**	–
Interest received		**–**	3.8
Net cash flow (used in) investing activities		**(41.6)**	(96.2)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**1.9**	646.2
Proceeds from allotment of share options		**8.5**	10.8
Proceeds from issue of borrowings		**500.0**	950.0
Transaction costs on issue of borrowings		**(8.4)**	(14.5)
Repayment of borrowings		**(225.0)**	–
Net cash flow from financing activities		**277.0**	1,592.5
Net increase in cash and cash equivalents		**725.8**	106.3
Cash and cash equivalents at beginning of period		**158.2**	54.3
Effect of changes in foreign exchange rates		**(4.8)**	(2.4)
Cash and cash equivalents at end of period	3.4	**879.2**	158.2

1. For details of the restatement, see note 1.4.

The notes on pages 307 to 319 form part of these financial statements.

Notes to the Company Financial Statements

For the 52 weeks ended 28 November 2021

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc ("Company") is incorporated in England and Wales. The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial period represents the 52 weeks ended 28 November 2021. The prior financial period represents the 52 weeks ended 29 November 2020.

1.2 Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements are presented in pounds sterling, rounded to the nearest million unless otherwise stated. They have been prepared under the historical cost convention.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company.

Further details of the Group's considerations are provided in the Group Viability Statement and Going Concern Statement on page 97.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an Income Statement or a Statement of Comprehensive Income for the Company alone.

Exemptions

New standards, amendments and interpretations adopted by the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 30 November 2020, and concluded either that they are not relevant to the Group or that they would not have a significant effect on the Group's financial statements other than on disclosures:

	Effective date
Amendments to IFRS 9, IAS 39, IFRS 7 "Interest Rate Benchmark Reform"	1 January 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to References to the Conceptual Framework in IFRS	1 January 2020

The amendment to IFRS 16 "Leases" in relation to Covid-19-related rent concession does not have any impact on the Company.

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the period beginning 30 November 2020, and have not been adopted early:

		Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IAS 16	Property, Plant and Equipment – proceeds of intended use	1 January 2022
IAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
Annual Improvements to IFRS, 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of liabilities as Current or Non-Current	1 January 2023
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Company's financial statements.

Notes to the Company Financial Statements
For the 52 weeks ended 28 November 2021

1.2 Basis of preparation continued

Accounting policies

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, where items are remeasured, at the dates of the remeasurements. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Income tax

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1.3 Critical accounting estimates, judgements and assumptions

The preparation of the Company's financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Estimates and judgements are evaluated continually, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key estimation uncertainties are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period. Significant judgements are those that the Company has made in the process of applying the Group's accounting policies, and that have the most significant effect on the amounts recognised in the financial statements.

Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimates were based, or as a result of new information or more experience.

Significant accounting policies, key estimation uncertainties, and significant judgements are provided below:

Key estimation uncertainties

Area	Estimate	Note
Amounts due from subsidiaries	The Company uses estimates in calculating the recoverable amounts of amounts due from its subsidiaries, which it then uses to assess whether the amounts due are impaired. The Company performed an impairment review as at the reporting date and concluded that all the amounts due from its subsidiaries were recoverable.	3.3
Impairment of investments	The Company considers impairment of its investments in subsidiaries by estimating the recoverable amounts of its investments. The impairment review for the Company's investments was performed using the same projections used in the impairment review in relation to the Group's goodwill. Details of the goodwill impairment review are disclosed in note 3.2 of the consolidated financial statements.	3.1

1.4 Restatement of prior year

The prior period comparatives have been restated to reflect the impact of the following:

1. In February 2020, the Company sold the entire share capital of Ocado Ventures (Infinite Acres) Limited, Ocado Ventures (Inkbit) Limited, Ocado Ventures (JFC) Limited and Ocado Ventures (Karakuri) Limited to Ocado Ventures Holdings Limited ("OVHL") for a consideration of £24.4 million, satisfied by way of a loan. Consequently, the Company recognised a gain on disposal of £24.4 million and an intercompany loan receivable for the same amount. Given there are inter-company loans payable from each of the Ventures entities to other Group companies, following the sale, management reviewed the consideration, and concluded that the appropriate amount of consideration was actually £4 (par value of £1 each) and hence a £24.4 million gain on disposal should not have been recognised. The prior period comparatives have been restated accordingly. This restatement has increased the Company's loss for the prior period from £8.2 million to £32.6 million. The impact on the 29 November 2020 balance sheet is a decrease in current assets by £24.4 million. There is no impact on the 1 December 2019 balance sheet.
2. Amounts due from subsidiaries were previously presented as current assets as these amounts had no specific repayment terms attached and therefore it was assumed these balances were receivable on demand. However, there was no expectation that these amounts would be repaid within 12 months, being the entity's normal operating cycle, and therefore did not meet the criteria to be classified as current assets. The impact on the 29 November 2020 balance sheet is an increase in non-current assets by £2,264.9 million and an equivalent decrease in current assets. There was also an impact on the 01 December 2019 balance sheet being an increase in non-current assets by £980.0 million, and an equivalent decrease in current assets.
3. Amounts due from subsidiaries of £164.8 million were incorrectly classified under accruals and other payables in the prior period. The impact on the 29 November 2020 balance sheet of this correction of the classification is a decrease in non-current assets by £164.8 million and an equivalent decrease in current liabilities. There is no impact on the 1 December 2019 balance sheet.

