ocado
GROUP

Reimagining Shopping

Ocado Group plc Annual Report and Accounts for the 52 weeks ended 29 November 2020

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Living Our Purpose

We are reimagining shopping, by solving complex problems to provide sustainable solutions for online grocery

We help our partners get to a leading position in online grocery by providing robotic and software solutions that enable profitable, scalable growth.

"We are bringing the best customer experience to market with our partners; responsibly and with superior, sustainable and proven economics. We are ready to seize the enlarged opportunity in online grocery in a post Covid-19 world."

Tim Steiner
Chief Executive Officer

The world of grocery retail has changed for good

There has been a permanent global channel shift. Grocery retailing has changed permanently and for the better

→ Read more on page 02

➔ Visit our Corporate website at:
www.ocadogroup.com

Open the flap to start reading how we are
Living Our Purpose

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01

The world is changing in grocery retailing

FOR GOOD . . .

Through the permanent redrawing of the grocery landscape

There's been a momentous shift towards online grocery shopping in markets around the world, resulting in an even greater need for a sustainable, scalable solution to online grocery fulfilment, and an even greater opportunity for Ocado Group.

Online share of UK grocery market almost doubled to

14%

in November 2020 from 7% pre-pandemic

Fee opportunity of

£3.5–£26.3bn*

depending on online penetration

Key markets are worth

£2.8tn*

Opportunity expands as markets develop and technology improves

Across most markets globally

years

worth of channel shift to online within a few months

→ Read more about the **Market Opportunity** on page 26

* Key markets as calculated at 2018 on basis of $25,000 or higher GDP per capita, and populations over 5 million. Fee opportunity reflects range for possible OSP license fees, assuming a 25% share of key markets and a range of online grocery penetration from 10% to 75%

What this means for Ocado Retail

Following an extraordinary few months of growth, an even bigger opportunity lies ahead with the continuing channel shift to online.

What this means for Ocado Solutions

Building sustainable, scalable offerings for grocery online is now top of the agenda in grocery boardrooms worldwide. For the Ocado Smart Platform ("OSP"), the opportunity is huge.

These figures are as at: IPO 21 July 2010 and financial year end in 2015 and 2020.

02

The world is changing in grocery retailing

FOR GOOD . . .

We are ready to make the most of the expanded opportunity in front of us

The Ocado model has always been a virtuous cycle of investment in innovations that drive improved efficiency and faster growth. Now we intend to invest more and innovate even faster, to support current and prospective partners to meet the global increase in demand for online grocery, and to further expand our leadership position. We have the capital, human and financial, to capitalise on our full opportunity set in the medium term.

3 new CFCs will see Ocado Retail benefit from a

40%

increase in available capacity in 2021

Our 'club' of 9 leading grocery retail partners on OSP

#2

retail platform by volume of global grocery sales

Funding position of

£2.1bn

at the year end enables us to capitalise on the full opportunity set over the medium term

Almost

500

technology colleagues hired in 2020 to improve our platform capabilities faster

→ Read more about **our OSP Leadership Club and Solutions Proposition** on pages 34 to 37

Our response:

Ocado Retail

We are ready to seize the accelerated growth opportunity ahead, with our leading customer offer and scalable, sustainable model.

Our response:

Ocado Solutions

We are investing for acceleration. We are serving our partners' needs, supporting them to go further, faster, with their plans for online growth, by providing more capacity and flexibility with the OSP system. As the migration to online globally gains pace, we expect to add more partners to our platform, further strengthening the benefits of the OSP Leadership Club.

Ready for the future

We are investing to grow our technology team and add synergistic technologies to our platform, to enable the even faster rate of development that our accelerated ambitions require. This innovation will see the global opportunity set continue to evolve and expand. There is an opportunity for us to lead the global online grocery market with our partners and fundamentally change the structure of grocery markets worldwide.

→ Read more about our **Plans for acceleration** on pages 43 to 45

03

The world is changing in grocery retailing

FOR GOOD . . .

Enabling us to make a sustainable impact globally

We are determined to fulfill our mission of changing the way the world shops for good. We are committed to innovation that enables sustainable business, and to policies and actions that protect decent work today whilst inspiring and educating the innovators of the future.

Food waste only

0.4%

of Ocado Retail sales versus an industry average of 2–3%

1 in 3

LGV vehicles gas powered, and a fleet of 17 electric vehicles, with plans for further roll-out

4,800

face coverings made from 7.7 tonnes of uniform diverted from landfill

39%

reduction in our carbon intensity measure of tonnes of CO_2e per 100,000 orders since 2013

Acting responsibly

Ocado Retail

Prioritising wellbeing

We have always been committed to enabling our customers to shop healthier, with more convenience. In the context of the Covid-19 pandemic, our model has also provided people a safer way to shop when they needed it most.

Ensuring sustainable growth

We're committed to meeting the needs of customers without compromising quality of life for future generations. We do this by focusing on four core areas: food waste, carbon impact, packaging waste, and responsible impact.

Acting responsibly

Ocado Solutions

We are dedicated to disruption for a better future. We are continually optimising every aspect of the fulfilment and delivery life cycle. This drive for further efficiency ensures that we can meet our partners' needs whilst minimising our impact on the planet for future generations. Serial innovation starts with enabling our people to be their best. We put our people first, and actively support the development of the innovators of tomorrow.

→ Read more about our **approach to Corporate Responsibility** on pages 82 to 89

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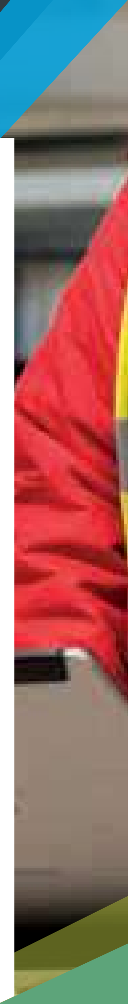
04

The world is changing in grocery retailing FOR GOOD . . .

Driven by our unique and mission-focused culture



Our purpose is reimagining shopping, by solving complex problems to provide sustainable solutions for online grocery

Fulfilling our purpose requires fostering a culture that enables us to tackle challenges head-on and pursue new opportunities with vigour. Though our horizons have expanded with time, the things that make us tick have stayed the same: innovative thinking, teamwork and a passion for incredible customer service.

For Ocado Group, this culture is defined by our values; that we are in this together, we are proud of what we do, and we can do better.

We now have over 18,500 Ocado Group colleagues, each dedicated to doing their part so that we can continue to fulfil our purpose, in the best way possible, for and with our global Solutions partners.

Our people demonstrated enormous pragmatism and resilience this year, amidst the worst of the pandemic. We successfully delivered our first two international CFCs, ahead of plan, and ramped up capacity for our partners in the UK and internationally, much faster than planned. We would like to thank them profoundly on behalf of all the stakeholders of Ocado Group.

→ Read more about our **Culture and People** on page 90

Our people in action:

▶ Ocado Retail

Our incredible teams on the road, in the CFCs, and in our contact centres have worked around the clock to keep our customers informed and deliver to as many households as possible.

→ Read more on page 80

Our people in action:

▶ Ocado Solutions

Despite the challenges of the Covid-19 pandemic, our teams delivered our first two international CFCs ahead of plan, with no material delays to other ongoing projects. We accelerated capacity growth for our operational partners, and continued to innovate for the future.

→ Read more on page 78

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Our Inspirational Team

Stories of resilience, dedication and innovative spirit run deep through our whole organisation. This is how some of our amazing people and teams delivered value for Ocado and our partners through an exceptionally difficult and challenging period.

→ Read more about **Our People** on page 90

PROACTIVELY SUPPORTING MENTAL WELLBEING

Hugo Smadja's Story:

Determined to 'take away the shame' from days when we're not OK, Hugo opened up about his own low energy and indecisiveness, in a video he shared with all colleagues.

As one of our Mental Health First Aiders, by starting the conversation he further opened the floor for authentic dialogue.

Outcome

Only when colleagues can be their best can we deliver our best as a business. Colleagues like Hugo helped make this possible in a year that was especially difficult for many.

Link to our values

We are in it together.

TEAMWORK MAKING THE SEEMINGLY IMPOSSIBLE POSSIBLE

Story:

Despite being caught by severe travel restrictions in March, the teams responsible for launching our international sites were committed to delivery on schedule for our partners.

In weeks, they replaced in-person, UK based training, with virtual home tools and new training hubs at CFCs under construction.

Outcome

We launched our first two sites ahead of schedule and, importantly, process innovation, including the introduction of AR equipment at sites, can be used at all future sites to benefit ongoing launches.

Link to our values

We are proud of what we do.

USING HER TALENT TO KEEP HER COLLEAGUES SAFE

Anna Moss's Story:

As a data scientist in our tech and logistics business, Anna regularly works with algorithms.

Over Easter she deployed these skills to a new mission; rapidly readying an algorithm for scheduling Covid-19 testing for up to 3,500 employees at four sites, whilst contending with other constraints.

Outcome

Finding a smarter way to regularly test our frontline workers meant that we could keep serving as many Ocado.com customers as possible whilst keeping everyone safe.

Link to our values

We can do even better.

Strategic Report.

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Strategic Report Approval

The Company's Strategic Report is set out on pages 14 to 99.

The Strategic Report is approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary
09 February 2021

Our Purpose, Strategy and Values

Driven by our purpose

Our purpose informs our strategy, and our culture enables us to enact that strategy to its best effect so that we can fulfil our purpose and create sustainable value for the benefit of our stakeholders.

Our Purpose

We are reimagining shopping. We are online shopping pioneers. We continue to make the delivery of consumers essential groceries fit for modern lives and businesses. Our technologies, combined knowledge and 20 years of experience provide our client partners with exceptional efficiency and economics, and their consumers customer service that is among the best. Achieving this responsibly is at the very core of how we have solved complex challenges and how we will continually improve.

→ Read more about **Our Purpose** on page 14

Our Mission

To fulfil our purpose we are committed to changing the way the world shops, for good.

Our Strategy

We drive sustainable growth for our partners. We continuously improve our OSP proposition so that they can deliver an ever better service to ever more customers, whilst maximising the efficiency of our operations, to reduce cost to serve and maintain leading operational performance. We utilise our proprietary knowledge as technology leaders to remain ahead of the curve, driving further opportunities for value creation within and beyond grocery.

→ Read more about **Our Strategy** on pages 40 to 46

Our Values

Our values guide ways of working across our diverse network of business areas, building an engaged and mission-driven culture that empowers our people to fulfil our purpose each day.

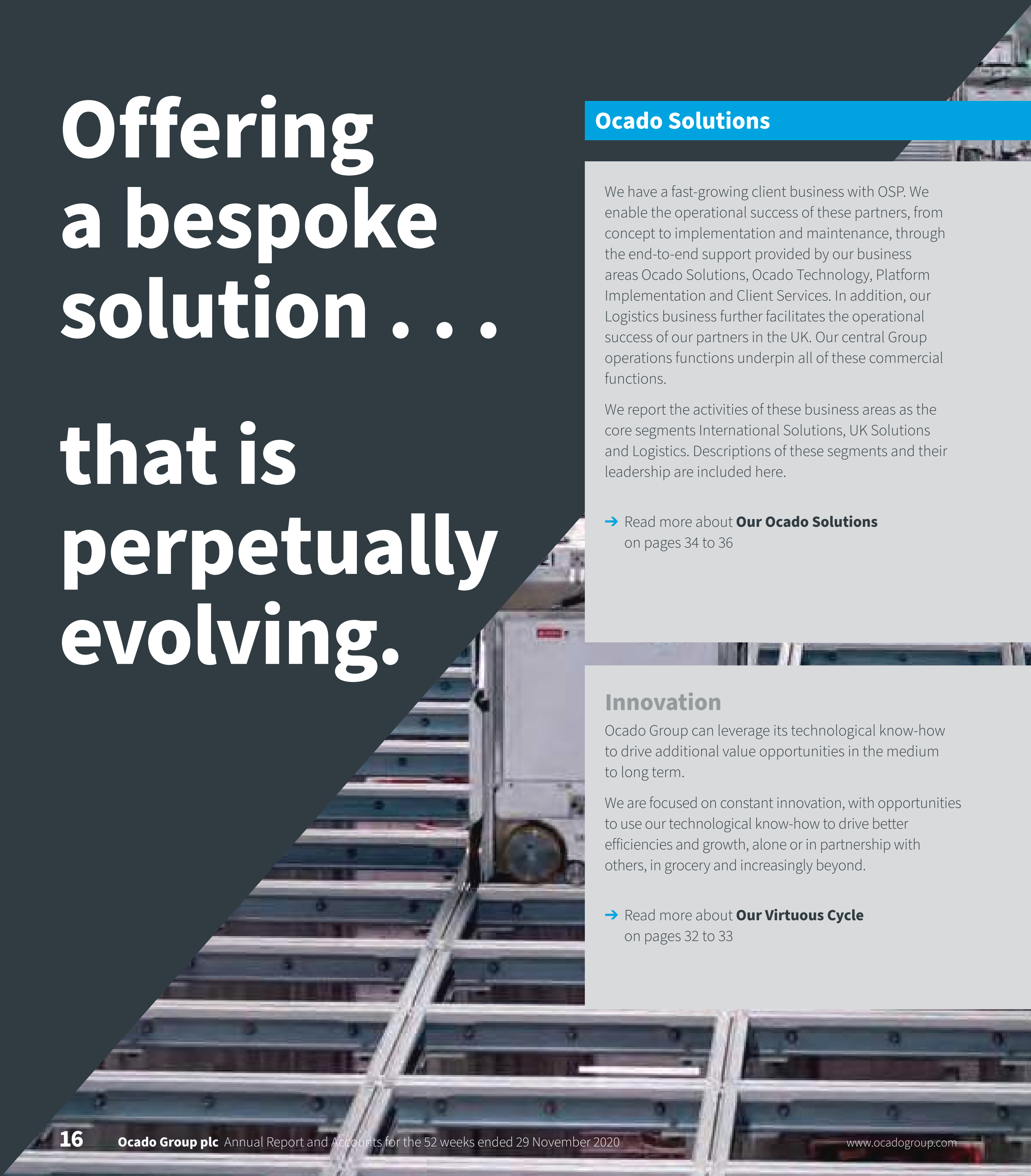
→ Read more about **Our Culture and People** on pages 90 to 98

Group at a Glance

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

Offering a bespoke solution . . .

that is perpetually evolving.



Ocado Solutions

We have a fast-growing client business with OSP. We enable the operational success of these partners, from concept to implementation and maintenance, through the end-to-end support provided by our business areas Ocado Solutions, Ocado Technology, Platform Implementation and Client Services. In addition, our Logistics business further facilitates the operational success of our partners in the UK. Our central Group operations functions underpin all of these commercial functions.

We report the activities of these business areas as the core segments International Solutions, UK Solutions and Logistics. Descriptions of these segments and their leadership are included here.

→ Read more about **Our Ocado Solutions** on pages 34 to 36

Innovation

Ocado Group can leverage its technological know-how to drive additional value opportunities in the medium to long term.

We are focused on constant innovation, with opportunities to use our technological know-how to drive better efficiencies and growth, alone or in partnership with others, in grocery and increasingly beyond.

→ Read more about **Our Virtuous Cycle** on pages 32 to 33

Ocado Retail

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.

Our partners:

Morrisons
UK

Ocado Retail
UK

International Solutions

Reflecting deals with international partners for the provision of OSP, so that they may lead in online grocery in their respective markets.

Our partners:

Groupe Casino
France

Kroger
USA

Bon Preu
Catalonia, Spain

Sobeys
Canada

Coles
Australia

ICA Gruppen
Sweden

Aeon
Japan

Joint Venture with M&S

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

Our customers:

Ocado.com customers

→ Read more about **Ocado Retail** on pages 38 to 39

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 ventures:

JFC
(Vertical Farming)

Infinite Acres
(Vertical Farming)

Inkbit
(3D Printing)

Karakuri
(Automated Meal Prep)

Kindred Systems, Inc.
(Robotics)

Haddington Dynamics, Inc.
(Robotics)

Our Investment Case

Reasons to Invest

Online is the fastest growing channel in most markets. This has been the case for some time, and the Covid-19 pandemic has further accelerated this shift in shopping habits.

We built our business specifically for this change in shopping behaviour – to benefit from, and to lead, the online revolution for our partners.

1.

There has been a permanent redrawing of the landscape of the grocery industry, resulting in a significant global opportunity

The current environment has demonstrated a significant step up in online penetration that is expected to be sustained. The global opportunity in grocery is huge as retailers around the world seek to accelerate the development of their online offer for customers

→ Read more about **Our Marketplace** on pages 26 to 29

2.

Our current partnerships provide a strong base, looking to grow faster

Taken together, current OSP partners make up a sales base of around £210 billion, the second largest retail platform by sales in the world. Our model is based on a virtuous cycle of growth, investment and innovation, with the network effects of this innovation magnified as our partner base scales

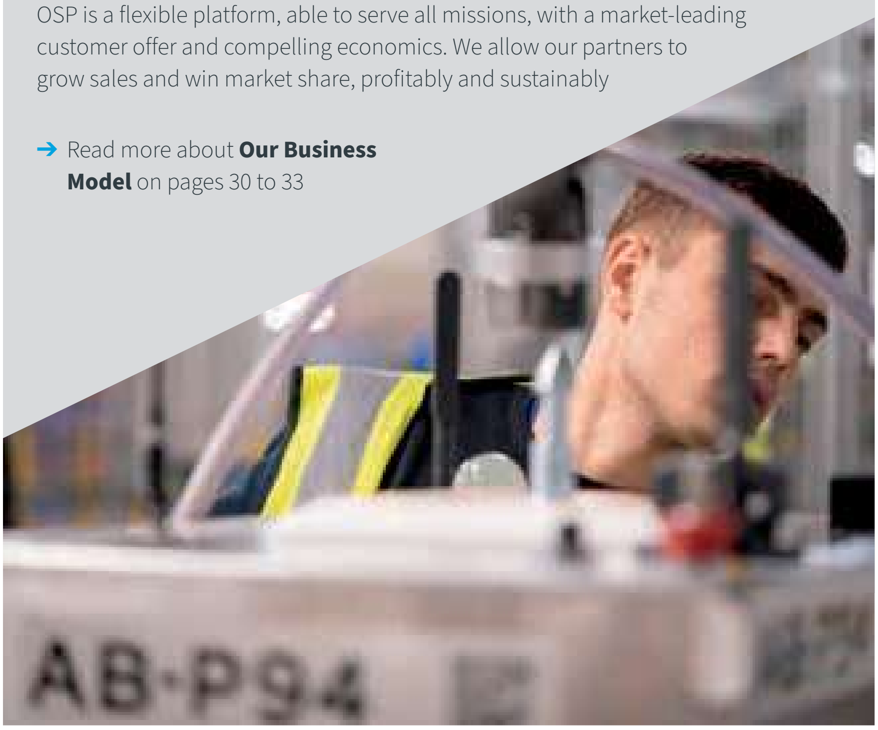
→ Read more about our **OSP Leadership Club** on pages 34 to 37

3.

We offer a flexible platform with best customer offer and leading economics

OSP is a flexible platform, able to serve all missions, with a market-leading customer offer and compelling economics. We allow our partners to grow sales and win market share, profitably and sustainably

→ Read more about **Our Business Model** on pages 30 to 33



4.

We own 50% of the fastest-growing grocer in the UK market, Ocado Retail

We retain a 50% share in Ocado Retail, an important test bed, and a valued partner. Ocado Retail grew revenues by 35% in 2020, and has accelerated its growth plans to seize the even bigger opportunity in online grocery

→ Read more about **Ocado Retail** on pages 38 to 39

5.

Our offering is perpetually evolving and applicable beyond grocery

We continue to evolve our platform to meet new missions, whilst driving greater levels of efficiency and service. With new innovation, our opportunity set in grocery continues to evolve and expand. We see increasing opportunities to leverage our broad and deep technology real estate in markets outside of grocery

→ Read more about **Ocado Technology** on pages 44 to 46

6.

Our Solutions make a real difference for good

We are determined to fulfil our mission of changing the way the world shops for good; permanently and for the benefit of wider society. We are committed to innovation that enables sustainable business and to policies and actions that protect decent work today whilst inspiring and educating the innovators of the future

→ Read more about **Corporate Responsibility** on pages 82 to 89

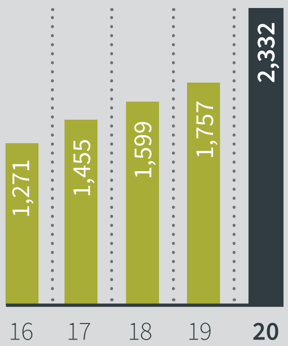
Progress in 2020

Ocado Group: a review of top line expectations for our four operating segments

Looking at recent performance and expectations for top line trends across operating segments

Ocado Group

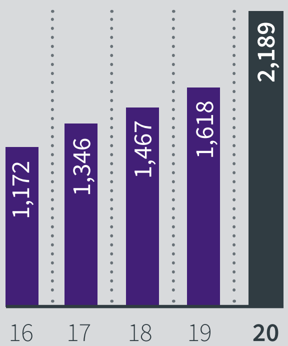
Revenue (Group) Ⓐ (£m)



Group revenues predominantly reflect the fully consolidated Ocado Retail joint venture and fees for solutions and logistics services in the UK, with a growing contribution from those International Solutions contracts that have gone live to customers. Recharges to Ocado Retail, reflected in Revenue in the UK Solutions & Logistics segment, as eliminated on consolidation.

Ocado Retail

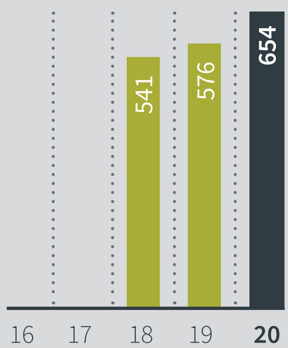
Revenue (Ocado Retail) Ⓐ (£m)



Revenues from fully consolidated Ocado Retail joint venture in the UK, in partnership with M&S. It is expected that full consolidation of revenues will continue for at least five years from the formation of the joint venture, after which it is anticipated that control of the joint venture will pass to M&S and, when it does, it will consolidate the joint venture

Ocado Solutions

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

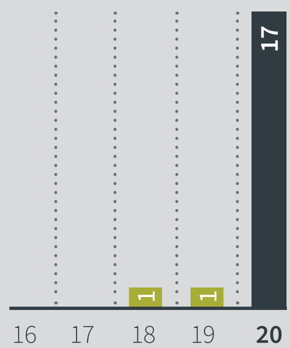


A combination of fee revenue and cost recharges, received from UK partners, the Ocado Retail joint venture and Morrisons, for the execution of Solutions and logistics contracts. Revenue will grow as these partners grow their online businesses, adding capacity and scaling their operational networks

£117.1m

fee revenue

Revenue (Solutions International) Ⓐ (£m)



Revenue that has been recognised to date, under IFRS 15 Revenue Recognition, in respect of the fees invoiced. Revenue will continue to build to more closely track fees invoiced as CFCs go live and capacity delivered in partner markets grow.

£123.9m

fees invoiced to International Solutions partners

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

→ See further **Key Performance Indicators** on pages 47 to 49.

→ Read the **Financial Review** on pages 50 to 59.

Operational Highlights

- We successfully accelerated the build-out of more capacity for our operational partners, in the UK and internationally, in response to surging demand for online grocery in the face of the Covid-19 pandemic. Since March, we ramped volumes through our Erith CFC by over 60% for Ocado Retail, and increased overall In-Store Fulfilment (ISF) capacity for our operational partners, including Morrisons and Bon Preu, by almost 8 fold.
- We launched our first two international CFCs, for Groupe Casino in France and Sobeys in Canada, ahead of plan, despite Covid-19 related disruption, enabling our partners to deliver for their customers at a critical time. Despite restrictions on social distancing and travel in the various markets where we operate, we currently expect no material delays from Covid-19 in the delivery of future CFCs for partners.
- In partnership with Ocado Retail and Marks and Spencer, we effectively navigated the switchover from Waitrose to M&S products on Ocado.com, enabling customers to shop a full grocery and hypermarket range, including their M&S favourites online exclusively for the first time.
- We made capital investments of over £500 million, of which around £350 million was invested in CFC sites in the UK and internationally, with plans for Ocado Retail to launch 3 new sites in the UK and two more international partners to go live on OSP in 2021. We invested more than £100 million in the continued development of our platform. Our technology and engineering headcount now stands at over 2,200.

→ Read more on pages 42 to 45

Strategic Highlights

- We expanded a number of our global partnerships. In the UK, Ocado Retail announced a larger and faster plan for capacity roll-out. In Canada and France, both Sobeys and Groupe Casino announced intentions to accelerate the delivery of further CFCs with Sobeys confirming the details of CFC 3 in Alberta. Kroger announced a further 4 CFCs in the US. Kroger and Sobeys made new commitments to roll out our in-store fulfilment solution across their store estates, to meet surging demand now, whilst laying down the infrastructure to win in the channel for the future.
- We raised £1.6 billion of capital across two separate transactions, in December 2019 (£600 million convertible bond) and June 2020 (£350 million convertible bond, £657 million equity), each time to support a newly accelerated outlook for growth, following our deal with Japanese retailer Aeon and in response to accelerated channel shift to online grocery as a result of the Covid-19 pandemic. The attractive growth outlook for the Company and strong demand, was reflected in the terms of each offering.
- We announced the strategic acquisitions of leading robotic manipulation companies, Kindred Systems, Inc. and Haddington Dynamics, Inc, completed after year-end. Together we aim to accelerate commercial delivery of a robotic picking solution in the CFC, a potential £7 million annual cost saving benefit to share with partners. Further opportunities to leverage this technology exist outside grocery, including in the fast growing general merchandise and logistics markets.

→ Read more on pages 42 to 46

Case Study

Ocado Group in a post Covid-19 world

“Voilà launched in the Greater Toronto Area in June and we are very pleased with the early results. Customer feedback has been overwhelmingly positive and our customer Net Promoter Score is the highest I have seen in my career.”

Michael Medline
CEO, Sobeys

We believe that our proven business model is best placed to capitalise on the rapid, sustainable, channel shift to online grocery. OSP is the only solution that combines 20 years of retail experience, with leading technological expertise across an end-to-end suite of solutions, enabling attractive economics and a leading customer experience for our partners. In a world where more customers are shopping online, they are going to be more discerning. A leading customer experience will be a critical differentiator to win in the channel.