1.4 Restatement of prior year continued

The restatements increased the Company's loss for the prior period from £8.2 million to £32.6 million. The effect on the 29 November 2020 Balance Sheet of the above restatements is summarised as follows:

	29 November 2020 (previously reported) £m	Restatement £m	29 November 2020 (restated) £m
Non-current assets			
Investments	581.3	–	581.3
Amounts due from subsidiaries	–	2,100.1	2,100.1
Total Non-current assets	581.3	2,100.1	2,681.4
Current assets			
Other receivables	2,266.4	(2,264.9)	1.5
Other financial assets	174.4	(24.4)	150.0
Cash and cash equivalents	158.2	–	158.2
	2,599.0	(2,289.3)	309.7
Total assets	3,180.3	(189.2)	2,991.1
Current liabilities			
Trade and other payables	(185.1)	164.8	(20.3)
Provisions	(2.2)	-	(2.2)
	(187.3)	164.8	(22.5)
Net current assets	2,411.7	(2,124.5)	287.2
Non-current liabilities	(1,004.5)	–	(1,004.5)
Net assets	1,988.5	(24.4)	1,964.1
Equity			
Retained earnings	427.4	(24.4)	403.0
Other equity	1,561.1	–	1,561.1
Total equity	1,988.5	(24.4)	1,964.1

The effect on the 01 December 2020 Balance Sheet of the above restatements is summarised as follows:

	1 December 2019 (previously reported) £m	Restatement £m	1 December 2019 (restated) £m
Non-current assets			
Investments	549.8		549.8
Amounts due from subsidiaries	–	980.0	980.0
	549.8	980.0	1,529.8
Current assets			
Other receivables	980.7	(980.0)	0.7
Other financial assets	50.0	–	50.0
Cash and cash equivalents	54.3	–	54.3
	1,085.0	(980.0)	105.0
Total assets	1,634.8	–	1,634.8
Current liabilities	(281.9)	–	281.9
Net current assets	803.1	(980.0)	(176.9)
Non-current liabilities	(220.1)	–	(220.1)
Net assets	1,132.8	–	1,132.8
Equity			
Retained earnings	413.3	–	413.3
Other equity	719.5	–	719.5
Total equity	1,132.8	–	1,132.8

All of the restatements above are non-cash items. As such, the restatements do not affect the totals of the Company's operating, investing or financing cash flows for the 52 week period ended 29 November 2020.

Notes to the Company Financial Statements

For the 52 weeks ended 28 November 2021

Section 2 – Results for the period

2.1 Loss before tax

Accounting policies

Administrative expenses

Administrative expenses consist of fees for professional services, bank charges and any other costs of an administrative nature.

2.2 Operating results

During the period, the Company obtained audit services from its auditor, Deloitte LLP, amounting to £100,000 (2020: £90,000).

2.3 Employee information

The Company does not incur direct staff costs as the Group's employees are employed by its subsidiaries.

See note 4.9 for information on share-based payments.

Section 3 – Assets and liabilities

3.1 Investments

Accounting policies

Investments in subsidiaries are carried at cost, less any impairment in value. Where the recoverable amount of an investment is less than its carrying amount, impairment is recognised. Impairment reviews are undertaken whenever there is an indication of impairment, and at least once a year.

	28 November 2021 £m	29 November 2020 £m
Cost	**674.3**	476.5
Contributions to subsidiaries		
– Novation of derivative liability in respect of warrants issued by Ocado Holdings Limited	**1.1**	1.1
– Group share-based payments	**140.4**	103.7
Investments	**815.8**	581.3

Investments represent investments in subsidiaries, Kindred Systems II Inc., Ocado Holdings Limited, Ocado Innovation Limited, Ocado FinCo 1 Limited, Ocado FinCo 2 Limited and Ocado US Holdings Inc. A list of subsidiaries held by the Company is disclosed in note 5.1 to the consolidated financial statements.

During the year the Company subscribed for shares aggregating to £185.9 million in Finco 1 and Finco 2, Canada Holdings Inc. and US Holdings Inc. in order to facilitate the acquisition of 100% of the issued shares of Kindred Systems, a company incorporated in Canada with its principal operations in the US that designs, supplies and services sophisticated piece-picking robots for e-commerce and order fulfilment. The total net consideration (after completion adjustments) was US$ 251.8 million (£189.0 million), and also to acquire 100% of the issued share capital of Haddington Dynamics Inc. (Haddington Dynamics), an advanced research and development company incorporated in the US, which specialises in the design and manufacture of highly dextrous, lightweight, low-cost robotic arms. The total net consideration (after completion adjustments) was US$ 14.9 million (£11.9 million)

The Company charges subsidiaries the amounts recognised as share-based payments relating to awards to their employees. These are recognised as an increase in the investment in relevant subsidiaries in accordance with IFRS 2 "Share-based Payment". For details of the share-based payments that have increased the Company's investments, see note 4.10 to the consolidated financial statements.

During the annual impairment review as at the reporting date, no indicators of impairment were identified.

3.2 Other financial assets

	28 November 2021 £m	29 November 2020 £m
Other treasury deposits	–	150.0
Other financial assets	–	150.0
Disclosed as:		
Current	–	150.0

Other treasury deposits

Other treasury deposits are cash deposits with banks with a maturity of more than three months at the date of acquisition. They are classified as other financial assets rather than cash and cash equivalents since they are not available to meet short-term cash commitments.

3.3 Other receivables

Accounting policies

Other receivables are not interest bearing and are recognised initially at their transaction price, and subsequently at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts. No security has been granted over other receivables unless stated otherwise. The amounts due from subsidiaries are repayable on demand.

	28 November 2021 £m	29 November 2020 (restated[1]) £m
Other receivables	**0.3**	1.5

1. For details of the restatement, see note 1.4.

3.4 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise cash at bank and in hand, money market funds, and treasury deposits with banks with a maturity of three months or less at the date of acquisition. Cash and cash equivalents are classified as current assets on the Balance Sheet. The carrying amount of these assets approximates to their fair value.

	28 November 2021 £m	29 November 2020 £m
Cash at bank and in hand	**187.6**	93.2
Money market funds	**221.5**	–
Short-term treasury deposits	**470.1**	65.0
Cash and cash equivalents	**879.2**	158.2

3.5 Trade and other payables

Accounting policies

Trade and other payables are initially recognised at their transaction price, and subsequently at amortised cost, using the effective interest method.

	28 November 2021 £m	29 November 2020 (restated[1]) £m
Amounts due to subsidiaries	**1.5**	12.7
Accruals and other payables	**5.7**	7.6
Trade and other payables	**7.2**	20.3

1. For details of the restatement, see note 1.4.

Notes to the Company Financial Statements
For the 52 weeks ended 28 November 2021

3.6 Provisions
Accounting policies
Employee incentive schemes

Provisions for employee incentive schemes relate to employer's NIC on HMRC-unapproved equity-settled schemes. For all unapproved schemes, the Company is liable to pay employer's NIC upon exercise of the share awards.

Unapproved schemes are the Executive Share Ownership Scheme ("ESOS"), the Long-Term Incentive Plan ("LTIP"), the Value Creation Plan ("VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP"), the Employee Share Purchase Plan ("SPP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to note 4.10 of the consolidated financial statements.