For good:

- Leading customer offer: range, convenience, freshness, value.
- Leading NPS scores for partners now live in their markets.

→ Read more about **Our Response to Covid-19** on page 59

Chairman's Statement

Lord Rose
Chairman

"As a result of Covid-19, the grocery retail business as we know it has changed. Ocado is well placed to seize this accelerated opportunity."

Lord Rose
Chairman

In an unprecedented year during the pandemic, Ocado has faced very different challenges to our business. Through the resilience and dedication of our colleagues and our ability to adapt solutions quickly we ended the year with a strong outlook.

In this Strategic Report, we describe to you how Ocado is investing for the future and capitalising on opportunities to build on our success.

Covid-19 has changed the grocery retail business. Years of online channel growth has accelerated in most markets globally. Like other retailers and industry commentators, we are confident that a significant portion of this channel shift will prove permanent, with more demand and faster growth. As the only end-to-end solutions provider for online grocery fulfilment globally, with a platform that offers both attractive economics and a leading customer offer, Ocado is well placed to seize this accelerated opportunity.

At the start of the pandemic demand for online groceries increased significantly overnight and we made proactive decisions to prioritise our most vulnerable and most loyal customers. We acted swiftly to ensure the health and safety of our customers and our colleagues. During this exceptionally difficult period the business showed great resilience. Our colleagues showed impressive resourcefulness and strength in meeting new challenges.

I would like to thank all my colleagues for their hard work and dedication throughout the year.

Despite these testing circumstances we successfully delivered the first two international CFCs for our partners in France and Canada and expanded our agreements with Sobeys and Kroger to include In-Store Fulfilment (ISF), allowing our international partners to respond to the rapid increase in demand. In the UK we ramped up capacity in our CFCs much faster than ever before, improving productivity, to meet the heightened demand for both Ocado Retail and Morrisons. Additionally we rapidly scaled ISF for Morrisons. The strong technology underpinning and the flexibility of our OSP platform enabled this rapid response.

The rapid shift towards online grocery shopping has demonstrated the huge opportunity for growth in this market, and in order to capitalise on this we continue to invest in our people and strategic opportunities, and drive forward innovation to develop our solutions offering and expand our leadership position. The capital raise undertaken in the summer has provided us with the financial capacity required to do this and we continue to invest in the tools, and to create value for our stakeholders.

We are investing in the recruitment and retention of talent to develop the skills of our workforce to further drive innovation and find new solutions to meet future challenges. We are also focused on the wellbeing of our people and maintaining the mission-focused culture that underpins our success. We are investing in the development of our OSP platform and will utilise the power of our global OSP partners to seek new solutions for the challenges ahead. We are also making strategic investments, notably our recent acquisition of Kindred Systems, Inc. and Haddington Dynamics, Inc. to enhance our robotic manipulation capabilities. This brings a potential acceleration of the commercial delivery of robotic picking for our partners and also possibilities in other markets outside of grocery, such as general merchandise and logistics. As we have grown, the protection of our intellectual property at Ocado has always been a high priority. Currently Ocado is taking action to defend against the legal proceedings issued by AutoStore.

The growth in online grocery shopping brings new opportunities but as we continue to develop as a global business we are aware of the challenges our business faces. Alongside increased demand, Covid-19 has also led to an increased risk of a decline in the high service levels in the retail business that we seek to maintain. In addition, climate change and other related environmental and social issues are emerging risks to which we need to monitor and respond.

The events of this year shone an even brighter light on the importance of responsible business. Corporate responsibility is a key tenet of our approach to good business. We put our people first, support our communities, and seek greater efficiency with less environmental impact across our operations. During the pandemic, that meant process and policy changes to protect the wellbeing – physical, mental and financial – of our colleagues, adapting to new ways of working on the front line and at home. Our work supporting primary and STEM education progressed in new, virtual forms. Our technology drives efficiencies, reducing environmental impact. We see this in continued improvements to our carbon efficiency and reduced food wastage for partners. We will further strengthen our position as a responsible business, as detailed in our new corporate responsibility strategy "Ocado Unlimited – harnessing the power of technology for people and planet", and elsewhere in this report.

We recognise the importance of our stakeholders in the long-term success of our business and the value in understanding and considering the interests of our stakeholders in decision-making. This year, due to Covid-19, we have had to adapt our methods of engagement with our stakeholders but we have continued to find ways to keep communications open. As we look towards growing into our role as a global technology solutions provider, we have undertaken a materiality assessment to confirm the most material environmental, social and governance issues. This is an important step in helping to further focus our business.

We look forward to meeting future challenges and building our business for long-term success.

This is my last report as Chairman of the Board. It has been my privilege to work with a highly talented and dedicated team at Ocado.

Key activity in the year

- **December 2019:** Ocado Group announced the successful completion of a convertible bond offering comprised of £600 million of guaranteed senior unsecured convertible bonds.
- **March 2020:** Ocado Solutions announced the first international Ocado CFC to go live for Groupe Casino in Fleury-Merogis, near Paris.
- **April 2020:** Ocado Solutions announced the launch of the first Ocado CFC in North America for Sobeys in Toronto, Ontario.
- **June 2020:** Ocado Group successfully completed a placing and retail offer and a convertible bond offering, raising total gross proceeds of approximately £1,007 million.
- **September 2020:** Ocado Retail switchover to Marks and Spencer products is successfully completed.
- **November 2020:** Ocado Solutions and Kroger announced plans to construct a new high tech CFC in the South region of the USA.
- **November 2020:** Ocado Group announced the proposed acquisition of Kindred Systems, Inc. and Haddington Dynamics, Inc. to enhance its robotic manipulation capabilities.

Lord Rose
Chairman

9 February 2021

Section 172(1) Statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

a. The likely consequences of any decision in the long term.
b. The interests of the Company's employees.
c. The need to foster the Company's business relationships with suppliers, customers and others.
d. The impact of the Company's operations on the community and the environment.
e. The desirability of the Company maintaining a reputation for high standards of business conduct.
f. The need to act fairly between members of the Company.

This statement includes the information demonstrating how the Board has had regard to these matters in its actions as detailed in the section Engaging With Our Stakeholders on pages 72 to 81 and in the Corporate Governance Report on pages 112 to 113 and page 118.

Q&A with Tim Steiner

“ Customers who have experienced the benefits of online grocery shopping are likely to become ever more discerning. Winners in online will need to offer the very highest standards of customer service and the ability to serve a full range of customer missions. The uniquely flexible Ocado Smart Platform allows our partners to offer all this, supported by proprietary technology which is constantly evolving thanks to our ever-growing capacity to innovate.”

Tim Steiner
Chief Executive Officer

Q How do you think about the future of the online channel in grocery?

A We believe that in the long term, online can be a mainstream channel for grocery shopping. Covid-19 has been the catalyst to accelerate a structural change that would have taken place, just over a longer period of time. As channel shift occurs, the economic challenges that this migration represents to a sector with high fixed costs will increase. We expect this will drive a wider gap between customer experience in store versus online, in favour of the latter, creating a virtuous cycle for increased channel shift online and to those retailers with a leading online service, like that enabled by OSP.

Q Now that the opportunity in online is clear, how will Ocado stay ahead in an increasingly competitive marketplace?

A The important thing to realise is that we are constantly innovating, precisely for this purpose. We’ve continued to evolve OSP to fulfil all customer missions with multiple formats, and are the only end-to-end provider, globally, to offer this level of customisation for our partners. With new generations of technology we’ve delivered greater efficiency with market-leading customer service. All this will continue, along with step-change improvements. Notably, we expect investment made this year to accelerate commercialisation of solutions in robotic picking, packing and decant in CFCs, and there’s plenty going on that we can’t talk about just yet. In addition, the more we scale, the more we can invest in innovation, and with nine global partners, we are scaling very fast.

Q How do you think about opportunities in verticals outside of grocery?

A The opportunity in grocery is so huge, and has only got bigger this year, so that remains our core focus. Of course, we’ve developed a broad and deep technology portfolio over the last two decades trying to solve the complex problems in grocery fulfillment and that technology, and the competencies that come with it, is applicable in many other sectors. We are exploring those opportunities, and we’ve already made some investments which we think can create significant long-term value for Ocado Group, in robotics, vertical farming, and automated meal prep.

Chief Financial Officer succession

Duncan Tatton-Brown,
Chief Financial Officer
(to 22 November 2020)

After eight years as Chief Financial Officer of the Group, Duncan has departed from the Ocado Group Board.

Duncan joined Ocado Group when it was a pure play online retailer, operating in the UK. He has been instrumental in contributing to the growth of the company, and the execution of the Group's strategy, successfully transforming into the global solutions provider it is today. He leaves the business in a strong position to continue this journey, with the financial capital required to take advantage of the global acceleration of online channel shift.

Duncan will continue as a Non-Executive Director of three Ocado subsidiaries: Ocado Retail Limited (our joint venture with M&S), Jones Food Company Limited and Karakuri Ltd.

Stephen Daintith
Chief Financial Officer
(to start 2021)

Welcoming Stephen Daintith

Stephen will join us from Rolls-Royce where, as CFO, he has focused on managing a significant turnaround of the business. He has a deep understanding of international business across various sectors, having worked in the UK and internationally during his career, with senior roles at Daily Mail and General Trust plc, Dow Jones & Co. and News International. This experience internationally and in engineering and manufacturing will be very valuable additions as Ocado continues its growth as a leading technology-led global software and robotics platform business.

"Following a thorough search and selection process, I am delighted to be welcoming Stephen to Ocado Group. I am looking forward to working closely with him to drive Ocado forward and take full advantage of the opportunities that we see ahead."

Tim Steiner
Chief Executive Officer

The world is changing in grocery retailing for good

The pandemic has turbocharged the adoption of online grocery by shoppers, resulting in the redrawing of the global landscape. Many markets worldwide have seen years' worth of acceleration in e-commerce penetration

The Global Acceleration in Online Grocery

For more than two decades, grocery has been steadily migrating online. Now, the pandemic has radically accelerated this digital transition in the space of a few months. Around the world, shoppers have been breaking with lifelong habits by ordering groceries through the internet instead of visiting a supermarket, and the data suggest that, for many, this new way of shopping will become the norm.

22%
expected share of online grocery in USA by 2025

Source: Mercatus/Incisiv Survey, eGrocery's New Reality: The Pandemic's Lasting Impact on U.S. Grocery Shopping Behavior, September 2020

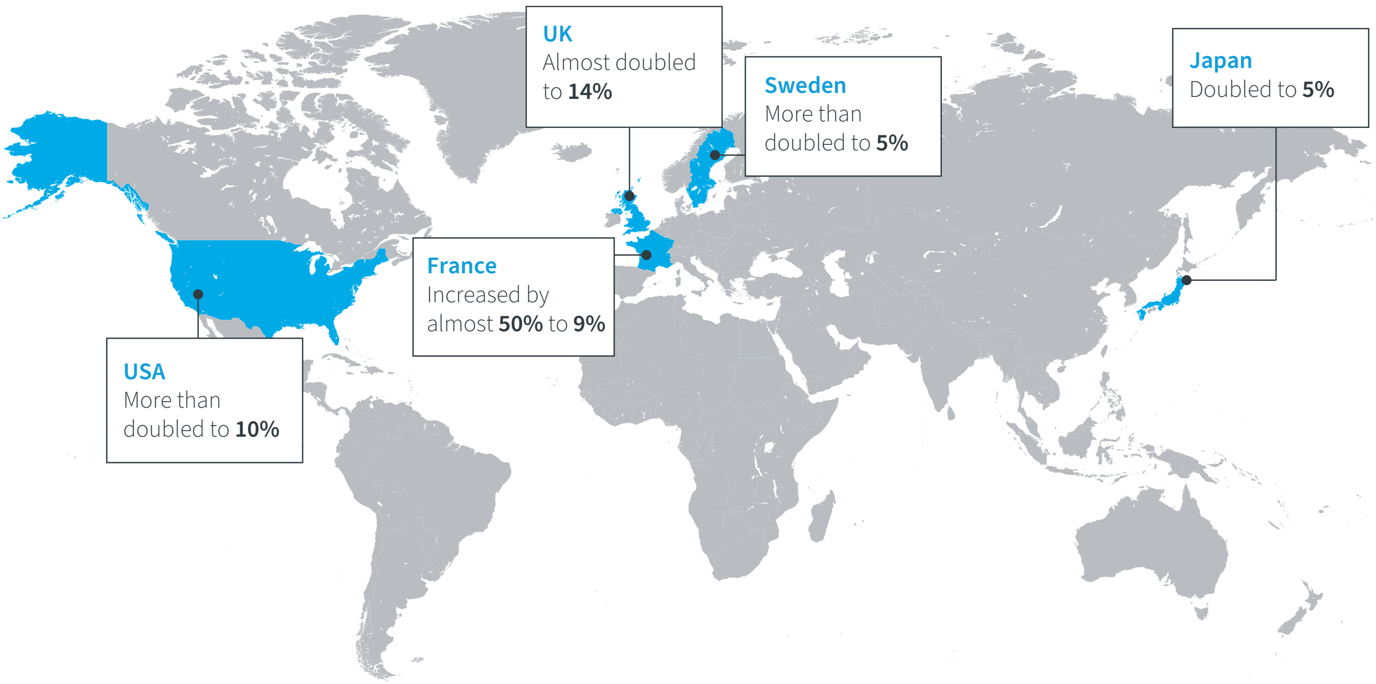
25–30%
expected share of online grocery across key developed European markets by 2040

Source: GS report, 'Europe's digital economy at a tipping point', January 2021

50%
expected share of online grocery in China by 2025

Source: GS report, 'Grocery Re-imagined: Steepening online shift in China, November 2020

Significant acceleration in online grocery share in partners' markets globally(1)



Source: GS report, 'Grocery Re-Imagined' steepening online shift in China, November 2020; Svensk Dagligvaruhandel Grocery Index, November 2020 Report; Ministry of Trade, Economy and Industry (METI); MS report, France Kantar market data: FMCG market up 8.8% for P12 2020, December 2020; Mercatus/Incisiv Survey, eGrocery's New Reality: The Pandemic's Lasting Impact on U.S. Grocery Shopping Behavior, September 2020; Industry reports, DI, Nordea (for Sweden data)

Significant Increase in Online Penetration is Expected to be Sustained

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.