Employee incentive schemes
The provision consists of NIC on HMRC-unapproved equity-settled schemes. In the prior period, the provision also included the cash-based Long-Term Incentive Plan which ended in the prior period upon vesting of the last award, which was settled in cash in the current period.

To calculate the employer's NIC provision, the rate of employer's NIC is applied to the number of share awards that are expected to vest, valued with reference to the share price at the reporting date. The number of share awards expected to vest is dependent on various assumptions, which are determined by management. These comprise participants' retention rate, the expectation of meeting the performance criteria, if any, and the liquidity discount. All assumptions are supported by historical trends, and internal financial forecasts, where appropriate.

For the VCP, external valuations have been obtained to determine the fair value of the awards granted and the related employer's NIC provision (see note 4.10 to the consolidated financial statements).

If at any point during the life of each share award, any non-market conditions are subject to change, such as the retention rate or the likelihood of the performance condition being met, the number of share awards likely to vest will need to be recalculated, which will cause the value of the employer's NIC provision to change accordingly.

Once the share awards under each of the schemes have vested, the provision will be utilised when they are allocated to participants. Vesting will occur between 2022 and 2025, and allotment will take place between 2022 and 2029.

	Employee incentive schemes £m
Balance at 1 December 2019	5.2
Charged/(credited) to Income Statement	
– Additional provision	9.1
Used during period	(4.8)
Balance at 29 December 2020	9.5
Charged to Income Statement	
– Additional provision	**1.2**
Used during period	**(2.1)**
Balance at 28 November 2021	**8.6**

3.6 Provisions continued
Provisions as at 28 November 2021 can be analysed as follows:

	Employee incentive schemes £m
Current	**0.4**
Non-current	**8.2**
	8.6

Provisions as at 29 November 2020 can be analysed as follows:

	Employee incentive schemes £m
Current	2.2
Non-current	7.3
	9.5

Section 4 – Capital structure and financing costs
4.1 Borrowings

						Carrying amount	
Facility	**Inception**	**Security held**	**Coupon rate**	**Instalment frequency**	**Final payment due**	**28 November 2021 £m**	29 November 2020 £m
£225 million senior secured notes	June 2017	Collateral	4.000%	Biannual	June 2024	**–**	220.8
£0.3 million chattel mortgages	January 2019	Collateral	8.800%	Monthly	January 2023	**0.1**	–
£600 million senior unsecured convertible bonds	December 2019	None	0.875%	Biannual	December 2025	**522.0**	504.2
£350 million senior unsecured convertible bonds	June 2020	None	0.750%	Biannual	January 2027	**283.3**	272.2
£500 million senior unsecured notes	October 2021	None	3.875%	Biannual	October 2026	**494.6**	–
Borrowings						**1,300.0**	997.2
Disclosed as:							
Non-current						**1,300.0**	997.2

4.2 Reconciliation of liabilities arising from financing activities

				Non-cash movement	
	Note	29 November 2020 £m	**Cash flows £m**	**Unwinding of interest £m**	**28 November 2021 £m**
Borrowings	4.1	997.2	**266.5**	**36.3**	**1,300.0**

				Non-cash movement	
	Note	1 December 2019 £m	Cash flows £m	Unwinding of interest £m	29 November 2020 £m
Borrowings	4.1	219.5	740.0	37.7	997.2

Notes to the Company Financial Statements
For the 52 weeks ended 28 November 2021

4.3 Analysis of net debt*
Net debt*

	Notes	28 November 2021 £m	29 November 2020 £m
Current assets			
Other treasury deposits	3.2	–	150.0
Cash and cash equivalents	3.4	879.2	158.2
		879.2	308.2
Non-current liabilities			
Borrowings	4.1	(1,300.0)	(997.2)
Net debt*		(420.8)	(689.0)

None of the Company's cash and cash equivalents (2020: £nil) is considered to be restricted and available to circulate within the Group on demand.

Reconciliation of net cash flow with movement of net debt*

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Net (decrease)/increase in other treasury deposits	(150.0)	100.0
Net increase in cash and cash equivalents	721.0	103.9
Net increase in borrowings	(302.8)	(777.7)
Movement of net debt* in period	268.2	46.7
Net debt* at beginning of period	(689.0)	(115.2)
Net debt* at end of period	(420.8)	(689.0)

4.4 Financial instruments
Accounting policies
Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies its financial assets using the following categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL"); and
- Fair value through other comprehensive income ("FVTOCI").

The classification depends on the characteristics of the contractual cash flows and the Company's business model for managing them.

Financial liabilities are measured at amortised cost, except for derivatives which are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Company, after deducting all of its liabilities.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported on the Balance Sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.4 Financial instruments continued
The Company has categorised its financial instruments as follows:

28 November 2021	Notes	Amortised cost £m
Financial assets		
Amounts due from subsidiaries		1,589.3
Other receivables	3.3	0.3
Cash and cash equivalents	3.4	879.2
Total financial assets		2,468.8
Financial liabilities		
Accruals and other payables	3.5	(7.2)
Chattel mortgages	4.1	(0.1)
Senior unsecured notes	4.1	(494.6)
Senior unsecured convertible bonds	4.1	(805.3)
Total financial liabilities		(1,307.2)

29 November 2020 (restated[1])	Notes	Amortised cost £m
Financial assets		
Other financial assets	3.2	150.0
Amounts due from subsidiaries		2,100.1
Other receivables	3.3	1.5
Cash and cash equivalents	3.4	158.2
Total financial assets		2,409.8
Financial liabilities		
Accruals and other payables	3.5	(20.3)
Senior secured notes	4.1	(220.8)
Senior unsecured convertible bonds	4.1	(776.4)
Total financial liabilities		(1,017.5)

1. For details of the restatement, see note 1.4.

Financial assets and liabilities at fair value
The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

All the Company's financial assets and liabilities are classified as level 3 except for the senior secured and unsecured notes, which are classified as level 1.

Notes to the Company Financial Statements
For the 52 weeks ended 28 November 2021

4.4 Financial instruments continued
Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are included in the financial statements:

	Notes	28 November 2021 Carrying amount £m	28 November 2021 Fair value £m	29 November 2020 (restated[1]) Carrying amount £m	29 November 2020 (restated[1]) Fair value £m
Financial assets					
Other financial assets	3.2	–	–	150.0	150.0
Amounts due from subsidiaries		1,589.3	1,589.3	2,100.1	2,100.1
Other receivables	3.3	0.3	0.3	1.5	1.5
Cash and cash equivalents	3.4	879.2	879.2	158.2	158.2
Total financial assets		2,468.8	2,468.6	2,409.8	2,409.8
Financial liabilities					
Accruals and other payables	3.5	(7.2)	(7.2)	(20.3)	(20.3)
Chattel mortgages	4.1	(0.1)	(0.1)	–	–
Senior unsecured notes	4.1	(494.6)	(488.1)	–	–
Senior secured notes	4.1	–	–	(220.8)	(230.1)
Senior unsecured convertible bonds	4.1	(805.3)	(805.3)	(776.4)	(776.4)
Total financial liabilities		(1,307.2)	(1,300.7)	(1,017.5)	(1,026.8)

1. For details of the restatement, see note 1.4.

The fair values of cash and cash equivalents, other financial assets, receivables and payables are assumed to approximate to their carrying values but for completeness are included in this analysis.

4.5 Credit risk
The Company's exposures to credit risk arise from holdings of cash and cash equivalents and other receivables.

Exposure to credit risk
The carrying value of financial assets, as set out in note 4.4, represents the maximum credit exposure. No collateral is held as security against these assets.

Management does not believe that the credit risk of any financial instrument has increased significantly since its initial recognition.

Cash and cash equivalents
The Company's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with strong credit ratings, and by regular review of counterparty risk.

Other receivables
Other receivables at the reporting date comprise mainly amounts due from subsidiaries. Management provides for irrecoverable debts when there are indicators that a balance may not be recoverable.

The ageing of other receivables at the reporting date was as follows:

	Note	28 November 2021 Gross £m	28 November 2021 Impairment £m	29 November 2020 Gross £m	29 November 2020 Impairment £m
Not past due	3.3	0.3	–	1.5	–

4.6 Liquidity risk
The Company has adequate cash resources to manage the short-term working capital needs of the business. In October 2021, it issued £500 million of senior unsecured notes, part of the proceeds of which it used to repay the £225 million senior secured notes early, thereby extending the maturity profile of its borrowings. The Company's capital management policies are consistent with those of the Group. For further details on the Group's capital management strategy, see note 4.11 to the consolidated financial statements.

The table below analyses the Company's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the table are the carrying amounts and undiscounted net contractual cash flows.

28 November 2021	Notes	Carrying amount £m	Contractual cash flows: Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Accruals and other payables	3.5	(7.2)	(7.2)	(7.2)	–	–	–
Chattel mortgages	4.1	(0.1)	(0.1)	–	(0.1)	–	–
Senior unsecured notes	4.1	(494.6)	(596.9)	(19.4)	(19.4)	(558.1)	–
Senior unsecured convertible bonds	4.1	(805.3)	(988.9)	(7.9)	(7.9)	(621.0)	(352.1)
		(1,307.2)	(1,593.1)	(34.5)	(27.4)	(1,179.1)	(352.1)

29 November 2020 (restated[1])	Notes	Carrying amount £m	Contractual cash flows: Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Accruals and other payables	3.5	(20.3)	(20.3)	(20.3)	–	–	–
Senior secured notes	4.1	(220.8)	(261.0)	(9.0)	(9.0)	(243.0)	–
Senior unsecured convertible bonds	4.1	(776.4)	(996.0)	(7.9)	(7.9)	(23.6)	(956.6)
		(1,017.5)	(1,277.3)	(37.2)	(16.9)	(266.6)	(956.6)

4.7 Market risk
Currency risk
The Company engages in foreign currency transactions to a very limited extent. No financial assets are held in foreign currencies. Due to the Company's lack of exposure to currency risk, no sensitivity analysis has been performed.

Interest rate risk
The Company has no interest bearing financial liabilities with a variable rate, and its interest-bearing financial assets consist of only cash and cash equivalents and other treasury deposits. These financial assets are exposed to interest rate risk as the Company holds money market deposits at variable interest rates. The risk is managed by investing cash in a range of cash deposit accounts with banks in the United Kingdom split between fixed-term deposits, notice accounts and money market funds.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	28 November 2021 £m	29 November 2020 £m
Fixed rate instruments		
Financial assets	470.1	215.0
Financial liabilities	(1,300.0)	(997.2)
Variable rate instruments		
Financial assets	409.1	93.2
Financial liabilities	–	–

Notes to the Company Financial Statements
For the 52 weeks ended 28 November 2021

4.7 Market risk continued

Sensitivity analysis

An increase of 1% in interest rates would affect equity and profit or loss by the amounts shown below. Given that interest rates are expected to remain low for a number of years, a movement of 1.0% is deemed the maximum increase likely to occur in the short term. The calculation applies the increase to average variable rate interest-bearing borrowings and cash and cash equivalents existing during the period. This analysis assumes that all other variables remain constant and considers the effect on financial instruments with variable interest rates.

	28 November 2021 £m	29 November 2020 £m
Increase in income	**4.1**	0.9

4.8 Share capital and premium

Accounting policies

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Share capital and premium

Included in the total number of ordinary shares outstanding below are 10,454,148 (2020: 10,587,150) ordinary shares held by the Group's Employee Benefit Trust (see note 4.10 to the consolidated financial statements). The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the JSOS, and the linked jointly owned equity ("JOE") awards under the Value Creation Plan ("VCP") are treated as treasury shares on the Consolidated Balance Sheet in accordance with IAS 32 ''Financial Instruments: Presentation''. These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in note 2.8 to the consolidated financial statements, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 7,259,291 (2020: 9,278,146). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

The movements in called-up share capital and share premium are set out below:

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 1 December 2019	709.2	14.2	705.3
Issue of ordinary shares	34.3	0.7	645.6
Allotted in respect of share option schemes	4.6	0.1	10.7
Balance at 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	**1.4**	**–**	**1.9**
Allotted in respect of share option schemes	**1.9**	**–**	**8.5**
Balance at 28 November 2021	**751.4**	**15.0**	**1,372.0**

4.9 Share-based payments

For more information on the Group's share schemes, see note 4.10 to the consolidated financial statements.