66%

of first-time online shoppers in Western Europe expect to continue shopping this way

Source: GS report, 'Grocery Re-imagined: Steepening online shift in China, November 2020

70%

US customers say they will continue online grocery shopping

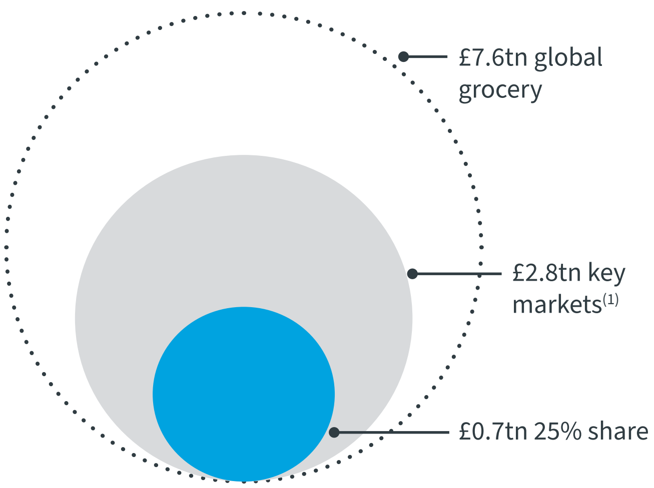
Source: CH Robinson Consumer survey, October 2020

55%

Chinese consumers will continue to shop for groceries online

Source: McKinsey report, 'Understanding Chinese Consumers: Growth Engine of the World', November 2020

Global Addressable Market



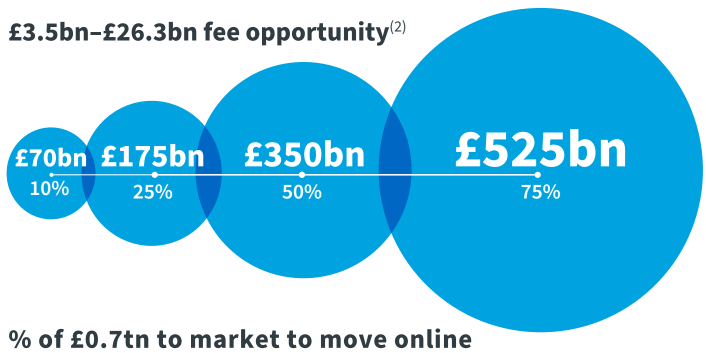
(1) Source: Company information, Planet Retail
(2) Planet Retail, assuming a 25% grocery market share and assuming an online penetration of between 10% and 75% with a 5% fee opportunity, which represents the mid-point of the range provided to the market.

The Global Opportunity

What this means for Ocado Group

Several of the world's largest grocery retailers have already chosen to partner with Ocado to deliver a market-leading shopping experience for their own customers. The acceleration of channel shift to online means that these partners will need to go faster to meet their customers' needs. The remaining opportunity for Ocado Solutions is huge, as grocery retailers around the world seek to accelerate the development of their online offer to customers. We see a £3.5bn–£26.3bn fee opportunity, depending on the level of online penetration reached in key markets. Ocado Group is well placed to seize this opportunity, as the only end-to-end solutions provider for online grocery fulfilment globally, that can serve all missions with multiple formats. As we continue to innovate, to maintain our leadership position, our opportunity set will evolve and expand.

£3.5bn–£26.3bn fee opportunity[2]



% of £0.7tn to market to move online

The Marketplace
Continued

The Fulfilment Marketplace

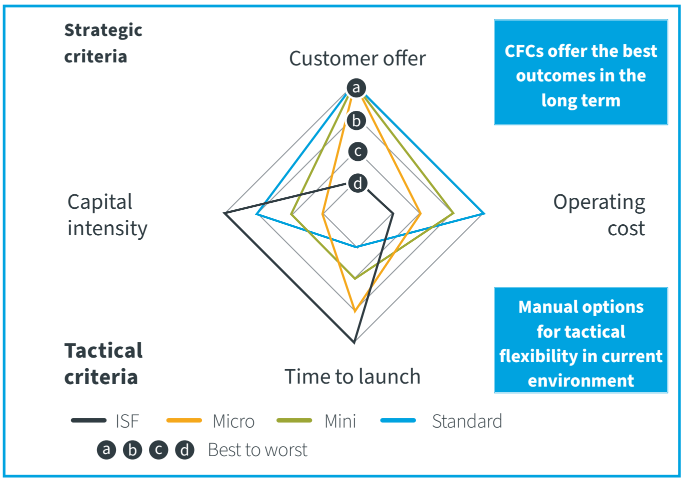
Aside from the option to develop in-house e-commerce and fulfilment capabilities, there are currently a range of options available to grocery retailers for online grocery fulfilment.

Fulfilment options:

1. **Customer Fulfilment Centre (CFC):** Typically a large centralised hub capable of storing a wide range and processing large order volumes. Capable of serving customers across wide geographies via both direct delivery and spoked/trunked delivery.
2. **Mini CFC:** Smaller format centralised fulfilment holding a wide product range and capable of serving 100% direct delivery and high volumes of 'same day' orders to a more limited geographic area.
3. **Micro Fulfilment Centre (MFC):** MFCs are typically characterised by small-sized sites, reduced range compared to CFCs and serving a small-delivery catchment area with short lead times. Deployable within town and cities, and serving immediacy missions (for Ocado).
4. **In-Store Fulfilment (ISF):** Manual fulfilment from stores, sometimes enabled by software to support more efficient pick walks and order consolidation. Serving home delivery and pickup.
5. **Outsourcing to third parties:** A customer orders from their chosen retailer, and their shopping is delivered through a third-party shopping service.

The OSP fulfilment ecosystem includes a wide range of fulfilment formats

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 e-commerce in their markets.



The OSP ecosystem will fit and develop with the needs of a partner in their given market

The grocery online market is characterised by a wide and growing range of customer 'missions', from big basket, weekly shops to immediate, last-minute shopping. Winning and holding market share for the long-term in the online channel will require grocery retailers to reliably serve all these missions better than competitors, and with competitive prices. No single fulfilment model in the market meets all use cases, or optimally caters to every customer mission.

The OSP fulfilment ecosystem, powered by our proprietary technology, includes all models across Standard CFCs, Mini CFCs, Micro Fulfilment Centres and In-Store Fulfilment software. This ecosystem gives our partners the strategic flexibility to deploy a fulfilment network across their markets that reaches as many customers as possible, with the best possible economics and customer propositions. It also enables them to tactically deploy capacity fast with in-store fulfilment software as needed to meet short-term demand, or to reach less dense populations.

In the long term, we believe the best retailer economics and most compelling customer propositions come with deploying a fulfilment ecosystem with scaled, automated capacity at its core.

Other Trends Affecting the Grocery Industry

Societal Shifts

Ageing population, urbanisation, time poverty, health and wellbeing

How are Markets Responding?

As societal shifts drive new definitions of convenience for consumers, retailers have to adapt to meet heightened expectations of service. This requires 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.

Time Poverty

With more dual income households and increased awareness about the importance of good nutrition, consumers are looking for affordable ways to reduce time spent on grocery shopping without compromising on quality or choice.

Our Response

By delivering market-leading levels of both punctuality and order accuracy, with unparalleled range and freshness, OSP enables partners to take the time and frustration out of grocery shopping for their customers. This leading customer offer will drive improved loyalty, enabling our partners to take increased share online in their markets, in turn driving increased volumes through the OSP.

Transformative Technology

Artificial Intelligence, Robotics, Big Data, Digital Twins and the Internet of Things

How are Markets Responding?

The global health crisis accelerated the shift towards online, creating a greater appreciation for the increased convenience and reduced touchpoints that automated systems offer. Consumer desire for better, more personalised experiences offering accurate, fresh, on-time deliveries increases as they become more familiar with shopping online. Retailers now understand that it is only through investment into automation that they can deliver excellent experiences to their customers in a way that is still profitable for them.

Innovation

Markets increasingly explore the roles AI, robotics and automation play in providing flexible grocery fulfilment options and better consumer experiences. Solutions to manage customer demand through virtual queues, booking systems, and data simulations are increasingly essential for providing equal access and supply chain resilience.

Our Response

The technology underpinning OSP enabled retail partners to grow in response to rapidly changing demand and consumer dynamics. Our rich suite of solutions serve the widest range of retail missions: UK partners grew online orders by 40% and we delivered our first two international large CFCs on schedule despite pandemic pressures.

We continue to make advancements in robotic picking and packing, and to optimise our offerings using data gathered from the digital twins of our physical and digital assets. This enables us to continually uncover new paradigms for our platforms. Our investment in innovative businesses opens doors to synergistic business opportunities.

Resource Resilience

Environmental impact, future workforce and skill gaps

How are Markets Responding?

Competitors within the grocery market are making moves towards tackling these key issues, but our approach and focus on technologies and solutions sets us apart and positions us to better deal with these important challenges, whilst attracting and developing the innovators of today and tomorrow, to support our hunger for innovation.

Operating Responsibly

Climate change, food waste, and pollution are all defining issues of our time. It is imperative to have these issues in mind, to drive sustainable change. Technology-driven solutions require the brightest, dedicated minds.

Our Response

As a purpose-led organisation, with an increasingly global and esteemed brand, we can attract real talent. We invest in developing the skills of our workforce to pioneer solutions to the defining challenges today, whilst also inspiring and educating the next generation of young innovators. Efficient use of resources, minimising food waste, and a focus on recyclable use of plastic, are all areas where Ocado's technology can make a real difference to grocery and other industries we may serve going forward. And this is the beginning; we will continue to disrupt the market with investments in our core business technologies and other areas where we can leverage our competencies for transformative and sustainable change.

Back to contents

Our Business Model

We are reimagining shopping, by solving complex problems to provide sustainable solutions for online grocery.

1.

Our inputs enable us . . .

Our People

Our business is built by passionate people who can find solutions to problems, and go the extra mile to deliver a high-quality service. Our technology and engineering development teams are crucial to our ability to improve and advance our intellectual property rapidly, allowing us to maintain technological leadership

→ Read more on page 90

Intellectual Property

Twenty years of learning, research and development have enabled us to build the world's most advanced end-to-end e-commerce, fulfilment and logistics platform for online grocery. Our cutting edge IP, which spans our entire technology estate, has played a crucial role in making this solution the most advanced available. Our IP is a fundamental source of our competitive advantage and we take rigorous measures to protect it. Our patent attorneys and IP lawyers also work closely with technical teams on the ground to make sure we continue to find and protect the important inventions which add value to the company, now and in the future.

→ Read more on page 46

Technology

For two decades we've developed our own innovative solutions to combat the complexities of online grocery in a way that provides quality, personal, seamless experiences for customers and superior economics for retailers. When the pandemic struck, we were in a unique position to leverage our capabilities in AI, data science, simulation, digital twins, robotics and automation not only to ramp up capacity quickly, but also to perform fast optimised decision-making for the benefit of our retail partners, and their customers, as well as for our own business resilience. These competencies continue to provide retailers with the unparalleled capabilities to build loyalty in a challenging marketplace.

→ Read more on page 44

2. To offer a proven, bespoke and flexible solution . . .

Retail Heritage

Unlike third party providers of technology products, services and software, we are also a retailer, and our systems, processes and hardware have evolved over many iterations in a live retail environment. Throughout our history, our entire attention has been on developing the best possible online grocery operation. This single-minded focus has enabled us to develop market-leading logistics and physical infrastructure solutions, driven by proprietary technology and innovation.

→ Read more about **Ocado Retail** on page 38

Our Values and Culture

Our values guide ways of working across our diverse network of business areas, building an engaged and mission-driven culture that enables us to tackle challenges head-on and pursue new opportunities with vigour, in turn, enabling us to fulfil our purpose and deliver value for all our stakeholders.

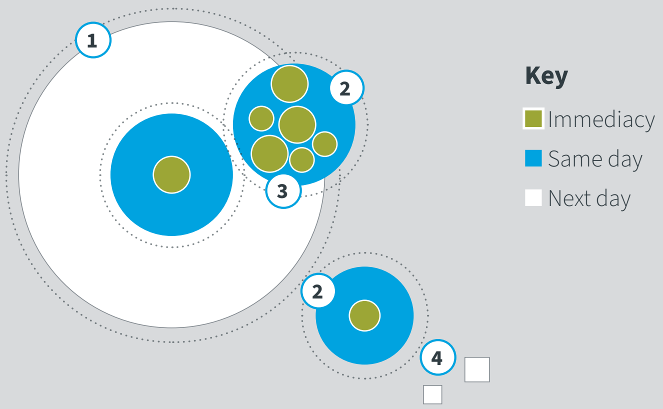
"Our purpose is to reimagine shopping, by solving complex problems to provide sustainable solutions for online grocery"

→ Read more on page 91

The OSP Ecosystem

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 the best long-term economics.