4.10 Capital management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 4.11 to the consolidated financial statements.

Section 5 – Other notes

5.1 Related party transactions

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Company. The Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Key management personnel

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Company. The Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 158.

During the period, there were no transactions between the Company and its key management personnel or members of their close family. At the reporting date, key management personnel did not owe the Company any amounts.

Subsidiaries

The Company makes loans to its subsidiaries. Interest of £4.1 million (2020: £3.9 million) was charged on these loans during the period. All intra-Group loans and balances are unsecured and repayable on demand.

Transactions with subsidiaries	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated) £m
Group share-based payments	**35.5**	31.5
(Decrease)/increase in loans and amounts due from subsidiaries	**(510.8)**	1,120.1
Decrease in amounts due to subsidiaries	**(11.2)**	(257.9)

Balances with subsidiaries	**28 November 2021 £m**	29 November 2020 (restated) £m
Amounts due from subsidiaries	**1,589.3**	2,100.1
Amounts due to subsidiaries	**(1.5)**	(12.7)

5.2 Post-Balance Sheet events

No significant events affecting the Company have occurred since the reporting date.

Additional Information

Contents

Glossary

2019 Directors' Remuneration Policy or 2019 Policy – means the Directors' Remuneration Policy which was approved by shareholders at the 2019 Annual General Meeting

Administrative expenses – means all IT costs, advertising and marketing expenditure (excluding vouchers), share-based payment costs, employment costs of all central functions, which include board, legal, finance, human resources, marketing and procurement, property-related costs for the head office, all fees for professional services, and the depreciation, amortisation and impairment associated with IT equipment, software, fixtures and fittings.

Admission – means the admission of the ordinary shares of the Company to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, which occurred on 26 July 2010.

Aeon – means Aeon Co., Ltd., a company incorporated in Japan, whose registered office is at 1–5–1 Nakase, Mihama-ku, Chiba-shi, Chiba, 261–8515.

AGM – means the Annual General Meeting of the Company, which will be held on 4 May 2022 at 10 am at Numis Securities Ltd, 45 Gresham Street, London, EC2V 7BF and via an online meeting platform.

AIP – means the Annual Incentive Plan for the Executive Directors and selected senior managers.

American Depositary Receipts – means securities that have been created to permit United States investors to hold shares in non-United States companies and, in a Level 1 programme, to trade them on the over-the-counter market in the United States of America.

Articles – means the articles of association of the Company.

AutoStore – means Autostore Technology AS, a company incorporated in Norway, whose registered office is at Stokkastrandvegen 85, 5578, Nedre Vats, Rogaland, Norway.

Board – means the Board of Directors of the Company or its subsidiaries from time to time as the context may require.

Bon Preu – means Bon Preu SA, a company incorporated in Spain, whose registered office is at Carrer C, 17, 08040 Barcelona.

Brexit – means the United Kingdom's decision to leave the European Union following the referendum on 23 June 2016.

Cash LTIP – means the Company's cash-based long-term incentive plan for senior employees.

CMA – means the Competition and Markets Authority.

CNG – means compressed natural gas.

Code – means the UK Corporate Governance Code published by the FRC in 2018.

Coles – means Coles Supermarkets Australia Pty Ltd, a company incorporated in Australia, whose registered office is at 800 Toorak Road, Hawthorn East, VIC 3123.

Companies Act – means the Companies Act 2006.

Company – means Ocado Group plc, a company incorporated in England and Wales with company number 07098618, whose registered office is at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

Corporate website – means www.ocadogroup.com.

Covid-19 – means the disease caused by Severe Acute Respiratory Syndrome Coronavirus 2, which has caused the ongoing global pandemic.

CR – means Corporate Responsibility.

Customer Fulfilment Centre or CFC – means a dedicated, highly-automated warehouse used for the operation of the business.

Deloitte – means Deloitte LLP, the Group's statutory auditor and advisor in respect of non-audit services.

Directors – means the Directors of the Company, whose names and biographies are set out on pages 102 to 105, or the Directors of the Company's subsidiaries from time to time as the context may require.

Disclosure Guidance and Transparency Rules or DTR – means the disclosure guidance and transparency rules made under Part VI of the Financial Services and Markets Act 2000 (as amended).

Distribution costs – means all the costs incurred, excluding product costs, to the point of sale. In most cases, this is the customer's home. This includes the payroll-related expenses for the picking, dispatch and delivery of products sold to the point of sale, the cost of making those deliveries, including fuel, tolls, maintenance of vehicles, the operating costs of the properties required for the picking, dispatch and onward delivery operations and all associated depreciation, amortisation and impairment charges, call centre costs and payment processing charges.

DNED – means the Designated Non-Executive Director for workforce engagement.

Dobbies – means Dobbies Garden Centres Limited, a company incorporated in Scotland with company number SC010975, whose registered office is at Melville Nurseries, Lasswade, Midlothian, Scotland, EH18 1AZ.

DPV – means deliveries per van.

EBITDA – means the non-GAAP measure which Ocado has defined as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items.

EBT – as relating to the Consolidated Income Statement, means earnings before tax; as relating to share schemes, means Employee Benefit Trust.

EBT Trustee – means the Trustee from time to time of the Employee Benefit Trust established for the purposes of the JSOS, currently Ocorian Limited.

ESG – means Environmental, Social, and Corporate Governance.

ESOS – means the HMRC-approved 2001 Executive Share Option Scheme and the 2001 HMRC-unapproved Executive Share Option Scheme and 2014 Executive Share Option Scheme.

Exceptional items – means items that due to their material and/or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements.

Executive Directors – means Tim Steiner, Stephen Daintith, Mark Richardson, Luke Jensen and Neill Abrams.

Fabled or Fabled.com – means the Group's premium beauty online store in collaboration with Marie Claire and Time Inc., sold to Next Holdings Limited in 2019.

Glossary

FCA – means the Financial Conduct Authority.

Fetch or Fetch.co.uk – means the Group's dedicated online pet store, sold to Paws Holdings Limited in January 2021.

Financial period – means the 52-week period, or 53-week period where relevant, ending on the Sunday closest to 30 November.

Financial year or FY – see financial period.

Flex – means Flex Ltd, a company incorporated in Singapore, whose registered office is 2 Changi South Lane, 486123, Singapore.

FRC – means the Financial Reporting Council.

GAAP – means generally accepted accounting principles.

GDPR – means General Data Protection Regulation.

GHG – means greenhouse gas(ses).

GIP – means the Growth Incentive Plan.

GMDC – means the General Merchandise Distribution Centres in Welwyn Garden City and Erith, dedicated, highly-automated warehouses used for the operation of the business.

Group – means Ocado Group plc, its subsidiaries, significant undertakings and affiliated companies under its control or common control.

Groupe Casino or Casino – means Casino Guichard Perrachon SA, a company incorporated in France, whose registered office is at 24 Rue de la Montat, Saint-Etienne.

GSCOP – means Groceries Supply Code of Practice.

Haddington Dynamics – means Haddington Dynamics Inc., a company incorporated in Nevada, United States of America, acquired by the Group on 21 December 2020.

HMRC – means Her Majesty's Revenue and Customs.

IAS – means International Accounting Standards.

ICA – means ICA Gruppen AB, a company incorporated in Sweden, whose registered office is at Svetsarvägen 16, Solna.

IFRIC – means International Financial Reporting Standards Interpretations Committee.

IFRS – means International Financial Reporting Standards.

Infinite Acres – means Infinite Acres Holding B.V., a company incorporated in the Netherlands, whose registered office is Oude Delft 128, 2611 CG Delft, Netherlands.

Inkbit – means Inkbit Corporation, a company incorporated in Delaware, United States of America, whose business address is 200 Boston Ave #1875, Medford, MA, 02155.

IP – means Intellectual Property.

ISA (UK & Ireland) – means International Standard on Auditing in the United Kingdom and Ireland.

ISF – means in-store fulfilment.

Jabil – means Jabil Inc., a company incorporated in Delaware, United States of America, whose business address is 10560 Dr. Martin Luther King Jr St, N. St Petersburg, FL, 33716.

John Lewis – means John Lewis plc, the parent company of Waitrose, incorporated in England and Wales with company number 00233462, whose registered office is at 171 Victoria Street, London, SW1E 5NN.

Jones Food Company or JFC – means Jones Food Company Limited, a company incorporated in England and Wales with company number 10504047, whose registered office is at Phase 2 Celsius Parc, Cupola Way, Scunthorpe, England, DN15 9YJ.

JSOS – means the Joint Share Ownership Scheme. It comprises three issues called JSOS1, JSOS2 and JSOS3.

Karakuri – means Karakuri Limited, a company incorporated in England and Wales with company number 11228129, whose registered office is at 14 Amherst Avenue, London, England, W13 8NQ.

Kindred Systems – means Kindred Systems Inc., a company incorporated in Delaware, United States of America, acquired by the Group on 15 December 2020.

KPI – means key performance indicator.

Kroger – means The Kroger Co., a company incorporated in the United States of America, whose registered office is at 1014 Vine Street, Cincinnati, Ohio.

LGV – means large goods vehicle.

Listing Rules – means the Listing Rules made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended).

LTIP – means the Long-Term Incentive Plan for Executive Directors and selected Senior Managers.

Marks and Spencer or M&S – means Marks and Spencer Group plc, a company incorporated in England and Wales with company number 04256886, whose registered office is at Waterside House, 35 North Wharf Road, London, W2 1NW.

MHE – means mechanical handling equipment.

MHE JVCo – means MHE JVCo Limited, a company incorporated in England and Wales with company number 08576462, jointly owned by Ocado Holdings and Morrisons, whose registered office is at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

Morrisons – means Wm Morrison Supermarkets plc, a company incorporated in England and Wales with company number 00353949, whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire, BD3 7DL.

Morrisons.com – means Morrisons' online retail business.

Myrmex – means Myrmex Inc., a company incorporated in Delaware, United States of America, whose business address is 2350 Mission College Boulevard, Suite 495, Santa Clara, CA, 95054.

Net finance cost – means finance costs less finance income. Finance costs are composed primarily of interest on borrowings and lease liabilities. Finance income is composed principally of bank interest.

Non–Executive Directors – means the Non–Executive Directors of the Company designated as such on pages 102 to 105.

Notice of Meeting – means the notice of the Company's AGM.

NPS – means net promoter score.

Ocado.com – means the Group's online retail business.

Ocado Council – means the Ocado forum used to consult with our employees.

Ocado Holdings – means Ocado Holdings Limited.

Ocado Operating – means Ocado Operating Limited.

Ocado Smart Platform or OSP – means the end-to-end solution for operating online in the grocery market, which has been developed by the Group.

Ocado Solutions – means the Group's Solutions business.

Ocado Retail – means Ocado Retail Limited, a joint venture between Ocado Holdings and Marks and Spencer Holdings Limited, which is incorporated in England and Wales, and whose registered office is at Apollo Court, 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX.

Ocado Ventures – means the Group's Ventures business.

Ocado Zoom – means Ocado Zoom, the Group's immediacy delivery offering.

OECD – means the Organisation for Economic Co-operation and Development.

OSP Leadership Club – means the collective group of Ocado Group and its global Solutions Partners.

Other income – means primarily revenue for advertising services provided by Ocado to suppliers and other third parties on the Webshop, commission income, rental income and sub-lease payments receivable. Other income is recognised in the period to which it relates on an accruals basis.

Participants – means eligible staff who participate in one of the Groups' employee share schemes.

Prospectus – means the Company's prospectus dated 6 July 2010 prepared in connection with the Company's Admission.

PwC – means PricewaterhouseCoopers LLP, the Group's external advisor on remuneration.

R&D – means research and development.

RCF – means revolving credit facility.

Retail VCP – means the Ocado Retail Value Creation Plan for the senior leadership team of Ocado Retail.

Revenue – means online sales (net of returns) through the Webshop and Ocado On The Go, including charges for delivery, but excluding relevant vouchers, offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons and other Solutions clients are also included in revenue. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and multi-buy offers, such as buy three for the price of two.

ROI – means return on investment.

RSP – means the Restricted Share Plan.

Senior secured notes or notes – means the Company's offering of £500 million senior secured notes due 2026. For more details, see pages 57 and 205.