OSP has the flexibility to develop bespoke networks to serve the unique needs of each market



	Key	Module	Primary Mission	Size (sq ft)
1		Standard CFC	Full basket shop; large direct and spoked catchment	200k+
2		Mini CFC	Full grocery shop; shorter lead times or to connect lower density areas to network	50–160k
3		MFC	Immediacy	5–25k
4		ISF	Best fulfilment in remote areas	n/a

Key added value:

- Flexibility to serve a developing range of customer missions
- Compelling economics: Result of best-in-channel operating cost
- Ease of customer use: Ability to order across devices and formats (inc. voice ordering)
- Pricing flexibility
- Service: 95% on-time delivery, 99% basket accuracy*
- Range: 50,000+ SKUs
- Future Proof: Long innovation pipeline

→ Read more about our **OSP Leadership Club** on pages 34 to 37

* This is a representation of a consistent level pre-pandemic

Our Business Model
Continued

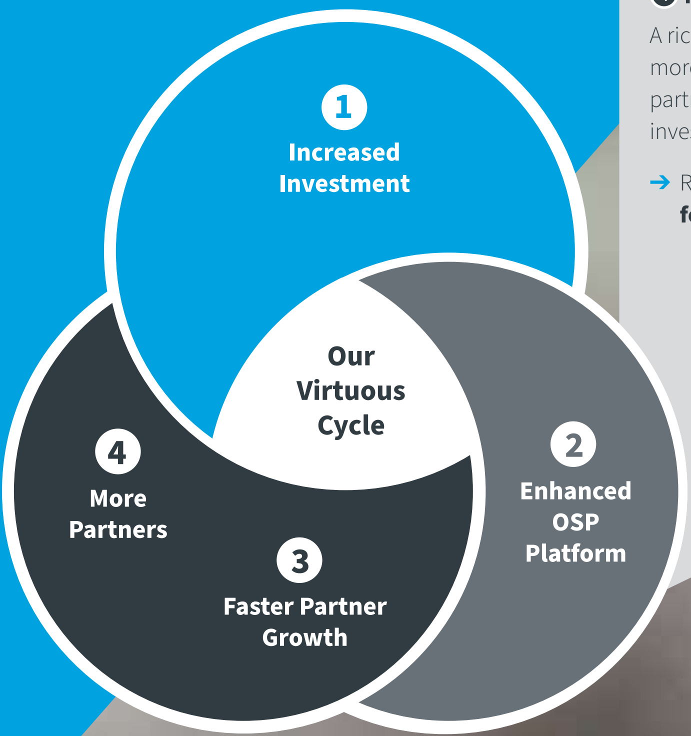
3.

This is perpetually evolving . . .

Our Virtuous Cycle of Investment and Growth

Our leading solutions, underpinned by proprietary technology, enable partners to win in the online grocery channel in their markets. This competitive advantage is reinforced by the strength of the collective which today stands at nine partners and ourselves. The centralised nature of the OSP platform brings a strong multiplier effect to continued investments in innovation. We combine investment with learnings from our increasingly global 'leadership club' of retail partners, to bring a globally optimised experience for our partners and their customers now, whilst continuously horizon scanning for further opportunities.

The model below illustrates how we are able to drive this virtuous cycle of growth, investment and innovation, with the network effects of this innovation magnified as our partner base scales.



1 Increased investment

With increased scale, we are able to invest in growing our technology teams, to improve our platform capabilities, faster, for our partners.

2 Enhanced OSP Platform

OSP is the leading solution for online grocery fulfilment and the only end-to-end solution capable of serving all shopping missions. We continue to invest in building this leadership position; in both cutting edge development to make our platform even more secure, scalable, maintainable and sustainable for partners, as well as in game-changing technological advances.

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.

→ Read more about **Our Constant Drive for Innovation** on page 43

4.

In order to deliver long-term value for all our stakeholders

Our virtuous cycle of investment and growth

Partners

In the short to medium term:
We offer our retail partners a more flexible, scalable and efficient way of fulfilling online grocery in their markets, with a leading customer offer, enabling them to take share and grow sustainably.

In the long term:
We continue to invest in the platform, in continuous improvements and step change innovations, to further enhance the competitive advantage that OSP brings, facilitating our partners' aspirations to lead in online in their markets.

Shareholders

In the short term:
We are investing heavily today to scale the Solutions business and develop the OSP platform, moving fast to capitalise on the increasing opportunities arising from the acceleration in online penetration.

In the long term:
The addressable market opportunity in online grocery is huge, facilitating a long runway for growth. The technology and competencies we have built in grocery are applicable in other verticals, and we will seek the most compelling opportunities to leverage that expertise to drive future value.

Delivering value

Our People

In the short to medium term:
We make significant investments in recruiting and developing our people, and ensuring their wellbeing, to maintain the culture and pace of innovation that continues to underpin our success.

In the long term:
Our success is dependent on hiring employees globally. As we build up our brand as an international employer of choice our purpose, and focus on development, will be critical in attracting and retaining the highest quality talent. We are committed to providing a competitive compensation package, and fostering the inclusive environment required to attract the diversity of talent and expertise we need to succeed.

Society and Community

In the short to medium term:
Through technology, we are continually reducing the environmental impact of our platform, enabling market-leading food waste efficiency, near closed-loop recycling of plastic bags used in deliveries, and improved carbon efficiency. We are committed to implementing effective systems and controls to ensure decent work in our own business and our supply chains.

In the long term:
We are determined to fulfill our mission to change the way the world shops for good and for better. We do this through commitment to innovation that enables us, and our partners, to be better stewards of our planet, and to policies and actions that protect decent work today whilst developing the innovators of the future.

Our Solutions Business

Luke Jensen
CEO of Ocado Solutions

In unprecedented circumstances, the Ocado Smart Platform reached significant milestones in 2020. The first Ocado CFCs to go live outside of the UK launched in France and Canada, introducing a world class customer experience online for grocery customers in Paris and the Greater Toronto Area.

We have seen greater interest in our OSP platform as a way for retailers to meet the global increase in demand for online grocery, but have also had to work hard to adapt to new methods of engagement with clients and prospects in light of the international travel restrictions that have been in place during the year.

Across our active partnerships we continued to make progress with worldwide CFC projects in 2020, with Kroger's first sites due to go live for customers in 2021, followed by ICA's Stockholm CFC in 2022. We also added more mini CFCs to our project pipeline with partners, with Ocado Retail Ltd now due to operate two mini-CFCs in Bristol and Bicester, and Kroger announcing a mini-CFC in Romulus, Michigan.

➔ Read more about the **OSP Ecosystem** on page 28

Serving our partners needs

Partnering with leading retailers

As the online shift continues to accelerate in grocery, the Ocado Smart Platform offers our partners worldwide a wide range of tools to provide their customers with the best possible experience online, with leading economics.

What we offer our partners:

- Software: At the heart of OSP is a growing, fully-integrated software stack that optimizes operations across web-shop functions, supply chain forecasting, fulfilment, and delivery routing based on real-time decisions taken by customers. This software estate is continually expanding.
- Fulfilment: OSP provides partners with a wide range of fulfilment formats that can be configured across geographies to meet the growing range of customer missions online. These include large CFCs, mini-CFCs, MFCs, and In-Store Fulfilment.
- Services: OSP partners are able to leverage Ocado Group's considerable grocery e-commerce expertise to support deployment and optimization of OSP in their markets. They also benefit from 24/7 engineering support once CFCs are live.

A scalable, global supply chain

In addition to our long-standing relationships with European-based manufacturers, we created new partnerships this year with scaled global leaders in contract manufacturing, such as Jabil and Flex. These partnerships reinforce our ability to efficiently deliver MHE to projects worldwide and, combined with local partnerships to support installation at CFCs, they bolster our overall project delivery infrastructure as increasing numbers of CFCs move towards going live.

Investing for acceleration

Online has consistently been the fastest expanding channel in grocery in recent years, and 2020 has been a catalyst for an even steeper acceleration towards online becoming a mainstream channel in grocery. As we look to bring more partners onto the Ocado Smart Platform, we continue to invest to ensure OSP drives the best customer experience, operating economics, and tactical flexibility of any solutions in the marketplace.

7
partners will be live with Ocado's technology in 2021

10
CFCs will be live worldwide in 2021

Case Study

Rapid launch of partner CFCs

Groupe Casino went live with the first Ocado CFC outside of the UK in March 2020, followed shortly by Sobeys in May 2020. Public go-lives for both Monoprix Plus and Voila by Sobeys brands came amid rising demand in France and Canada as Covid-19 restrictions came into effect.

France

Groupe Casino

The site saw a rapid early ramp-up with a five-fold increase in the number of orders between end-May and end-June 2020, and a subsequent 60% increase in order volumes between end-June and end-September 2020. From September, the CFC also began fulfilling orders for the Casino brand, with the service area extended to cover 75% of the population in the Ile-de-France region.

From 2021, Groupe Casino have said they will stock a range of 50,000 products in the CFC.

“ Ocado has developed exceptional technology, which makes it possible to practice flawless e-commerce.”

Jean Paul Mochet
President, Monoprix. Le Figaro
CEO of Groupe Casino

Canada

Sobeys

The Vaughan CFC in Ontario also launched on a test basis on 28 April 2020 with ‘Voila by Sobeys’, ahead of a full roll-out to the Greater Toronto Area from June.

On the back of the successful launch of the Vaughan CFC and the introduction of curb-side pick-up enabled by Ocado’s in-store fulfilment software, Sobeys confirmed plans for a third CFC with Ocado to serve the Alberta region. Construction is already underway on the second CFC in Montreal; the company is targeting four CFCs across Canada.

“ If we hadn’t made the deal with Ocado to have the best technology customer experience, I’d be very worried. I shudder to think if we hadn’t done the Ocado deal. It’s the only thing in the business that I considered, once I knew about it, we had to have.”

Michael Medline
CEO Empire (parent company of Sobeys), Financial Post (December 2020)

Our Solutions Business
Continued

The Benefits of Our Partnership Club

Alongside a suite of support services, software and fulfilment solutions, OSP provides our partners with access to innovations developed for a diverse range of markets worldwide. In contrast to other sectors of the global economy, grocery is largely dominated by local leaders. With OSP, we are bringing the innovations developed alongside local experience and know-how to a global client base.

As our club of partners grows, its benefits are magnified

1.

Scale gives us more resources to realise the growing ambitions of our partners

As the number of partners on our platform grows, we have more resources and motivation to innovate faster, to the benefit of current and prospective retailers on OSP.

2.

Our expanding footprint applies global learnings to our partners' local strength

Our end-to-end solutions can be configured to the unique needs of each market, enabling us to switch on and off specific functionality and resources as needed for our partners to drive a market-leading customer offer and future growth.

3.

We provide a central forum for a diverse range of retailers to learn from each other

Our global partners share the same thirst for innovation, collaboration, and new learnings. Our geographic reach allows us to bring a diverse range of retailers together to collaborate on their priorities and experiences within both their online and offline businesses.

#2

collective size of OSP Partners by volume of global grocery sales

#1

in terms of geographic reach (EMEA, NA, APAC)

#9

leading retailers around the world are accessing and growing the platform

"Like all international businesses, Ocado Solutions had to find new ways of working in 2020 to accommodate the strictures of a global pandemic. I am extremely proud of all our teams around the world who found innovative ways to support our live partners, bring international CFCs live for the first time, and keep our projects on track through difficult months of rolling lockdowns and travel restrictions."

Luke Jensen
CEO of Ocado Solutions

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 nine partners and ourselves. This network positions us and our partners as "innovators" within the technology curve.

→ Read more about our **Proprietary Technology** on pages 45 and 46

Ocado Retail

Melanie Smith
CEO of Ocado Retail

“These are transformational times and we will continue to set the bar in online grocery retail; to wow customers who are seeing the benefits of online shopping in ever greater numbers.”

Melanie Smith
CEO of Ocado Retail

98%
of Ocado Retail customers were shopping M&S products just weeks after the 1 September switchover from Waitrose

1.7%
share of the UK grocery market in November 2020, up from 1.2% in November 2019, with UK take home grocery sales up 11% over the same period

The accelerated opportunity in online grocery in the UK

It has been an extraordinary year of growth and transformation for Ocado Retail.

At the beginning of the Covid-19 outbreak in the UK, demand for online groceries increased significantly, almost overnight. The online channel doubled from 7% of UK grocery sales, to 14%, as a result of the pandemic. This unprecedented demand, combined with customers shopping both more frequently and bigger baskets, required a difficult proactive decision to deploy more of our overall capacity to serve a smaller number of active customers, well, at this challenging time.

Despite pandemic related challenges, the business adapted rapidly, successfully accelerating to deliver significantly more groceries that ever before. September saw the successful switchover to M&S products on Ocado.com, as planned, bringing with it even more choice and better value for customers.

The business managed to maintain leading service metrics for on time delivery, and accuracy, keeping substitutions below 4%.