Senior unsecured convertible bonds or convertible bonds – means the Company's offerings of £600 million senior unsecured convertible bonds due 2025 at a coupon of 0.875% and an issue price of 100.0%, and of £350 million senior unsecured convertible bonds due 2027 at a coupon of 0.750% and an issue price of 100.0%. For more details, see pages 205 to 206.

Shareholder – means a holder for the time being of ordinary shares of the Company.

SAYE – means the Sharesave Scheme, the HMRC-approved share option plan for employees.

SID – means Senior Independent Director.

SIP – means the Share Incentive Plan.

SPP – means the Employee Share Purchase Plan.

SKU – means stock-keeping unit; that is, a line of stock.

Smart Pass (previously Saving Pass) – means the Ocado pre pay membership scheme which includes the delivery pricing scheme previously known as Delivery Pass and the discount membership scheme formerly known as Saving Pass.

Sobeys – means Sobeys Inc., a wholly-owned subsidiary of Empire Company Limited incorporated in Canada, whose registered office is at 115 King Street, Stellarton, Nova Scotia.

Spoke – means the trans-shipment sites used for the intermediate handling of customers' orders.

STEM – means four closely-connected areas of study: science, technology, engineering and maths.

Substitution – means an alternative product provided in place of the original product ordered by a customer.

techUK – means the trade association which brings together people, companies and organisations to realise the positive outcomes of applying digital technology. It creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet. For more details, see page 71.

TSR – means total shareholder return, the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

UPH – means average units processed per labour hour.

VCP – means the Value Creation Plan.

Waitrose – means Waitrose Limited, a company incorporated in England and Wales with company number 00099405, whose registered office is at 171 Victoria Street, London, SW1E 5NN.

Webshop – means the customer-facing internet-based virtual shop accessible via the website www.ocado.com.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures that are not defined under IFRS and are, therefore, termed "non-IFRS" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-IFRS measures used are:

- Exceptional items;
- EBITDA;
- Segmental revenue;
- Segmental EBITDA;
- Segmental gross profit;
- Segmental other income;
- Segmental distribution costs and administrative expenses;
- Net cash/debt; and
- External gross debt.

Reconciliation of these non-IFRS measures with the nearest measures prepared in accordance with IFRS are presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

Exceptional items

The Consolidated Income Statement identifies separately trading results before exceptional items. The Directors believe that presentation of the Group's results in this way is important for understanding the Group's financial performance. This presentation is consistent with the way that financial performance is measured by Management and reported to the Board, and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily.

The Group applies judgement in identifying significant non-recurring items of income and expenditure that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, Management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include corporate reorganisations, material litigation, and any other material costs outside of the normal course of business as determined by Management.

The Group has adopted a three-columned approach to the Consolidated Income Statement to aid clarity and allow users of the Financial Statements to understand more easily the performance of the underlying business and the effect of one-off events.

Exceptional items are disclosed in note 2.6 to the Consolidated Financial Statements.

EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

A reconciliation of operating profit with EBITDA can be found on the face of the Consolidated Income Statement on page 223.

Segmental revenue

Segmental revenue is a measure of reported revenue for the Group's Retail, UK Solutions & Logistics and International Solutions segments. A reconciliation of revenue for the segments with revenue for the Group can be found in notes 2.1 and 2.2 to the Consolidated Financial Statements.

Segmental EBITDA

The financial performance of the Group's segments is assessed using EBITDA, as reported internally.

A reconciliation of EBITDA of the segments with EBITDA of the Group can be found in note 2.2 to the Consolidated Financial Statements.

Segmental gross profit

Segmental gross profit is a measure that seeks to reflect the profitability of segments in relation to their revenues earned.

A reconciliation of reported gross profit, the most directly comparable IFRS measure, with segmental gross profit is set out below:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Retail gross profit	**737.5**	665.1
UK Solutions & Logistics gross profit	**710.4**	653.9
International Solutions gross profit	**57.5**	9.6
Other gross profit	**(1.0)**	(0.9)
Group eliminations gross profit	**(568.5)**	(527.7)
Reported gross profit	**935.9**	800.0

Segmental other income

Segmental other income is a measure that seeks to reflect segmental income which is not generated through the primary trading activities of the segments (for example, volume-related rebates from suppliers in the Retail segment).

A reconciliation of reported other income, the most directly comparable IFRS measure, with segmental other income is set out below:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Retail other income	**84.8**	70.0
UK Solutions & Logistics other income	**3.5**	3.8
International Solutions other income	**0.6**	–
Other income	**15.2**	14.3
Group eliminations other income	**-**	(0.5)
Reported other income	**104.1**	87.6

Segmental distribution costs and administrative expenses

Segmental distribution costs and administrative expenses is a measure that seeks to reflect the performance of the Group's segments in relation to the long-term, sustainable growth of the Group. These measures exclude certain costs that are not allocated to a specific segment: depreciation, amortisation, impairment and other central costs.

A reconciliation of reported distribution costs and administrative expenses, the most directly comparable IFRS measures, with segmental distribution costs and administrative expenses, is set out below:

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Retail distribution costs and administrative expenses	**671.9**	586.6
UK Solutions & Logistics distribution costs and administrative expenses	**645.4**	613.3
International Solutions distribution costs and administrative expenses	**177.4**	93.0
Other distribution costs and administrative expenses	**49.4**	48.9
Group eliminations distribution costs and administrative expenses	**(567.4)**	(528.2)
Depreciation, amortisation, impairment and other central costs	**238.4**	168.9
Reported distribution costs and administrative expenses	**1,215.1**	982.5

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Reported distribution costs	**666.7**	623.7
Reported administrative expenses	**548.4**	358.8
Reported distribution costs and administrative expenses	**1,215.1**	982.5

1. During the period, Ocado Group plc ("the Group") implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Group reviewed the categorisation of certain prior year costs and made the following reclassifications: cost of sales (£13.9 million increase), distribution costs (£29.7 million decrease) and administrative expenses (£15.8 million increase).

Net cash/debt

Net cash/debt is calculated as cash and cash equivalents, plus other treasury deposits, less gross debt (borrowings plus lease liabilities).

Net cash/debt is a measure of the Group's net indebtedness that provides an indicator of the overall strength of the Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness. The use of the term "net cash" does not necessarily mean that the cash included in the net cash/debt calculation is available to settle the liabilities included in this measure.

Net cash/debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities (current and non-current) and cash and cash equivalents. A reconciliation of these measures with net cash/debt can be found in note 4.4 to the Consolidated Financial Statements.

External gross debt

External gross debt is calculated as gross debt (borrowings plus lease liabilities), less lease liabilities payable to the joint venture of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered related parties of the Group.

A reconciliation of gross debt with external gross debt can be found below:

	28 November 2021 £m	29 November 2020 £m
Gross debt	**1,828.4**	1,405.2
Less: Lease liabilities payable to joint venture	**(34.0)**	(49.7)
External gross debt	**1,794.4**	1,355.5

Five-Year Summary

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 £m
Revenue	**2,498.8**	2,331.8	1,756.6	1,598.8	1,454.5
Gross profit	**935.9**	800.0	597.3	547.5	495.0
EBITDA*	**61.0**	73.1	43.3	59.5	76.7
Adjusted operating (loss)/profit[1]	**(175.1)**	(94.9)	(93.5)	(33.0)	4.1

1. Adjusted to exclude exceptional items* and share of results of joint ventures and associate.

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020	52 weeks ended 1 December 2019	52 weeks ended 2 December 2018	53 weeks ended 3 December 2017
Active customer base	**832,000**	680,000	795,000	721,000	645,000
Average orders per week	**357,000**	334,000	325,000	296,000	264,000
Average order size (£)[2, 3]	**129.08**	137.19	106.30	106.85	107.28
CFC efficiency (UPH)[4]	**170**	169	161	163	164
DPV per week	**177**	184	196	194	182
Product waste (%)	**0.6**	0.4	0.7	0.8	0.7

2. Refers to Ocado.com orders and includes standalone orders for Fetch.co.uk, Sizzle.co.uk and Fabled.com. This is after cancelled orders are deducted.

3. Average order size excludes destination sites from 2014 onwards; prior to this, destination sites were not material.

4. Mature CFC operations are defined as CFC1, CFC2 and CFC4. CFC4 became a "mature" CFC in the 52 weeks ended 29 November 2020. Figures have been updated to include CFC4.

5. 2017-2020 includes orders for Fetch.co.uk, Sizzle.co.uk and Fabled.com. 2021 includes Fetch.co.uk up to disposal in January 2021.

Shareholder Information

Analysis of share register at 28 November 2021

By type of holder	Total no. of holdings	Percentage of holders	Total no. of shares	Percentage of issued share capital
Individual	1,031	40.88	3,490,645	0.45
Institutions and others	1,491	59.12	748,017,807	99.55
By size of holding				
1-500	451	17.88	38,971	0.01
501-1,000	345	13.68	122,376	0.02
1,001-10,000	852	33.78	1,565,840	0.21
10,001-100,000	490	19.43	8,965,003	1.19
Over 100,000	384	15.23	740,816,262	98.57
Total	**2,522**	**100.0**	**751,508,452**	**100.0**

AGM

The AGM will be held at Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF at 10 am on 4 May 2022. Further details can be found in the Notice of Meeting sent to shareholders, which is also available at www.ocadogroup.com.

Shareholder Queries

Please contact our Registrar, Link Group, directly for all enquiries about your shareholding:

Online: www.ocadoshares.com (you will need your shareholder reference number which can be found on your share certificate)

By telephone: 0345 608 1476. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.)

By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Electronic Shareholder Communication

We encourage our shareholders to opt for electronic communications as opposed to hardcopy documents by post. This has a number of advantages for the Company and its shareholders. Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as increasing the speed of communication and provision of information in a convenient form. Less paper also reduces our impact on the environment.

If you would like to receive notifications by email, you can register your email address via the Share Portal www.signalshares.com or by writing to Link Group FREEPOST SAS, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. No stamp or further address detail is required, please write in BLOCK CAPITALS as required. Please note that if you hold your shares corporately or in a CREST account, you are not able to use the Share Portal to inform us of your preferred method of communication and should instead write to Link Group at FREEPOST SAS, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Warning about Share Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the United Kingdom Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk/scamsmart/share-bond-boiler-room-scams, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the United Kingdom or +44 20 7066 1000 if calling from outside the United Kingdom.

Share Price Information

The Company's ordinary shares are listed on the London Stock Exchange. The price of the Company's shares is available on the Corporate Website at www.ocadogroup.com. This is supplied with a 15 minute delay to real time.

Donating shares to charity – ShareGift

Small numbers of shares, which may be uneconomic to sell, can be donated to ShareGift, the share donation charity. ShareGift transfers these holdings into their name, aggregates them, and uses the proceeds to support a wide range of UK charities. If you would like further details about ShareGift, please visit www.Sharegift.org, email help@sharegift.org or telephone them on 020 7930 3737.

Shareholder Information

ADR administration

Ocado Group plc operates an American Depositary Receipts programme. ADRs are traded on the over-the-counter market under the symbol OCDDY. One ADR represents two ordinary Ocado shares. BNY Mellon maintains the Company's ADR register. If you have any enquiries about your holding of Ocado ADRs, you should contact BNY Mellon by post at 240 Greenwich Street, Floor 8W New York, NY 10286.

Financial Calendar*

17 March 2022	Q1 Trading Statement
4 May 2022	Annual General Meeting
12 July 2022	Half Year Results Announcement
13 September 2022	Q3 Trading Statement
13 December 2022	Q4 Trading Statement
14 February 2023	Final Results Announcement

* Dates are provisional

Company Information

Registered office:	Buildings One & Two Trident Place Mosquito Way Hatfield Hertfordshire United Kingdom AL10 9UL
Company number:	07098618
Company Secretary:	Neill Abrams
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ

Forward-looking Statements

Certain Statements made in this Annual Report are Forward-looking Statements. Such Statements are based on current expectations, forecasts and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these Forward looking Statements. They appear in a number of places throughout this Annual Report and include Statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, objectives, strategies and the business. Nothing in this Annual Report should be construed as a profit forecast. All Forward-looking Statements in this Annual Report are made by the Directors in good faith based on the information and knowledge available to them as at the time of their approval of this Annual Report. Persons receiving this report should not place undue reliance on Forward-looking Statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake any obligation to update or revise publicly any Forward-looking Statements, whether as a result of new information, future events, future developments or otherwise.

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The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere,referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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