As we return to a new normal, with market leading customer offer and service metrics, Ocado Retail is now focused and on track to materially increase its capacity, and seize the huge opportunity ahead as accelerated channel shift to online continues in the UK.

2021 will see the launch of three new CFC sites, increasing available capacity by over 40%. A further mini CFC is planned for go-live in the first half of 2022 and an accelerated search for further Zoom sites is underway.

Case Study

Ocado Retail Partnership with M&S

Tim Steiner
Chief Executive Officer

“Demand for online grocery is unprecedented and we are committed to supporting Ocado Retail to make the most of this opportunity in the UK.”

Since 1 September, Ocado.com customers have been shopping M&S products online, exclusively, for the first time. The launch saw a range of 4,400 food products replace around 4,000 Waitrose products with high quality alternatives at the same or better prices. 700 M&S Home & Lifestyle products were added, bringing customers an even richer hypermarket offer. The successful switchover was the culmination of a year’s worth of collaboration between Ocado Retail, the M&S product innovation teams, and the Ocado Group technology and logistics teams. It evidences the strength of the partnership, and was a key strategic step in setting up the joint venture for future growth.

Providing sustainable solutions for our planet

Ocado Retail targeting Net Zero carbon emissions by 2040 as part of the BRC carbon roadmap.

Ocad0 Waste: striving to be the most sustainable grocer in the UK, focusing on food and packaging waste, carbon impact and responsible impact.

Driving positive social change

The Ocado Retail leadership team is 15% BAME, reflecting the UK population, and 70% female, reflecting the Ocado.com customer base. It is committed to reflect the UK population in marketing and range choices.

Strategy

Tim Steiner
CEO of Ocado Group

"The world has changed in grocery retailing for good. We have prepared for greater speed of execution and innovation and we are ready to seize this faster, bigger future, with and for our partners."

Tim Steiner
CEO of Ocado Group

This year has been all about going faster for our partners. In response to the unprecedented surge in demand for online grocery, worldwide, we launched our first two international CFCs ahead of plan and ramped capacity, whether manual or automated, for all our operational partners, much faster.

The surge in online grocery has emphasised just how important it is for retailers to find a sustainable solution to serve online grocery, and Ocado Retail's performance has evidenced the strengths of the OSP model as a profitable, scalable solution for the long term. We haven't just been going faster for today. We are confident that accelerated growth in the online channel will continue, leading to a permanent redrawing of the landscape of the grocery industry worldwide. This will mean more demand for the Ocado Smart Platform from current and prospective partners.

Our fundraising in the summer means that we have the human and financial capital to capitalise on our full opportunity set over the medium term. We have already made important progress to this end, expanding our relationships with our current partners in new ways and making strategic investments, most notably in robotic manipulation, to accelerate the development of our systems in line with the renewed scale of the opportunity set and our ambitions.

Creating Value with Purpose

Our Purpose

Our purpose is to reimagine shopping, by solving complex problems to provide sustainable solutions for online grocery.

Driving Growth

By creating solutions with real competitive advantages in grocery, and increasingly beyond, we facilitate sustained growth for our partners and in turn for our shareholders.

Improving the Proposition

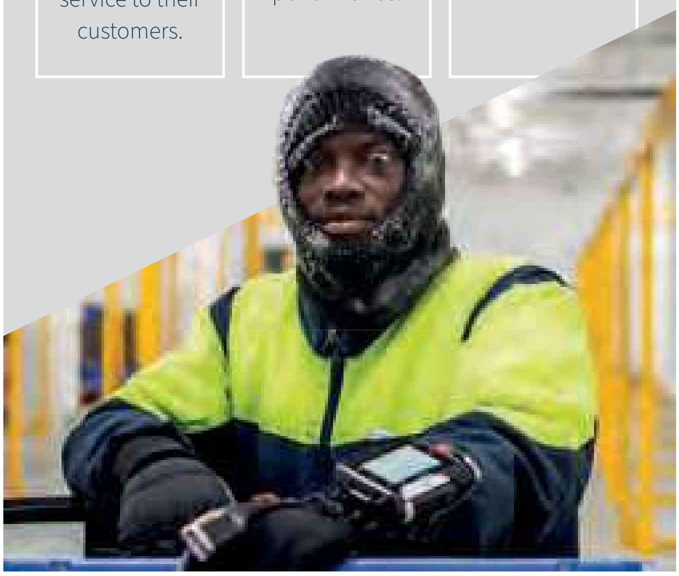
Continually enhancing the value of our proposition for our Solutions partners, so that they can deliver an ever better service to their customers.

Maximising Efficiency

Always striving to develop both our technology and operations, to consistently improve our economic and operating performance.

Utilising Knowledge

Using our IP for future innovation, driving further opportunities for value creation, within and beyond grocery.



Actions

We realise our strategy through continuous progress on these actions.

Strengthen our brands

Reinforce the Ocado Group and Solutions brands based on partnership announcements and validity of the model. Promote the strength and value of our technology and engineering brands to attract the highest quality talent.

Continuously develop more capital and operationally efficient infrastructure solutions

Operating efficiency: Optimise every aspect of the fulfilment and delivery life cycle, to improve our economics and partner proposition.

Capital efficiency: Continuously lower the cost of investment required for online grocery activities, to support growth for our platform partners.

Enable current and future partners' online businesses

Continuously develop new and improved propositions, so that partners can build tailored and flexible ecosystems to serve an evolving and comprehensive set of customer missions in their given markets.

Constantly enhance end-to-end technology system solutions

Retain our technological leadership through ceaseless pursuit of innovation ahead of the market, either organically or through M&A. Use our cutting-edge IP to power our world-leading end-to-end e-commerce, fulfilment and logistics solutions.

Strategy
Continued

Improving the Proposition

This has been a year of acceleration as we bring new resources, solutions and flexibility to the Ocado Smart Platform.

1. More Solutions:

We continued to expand the wide technology estate at the heart of OSP throughout the year, bringing new experiences to the webshop and greater software functionality for partners across the end-to-end platform.

Alongside the robotic pick capabilities we have developed in-house, we expect Ocado Group's acquisition of Kindred Systems, Inc. and Haddington Dynamics, Inc. to bring significant new efficiencies to our automated fulfilment capabilities across CFCs, mini CFCs and micro fulfilment centres.

2. Greater Flexibility:

OSP enables our partners to deploy a wide range of fulfilment formats into their markets, all of them fully integrated into our end-to-end platform. With the acceleration in customer demand for online seen across all partner markets, OSP can provide our current partners with the tools to ramp up capacity quickly in the short term, whilst laying down the infrastructure to support significant, scalable, and profitable e-commerce in the long term.

In offering our partners a range of formats across CFCs, mini-CFCs, MFCs and In-Store Fulfilment, we provide them with the tactical flexibility to map their deployment of Ocado's technology to the growing range of customer shopping missions they want to serve, while retaining best possible economics.

3. A new customer proposition for shoppers in our partners' markets:

Not only are we constantly improving our own proposition to partners, we have also helped them to deliver new levels of customer service to shoppers in France and Canada, bringing the customer experiences achieved by Ocado.com in the UK to those markets.

"Voilà launched in the Greater Toronto Area in June and we are very pleased with the early results. Customer feedback has been overwhelmingly positive, and our customer Net Promoter Score is the highest I have seen in my career."

Michael Medline
CEO Empire, Supermarket News

KPIs

3
Mini CFCs underway for Partners in 2020

>8x
increase in ISF volumes across all Partners in 2020

Risks

- Risk of failing to deliver a sustainable operational infrastructure able to execute effectively the requirements for multiple Ocado Solutions contracts, simultaneously in many international locations.
- Risk that current Solutions pricing levels may not provide both acceptable returns for our shareholders, if efficiencies are not achieved and attractive long-term cost of ownership for our clients, whilst delivering a viable fully operational end-to-end customer experience.

Business Insight

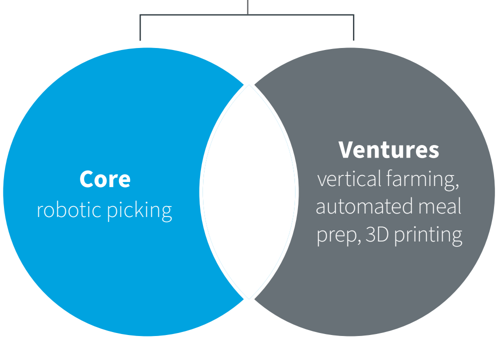
The constant drive for innovation

Innovation is critical to maintaining and expanding Ocado's leadership position as a solutions provider, and we are focused on sustaining the culture and pace of innovation we have achieved to date. In our growing technology teams, we have top talent dedicated to further increasing the competitive advantage that OSP drives in grocery. At the same time, our ventures team explores ways that we can leverage our technological know-how to participate in innovation in other, often adjacent, verticals to create future value for the medium to long term. Naturally, these streams are connected, and may converge depending on the timeframe and scope of the opportunity at hand.

"We see ourselves as an innovation house. The biggest risk is not taking enough risk. Standing still is a certain route to obsolescence."

Tim Steiner
Chief Executive Officer

Parallel streams



Increasing competitive advantage of OSP in grocery

- Five robotic arms in Erith.
- Pick rate doubled.
- On track for FY target of efficiency similar to human.

Leveraging our technological know-how and participating in other adjacencies

- Investments to date: robotics for general merchandise (Kindred Systems, Inc.), vertical farming (JFC, Infinite Acres), automated meal prep (Karakuri) and 3D printing.

Case study:

Accelerating the commercial delivery of robotic picking for OSP partners

In November 2020 we announced the acquisitions of Kindred Systems, Inc. and Haddington Dynamics, Inc. to accelerate the development of a commercial solution in robotic picking for our partners. We have long considered the opportunities for robotic manipulation solutions to be significant, both for OSP partners and across the fast-growing online retail and logistics sectors. Over the last several years, our technology teams have made material progress learning computer vision and engineering systems required for robotic picking. With our combined capabilities we will be able to accelerate delivery of a solution in grocery.

In addition, Kindred's fast-growing operations with customers across general merchandise and logistics, combined with Ocado Group's scale, scope and resources, means opportunities in new verticals outside of grocery.

Innovation will see the opportunity set continue to evolve and expand for our partners and, in turn, for Ocado Group.

→ Read more about **Our Business Model** on pages 30 to 33

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Strategy
Continued

Maximising efficiency

Operational Efficiency

We drive efficiencies throughout every process of our operations, from customer-facing interfaces in the webshop, inventory management systems and fulfilment, to the routing software that supports their deliveries. We achieve this by adhering to three design principles: automation, use of our own technology, and centralisation.

Progress

- Reducing the long-term costs of ownership of our fulfilment solution, the combination of capital and running costs, is critical as we scale. A key part of this is developing new generations of bots.
- This year, our third generation bot went into production. This bot will underpin our UK and international roll-out, setting new levels of performance in its operation, ease of manufacture and serviceability. Continued investment in the software driving our bot fleet will see still further improvements in operational performance.
- We measure efficiency within CFCs by average eaches processed per labour hour (UPH). In our mature CFCs in operation in the UK (which now includes Erith) UPH was 169 for the year, benefiting from higher volumes as a result of changes in customer shopping behaviour associated with the pandemic, as well as improvements as Erith scaled. At maturity, we expect our robotic CFCs in the UK and internationally to operate at 200+ UPH.
- Average deliveries per van per week (DPV) for Ocado Retail, declined to 184, as larger baskets sizes limited the number of customer orders delivered by each van in a single shift. However, overall delivery cost was down, as the shift towards larger basket shops drove an increase in the number of eaches carried per van.
- The platform continues to enable market-leading levels of food waste, at just 0.4% of sales for Ocado Retail in the UK.

Future Focus

We are always looking for ways to apply our technology to improve our operational efficiency, with both core business sponsored and more speculative research underway.

A good example of this is the robotic picking and packing of customer orders. In grocery, this challenge is especially difficult due to the breadth of handling characteristics. Building on our eight years of progress in this field, this year we acquired two leading companies in the field of robotic manipulation, to accelerate the commercial delivery of this solution for our partners. Robotic picking is first on our roadmap, followed by decant. Together, these functions represent over half of the manual labour cost in a CFC. In the medium term, we see further opportunities to apply this technology in activities such as de-palletising and de-trashing.

KPIs

169
UPH
2019: 161
Change of basis to include Erith CFC

184
DPV
2019: 196

Risks

- Delays in implementing new capacity.
- Risk of failing to deliver a sustainable operational infrastructure able to execute effectively the requirement for multiple Ocado Solutions contracts, simultaneously in many international locations.

Capital Efficiency

The proprietary technology we use in our newer CFCs enables our partners to achieve an attractive return on investment, even before any further efficiency benefits from other innovations such as robotic picking.

The modular nature of the mechanical handling equipment (MHE) solution allows for reduced upfront capital commitment, and enables real flexibility in customising the solution to the varying capacity requirements of our partners. As we continue to develop new CFCs, at scale, we are able to further improve the capital efficiency of our operations. Technological innovations will compound these improvements.

Progress

- We were able to rapidly ramp up capacity at our Erith CFC, in response to the Covid-19 driven surge in demand for online grocery. At year end, the site was running at 130,000 orders per week, and an increase of over 80% in the year.
- Our first operational sites in France and Canada are also successfully ramping up ahead of original plans.
- Every lesson we learn at sites in the UK and abroad, every enhancement to automation and software, is quickly transferable to every future partner site.
- In addition to our long-standing manufacturers, we have entered partnerships with some of the largest, global leaders in contract manufacturing, Jabil and Flex. This will enable us to scale MHE production for our partners faster, and bring benefits from scaled manufacturing and larger procurement order sizes.

Future Focus

We continue to expect to see further improvements in the speed of deployment allowing for reduced upfront capital commitment and shorter ROI timescales, and automation enhancements that further increase throughput and efficiency.

Robotic picking is one such enhancement; following the strategic acquisition of two leading companies in the robotic manipulation sector, we are confident that we can both bring a commercial solution for robotic picking to our partners sooner than previously planned, and at a capital cost that brings attractive returns on investment.

As we continue to progress operational CFCs, and go live with new sites, learnings will naturally be passed on to the benefit of all our Solutions partners.

By adding more partners to the platform, we will also see the benefits of increased scale.

Strategy
Continued

Utilising Knowledge

Our Intellectual Property

Since 2000, Ocado has developed and scaled an online grocery sales platform, solving the challenge of reliably and accurately delivering a world-beating selection of groceries to customers across multiple temperature regimes in convenient time slots. 2020 saw the expansion of our proprietary technology to not only serve customers in the UK but those of Casino in France and Sobeys in Canada.

Our best-in-class, end-to-end e-commerce, fulfilment and logistics solution is based on two decades of knowledge and experience in the online grocery sector. Our proprietary technology continues to be developed, expanding potential offerings to retailers around the globe and enabling our partners to be competitive in challenging situations such as the unexpected pandemic.

Underlying these developments is a network of proprietary rights protecting our investments and ensuring our partner companies have unrivalled access to the technology required to enhance their offering in their relevant markets. Additionally, IP and innovation assets acquired during the course of this journey expands the reach of our system and protects our market-leading technology for the future.

Progress

- We completed the re-engineering of our bot and commissioned the next generation version on our mini-CFC site in Bristol, UK in late 2020. The re-engineered bot is protected by a suite of registered and unregistered IP rights, thereby ensuring the learnings from our previous generation bots continue to be exclusively available to Ocado partner companies.
- In November 2020 we announced the acquisition of two robotic picking companies, completed after year-end. We have acquired intellectual assets that will complement and expand on our existing robotic picking proprietary knowledge and competencies.
- To support continued, rapid, innovation we have significantly increased the numbers of people working in those specialised innovating teams focused on deploying our technology or knowhow towards medium to long term opportunities for value creation.
- We have increased the size of the IP team to enable faster protection of this increased level of innovation.

Patents

Protecting our intellectual property is key to ensuring our partner companies continue to benefit from our investment in development of our existing systems and expansion of our offerings. The exclusivity we are able to offer our partners is underpinned by our IP portfolio of registered and unregistered rights. As our engineering and technology teams have grown, our IP team has grown to ensure all aspects of our developments, whether within our core technology areas or in associated verticals or investment areas, are protected.

Members of our IP team are embedded within the engineering and technology functions to ensure that IP generated, whether from research and development in core areas or blue-sky disruptive activities, is protected to ensure future competitiveness. Additionally, these IP team members ensure that commercial IP protection is in place in all collaborative agreements, whether with third party suppliers, academic institutions or other collaborators.

Our intellectual property strategy creates a web of protection to ensure our technology remains unique in the marketplace.

Progress

We now hold 292 granted patents across 42 innovation families, a further 584 patent applications remain pending. 137 separate innovations are protected by one or more granted patents or patent applications.

Risks

- Innovation by third parties exceeds our own and offers improved solutions for end-to-end e-commerce fulfilment of groceries.
- Failure to protect our proprietary technology lowers barrier to entry for third parties.
- Failure to ensure freedom of operation of our technology without infringing a third party's IP.

→ See further our **Principal Risks** on pages 64 to 67 and the **Financial Review** on pages 50 to 58

Key Performance Indicators

Revenue Ⓐ (Group) (£m)

Why we use this measure

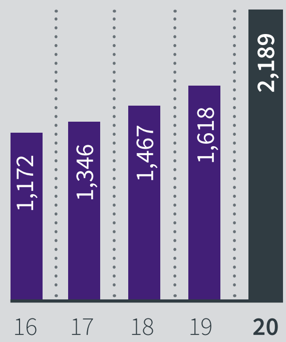
Measures growth at Group level reflecting revenue from the Ocado Retail joint venture, and our UK and International Solutions businesses.

2020 performance

32.7% vs 2019

Strategic link

Revenue Ⓐ (Retail) (£m)



Why we use this measure

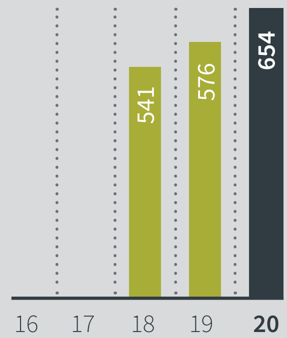
Measures revenue growth of the Ocado Retail joint venture.

2020 performance

35.3% vs 2019

Strategic link

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



Why we use this measure

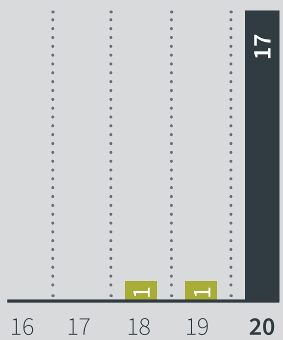
Measures revenue growth of our UK Solutions & Logistics business.

2020 performance

13.6% vs 2019

Strategic link

Revenue Ⓐ (International Solutions) (£m)



Why we use this measure

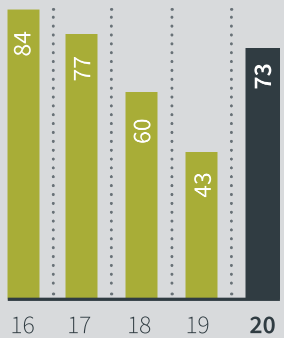
Measures revenue growth of our International Solutions business.

2020 performance

– vs 2019

Strategic link

EBITDA Ⓐ (Group) (£m)



Why we use this measure

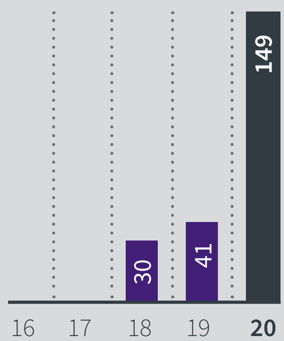
Measures operating profitability at a Group level reflecting the Ocado Retail joint venture and our UK and International Solutions segments.

2020 performance

66.8% vs 2019

Strategic link

EBITDA Ⓐ (Retail) (£m)



Why we use this measure

Measures operating profitability of the Ocado Retail joint venture.

2020 performance

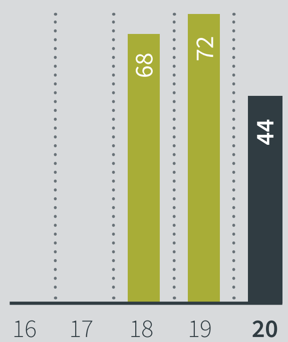
264.5% vs 2019

Strategic link

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Key Performance Indicators
Continued

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



Why we use this measure

Measures operating profitability of our UK Solutions & Logistics business.

2020 performance

(38.4)% vs 2019

Strategic link

EBITDA Ⓐ (International Solutions) (£m)

Why we use this measure

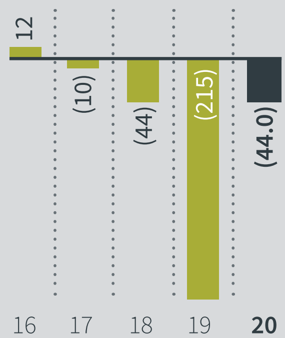
Measures operating profitability of our International Solutions business.

2020 performance

(51.7)% vs 2019

Strategic link

Profit/(Loss) Before Tax (Group) (£m)



Why we use this measure

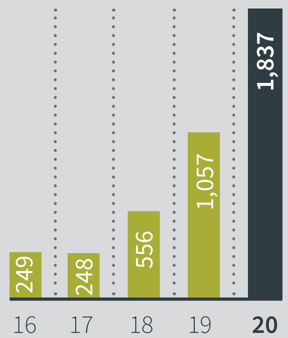
Measures profitability at Group level reflecting the profit of the Ocado Retail joint venture and our UK and International Solutions business.

2020 performance

81.9% vs 2019

Strategic link

Net Assets (Group) £m



Why we use this measure

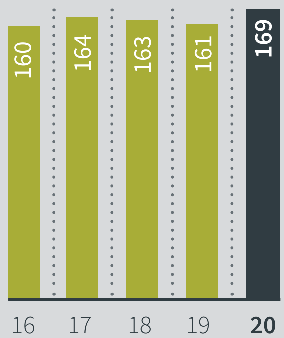
Measures the surplus between total assets and total liabilities at Group level.

2020 performance

74.9% vs 2019

Strategic link

Mature CFC Efficiency (UPH)*



Why we use this measure

Measures CFC operational efficiency

2020 performance

5.0% vs 2019

Strategic link

- Change of basis to include Erith CFC. UPH only includes UK sites

Active Customer Base

Why we use this measure

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

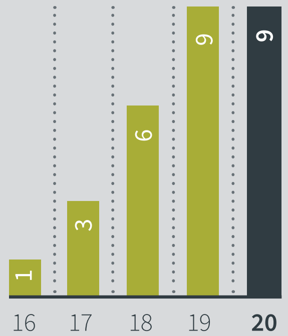
2020 performance

(14.5)% vs 2019

Strategic link

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Number of Ocado Solutions Partnerships Signed to Date



Why we use this measure

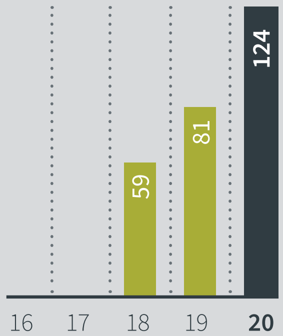
Measures partner growth within our Solution business.

2020 performance

– vs 2019

Strategic link

Fees Invoiced from International Partners (£m)



Why we use this measure

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

2020 performance

52.2% vs 2019

Strategic link

Financial Review

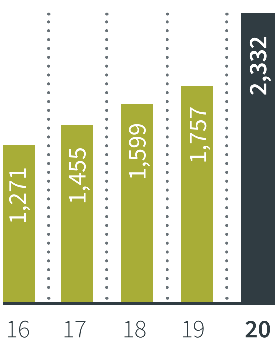
> " **The Group achieved significant revenue growth, reflecting an acceleration in the rate of demand for online grocery. We also continued our good progress rolling out new CFCs for our partners, both in the UK and internationally.**"

We have delivered a strong performance this year. The Group achieved significant revenue growth in the UK Retail business, due to an acceleration in the rate of demand for online grocery in response to the Covid-19 pandemic. At the same time we have continued to transform our business to support future growth: we continued our good progress rolling out new CFCs for our partners, both in the UK and internationally; we have made significant investments in our International Solutions business, strengthening our teams and investing in technology; we announced the acquisition of two leading robotics businesses in the US, to accelerate the commercial delivery of robotic solutions; and we have raised a total £1.6 billion in the capital markets, to finance future growth. This supports our ability to capitalise at pace on the structural growth opportunities available in global online grocery adoption.

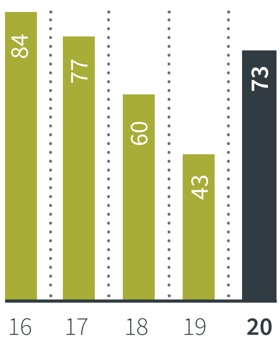
Group Highlights

- Revenue increased 32.7% to £2,331.8 million (2019: £1,756.6 million), reflecting an acceleration in demand in UK online grocery in response to Covid-19.
- Gross profit increased 36.3%, ahead of the growth in Revenue, with Retail gross margin up 130bps mainly due to changes in the product mix.
- Group EBITDAⒶ of £73.1 million (2019: £43.3 million), with a significant increase in Retail EBITDAⒶ to £148.5 million (2019: £40.6m) offset by increased investment in both the UK and International Solutions business to support future growth.
- Statutory loss before tax of £(44.0) million (2019: £(214.5) million) including depreciation, amortisation, and impairment charges of £168.9 million, and net exceptional income of £104.6 million principally due to insurance income for the Andover CFC.
- Strong balance sheet, with cash and other financial assets of £2.1 billion as at the end of the year, following the £600 million convertible bond issue in December 2019, and £1 billion convertible bond and share placing in June 2020.
- Post year-end completion of the acquisition of Kindred Systems and Haddington Dynamics Inc. for consideration of $260 million and $25 million respectively (subject to closing adjustments).

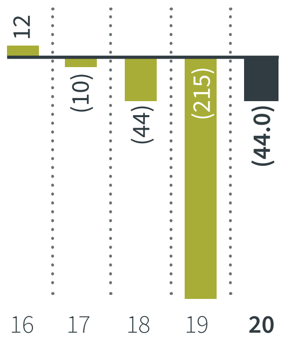
Revenue (£m)



EBITDAⒶ (£m)



Profit/(Loss) Before Tax and Exceptional ItemsⒶ (£m)



Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

£ millions	FY 2020 Pre-Exceptional	FY 2020 Exceptional Items	FY 2020 Total Statutory Reported	FY 2019 Pre-Exceptional	FY 2019 Exceptional Items	FY 2019 Total Statutory Reported	Pre-Exceptional Growth
Revenue[1]	**2,331.8**	**–**	**2,331.8**	1,756.6	-	1,756.6	32.7%
Gross profit	**813.9**	**–**	**813.9**	597.3	(5.5)	591.8	36.3%
Other income	**87.6**	**103.9**	**191.5**	83.9	23.8	107.7	4.4%
Distribution and administrative costs	**(827.5)**	**0.7**	**(826.8)**	(638.6)	(12.3)	(650.9)	29.6%
Share of results from joint ventures and associates[2]	**(0.9)**	**–**	**(0.9)**	0.7	–	0.7	–
EBITDAⒶ	**73.1**	**104.6**	**177.7**	43.3	6.0	49.3	68.8%
Depreciation, amortisation and impairment	**(168.9)**	**–**	**(168.9)**	(136.1)	(99.0)	(235.1)	24.1%
Loss on disposal of subsidiary	**–**	**–**	**–**	–	(1.1)	(1.1)	–
Net Finance costs	**(52.8)**	**–**	**(52.8)**	(27.6)	–	(27.6)	91.3%
(Loss) before tax	**(148.6)**	**104.6**	**(44.0)**	(120.4)	(94.1)	(214.5)	23.4%

(1) Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs and associated fees to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation.

(2) Share of results from joint ventures relates to joint ventures where the Group does not exercise control such as MHE JVCo and Infinite Acres Holdings BV. The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated.

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

Group revenue for the period increased by 32.7% to £2,331.8 million in comparison to FY 2019 revenue of £1,756.6 million. This was primarily driven by a 35.3% increase in Retail revenue, reflecting increased demand driven by Covid-19 restrictions, with a £31 increase in the average basket value from £106 to £137. The Group also began to recognise revenue under IFRS 15 in its International Solutions business following the successful commencement of operations at the first two international CFCs in Toronto and Paris, with reported revenue of £16.6 million. Total invoiced fees across all International Solutions partners were £123.9 million, an increase of 52.2% compared to the prior period. Cumulative fees not yet recognised as revenue at the end of the period stood at £256 million.

Gross profit grew strongly, particularly in the second half of the period, principally due to the increase in revenue in UK Retail and change in product mix. Other income grew at a lower rate than revenue, at 4.4% to £87.6 million, due to a lower rate of growth in media income compared to overall Retail revenue, and primarily relating to changes in product range implemented due to the additional demand caused by Covid-19.

EBITDAⒶ for the period was £73.1 million (2019: £43.3 million). The benefit of higher revenues and operational efficiencies in the UK Retail business was offset by the increased investment in areas to support our platform growth, including additional headcount to support our international relationships, and technology resources to help scale and improve the platform and infrastructure needed to support our UK and International business. In addition we incurred higher Covid-19 related costs such as frontline worker bonuses and additional safety measures, received lower fee income from Morrisons due to a revised agreement which temporarily releases Erith capacity following the Andover fire, and incurred higher management incentive, FX and other acquisition related costs.

Depreciation, amortisation and impairment increased by 24.1% to £168.9 million, primarily due to an increase in amortisation costs relating to our investment and rollout of OSP software.

Net finance costs increased from £27.6 million to £52.8 million, primarily due to increased interest expense as a result of the £600 million unsecured convertible bond issued in December 2019, and the £350 million unsecured convertible bond issued in June 2020. The majority of the increase year-on-year was due to non-cash accounting charges for these instruments. Furthermore, the Group terminated the existing Revolving Credit Facility ("RCF") which resulted in the release of previously capitalised finance costs.

As a result of the above, and exceptional items of £104.6 million primarily relating to insurance proceeds from the Andover CFC, the statutory loss before tax for the period was £(44.0) million (2019: loss of £(214.5) million).

Trading Review by Segment

Segment revenue and Segment EBITDAⒶ are shown below. Consistent with the prior period, the Group has three reportable trading segments, which reflect the structure of the Group following the sale of 50% of Ocado Retail to Marks and Spencer Group plc ("M&S"). These are: Retail, UK Solutions and Logistics, and International Solutions.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

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In the second half of the year, a detailed review of Group administration costs was undertaken to assess how Group Operations support both UK and International segments in light of the significant investments made to support future platform growth across the Group. This has resulted in the re-allocation of certain administrative costs between UK, International and Other segments. FY 2019 results for these segments have therefore been re-presented to ensure comparability year-on-year, in addition to the restatement of segment EBITDA® reported at the half year, relating to the re-presentation of leases under IFRS 16. There is no impact from these changes on overall Group EBITDA® for FY 2019.

Retail

	FY 2020 £million	FY 2019 £million	Growth
Revenue	**2,188.6**	1,618.1	35.3%
Gross profit and other income	**749.0**	532.6	40.6%
Distribution costs(1)	**(491.8)**	(417.3)	17.9%
Marketing (non-voucher) costs	**(22.1)**	(20.0)	10.5%
Other administrative costs(1)	**(86.6)**	(54.7)	58.3%
EBITDA®(2)	**148.5**	40.6	265.8%
Effect of IFRS 16	**22.8**	19.5	

(1) Distribution and other administrative costs exclude depreciation, amortisation and impairment

(2) EBITDA® does not include the impact of exceptional items

FY 2020 was a landmark year for Ocado Retail with revenue* growing by 35.3% year on year to £2,188.6 million and EBITDA® expanding from £40.6 million to £148.5 million.

Revenue

Retail Revenue grew by 35.3%, driven by strong customer demand and enabled by a significant increase in the peak day capacity of all three mature CFCs. Customer behaviour shifted significantly following the introduction of Covid-19 restrictions and this allowed Ocado Retail to spread customer orders more evenly over the whole week compared to the normal peaks and troughs. The change in the demand shape of the week combined with an increase in peak day capacity led to volume growth of 28.1% year-on-year. An increase in both the average units per basket and a small increase in the average selling price led the average basket value to increase by £31 to £137 (2019: £106). Covid-19 has put extra pressure on our suppliers' supply chains resulting in lower product availability and higher levels of substitutions during FY 2020. Substitutions are now back to normal levels and product availability is expected to return to normal levels once the Covid-19 related restrictions are eased. Due to unprecedented demand, higher frequency from our most loyal customers and significantly increased basket size, Ocado Retail deployed increased capacity to serve a smaller number of active customers, with new customer acquisition activity paused, resulting in a decline in active customers over the year from 795,000 to 680,000. Increased CFC capacity in FY 2021 will provide the opportunity to serve more customers.

Gross Profit and Other Income

Gross profit and other income increased by 40.6% to £749.0 million, driven by higher revenue and improved product mix, together with the benefit of the termination of the Waitrose Sourcing contract in August 2020 and reduction in stock wastage. Other income grew year on year but slightly less than the rate of sales growth as we made certain product range changes to maximise our capacity during the pandemic.

Distribution and Administrative Costs

	FY 2020 £million	FY 2019 £million	Growth
CFC	**158.0**	135.7	16.4%
Trunking and Delivery	**235.6**	195.5	20.5%
Other operating costs	**98.2**	86.1	14.1%
Total Distribution costs	**491.8**	417.3	17.9%

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 16.4% to £158.0 million, significantly less than the revenue growth due to improvements in productivity and economies of scale which more than offset Covid-19 related additional costs.

Trunking and delivery costs increased by 20.5% to £235.6 million, which was also below the revenue growth primarily due to the growth in average basket sizes. The larger basket sizes meant that the average number of customer orders delivered by each van in a week fell to 184 (2019: 196). However, the larger average basket size meant that units delivered by each van each week increased. Trunking and delivery also incurred Covid-19 related additional costs but overall the total cost per item delivered reduced by (9.4)% year-on-year.

Other operating costs of £98.2 million (2019: £86.1 million) include the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics, in addition to payment processing costs.

Marketing costs (excluding voucher spend) increased by £2.1 million to £22.1 million, as we invested in preparation of our brand relaunch in FY 2021, but marketing costs excluding vouchers declined as a percentage of Retail revenue to 1.0% (2019: 1.2%).

Other administrative costs increased by £31.9 million to £86.6 million to support underlying business growth. This includes the full year effect of Board and other head office costs following the establishment of Ocado Retail as a stand-alone business unit in the prior period. This included strengthening the buying team to source more products directly from suppliers following the termination of the Waitrose sourcing agreement. Board costs include the creation of an annual bonus plan and incentive scheme for senior management linked to long-term value creation. An accounting charge is required each year based on an estimate of the current business value. Payments will be assessed over the life of the scheme, with the first measurement date for any potential vesting in FY 2022.

® See **Alternative Performance Measures** on pages 293 and 294.

Following the 50% sale of the Retail business to M&S, the UK Logistics operation of the Ocado Group entered into a contract with Retail to provide third party logistics services during FY 2019. Included within the fees payable under this contract are a number of fees relating to the use of fixed assets ('capital recharges'). Under IFRS 16, certain fees are classified as "lease" payments. Therefore, any income that UK Solutions & Logistics receives for these are removed from EBITDA(A) and the corresponding cost in Retail is also removed from EBITDA(A). The total value of these fees in FY 2020 was £8.7 million (2019: £8.5 million).

EBITDA(A)

EBITDA(A) for the Retail business was £148.5 million (2019: £40.6 million). Amounts recoverable under business interruption insurance for Andover are included in Exceptional Income, and therefore are excluded from the Retail segmental result.

UK Solutions & Logistics

	FY 2020 £million	FY 2019[3] £million	Growth
Fee revenue	**117.1**	105.9	10.6%
Cost recharges[1]	**537.2**	470.1	14.3%
Revenue	**654.3**	576.0	13.6%
Other Income and cost of sales	**3.4**	3.6	(5.6)%
Distribution costs[2]	**(544.4)**	(458.0)	18.9%
Administrative costs[2]	**(68.9)**	(49.5)	39.2%
EBITDA(A)	**44.4**	72.1	(38.4)%
Effect of IFRS 16	**2.3**	4.9	

(1) Cost recharges include cost recharges to Ocado Retail of £428.5 million which eliminate on consolidation

(2) Distribution and administrative costs excludes depreciation, amortisation and impairment

(3) Segment has been re-presented for FY 2019. For further details refer to note 2.1 of the condensed financial statements

Revenue

Revenue from the UK Solutions & Logistics business increased by £78.3 million to £654.3 million, an increase of 13.6%. This comprises the recharge of relevant operational variable and fixed costs by the UK Logistics operation to its UK partners Ocado Retail and Morrisons, as well as fees charged to both partners for access to Ocado's technology platforms, capital recharges, management fees and research and development. The increase in fees was due to the increase in CFC capacity provided to Ocado Retail, partly offset by a loss of fees from Morrisons as a result of the agreement to take back capacity at the Erith CFC following the Andover fire until February 2021.

Other Income

Other income, net of cost of sales, was £3.4 million (2019: £3.6 million). Other income primarily relates to rent received from Morrisons in respect of Dordon CFC rent recharges.

Distribution and Administrative Costs

Distribution and administrative costs grew by 20.8% to £613.3 million (2019: £507.5 million). These costs consist of fulfilment and delivery operations costs which are recharged to Ocado Retail and Morrisons; engineering and other support costs for the provision of the contracted services, for which fees are charged; and an allocation of technology and head office costs.

The volume throughput of the CFCs increased by 22.6% year on year, with distribution costs increasing by £86.4 million to £544.4 million, an increase of 18.9%. Logistics related costs increased due to higher volumes and additional Covid-19 related costs, offset by cost efficiencies in both CFC and trunking and delivery operations as a result of productivity improvements, and growth in capacity delivered without the addition of new CFCs. Engineering costs increased above the rate of volume growth as the majority of volume growth took place in the Erith CFC, which currently has a higher cost as a proportion of sales. Good progress was made to reduce costs at Erith which reduced by 20% year on year as a proportion of sales.

Mature CFC (defined as Hatfield, Dordon and Erith CFCs) Units per Hour ("UPH") improved by 5.2% to 169.2 UPH (2019: 160.8), driven mainly by improvements at Erith CFC.

Administrative costs grew by 39.2% to £68.9 million (2019: £49.5 million), primarily as a result of investment in additional headcount and technology resources to support and improve the platform and infrastructure needed for UK growth.

(A) See **Alternative Performance Measures** on pages 293 and 294.

Financial Review
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EBITDA®

EBITDA® from UK Solutions & Logistics activities was £44.4 million, a decrease of £27.7 million, with the increase in fees from additional capacity more than offset by the combination of reduced fee income from Morrisons as a result of the agreement to take back capacity following the Andover fire, together with the allocation of platform development costs to the UK Solutions & Logistics segment. The value of Morrisons fees which has been forgone forms part of the business interruption insurance claim for Andover, but amounts recoverable under this claim are included in Exceptional Income, and therefore are excluded from the UK Solutions & Logistics segmental result.

International Solutions

	FY 2020 £million	FY 2019[3] £million	Growth
Fees invoiced	**123.9**	81.4	52.2%
Revenue[1]	**16.6**	0.5	–
Cost of sales	**(7.0)**	–	–
Distribution and administrative costs[2]	**(92.9)**	(55.4)	67.7%
EBITDA®	**(83.3)**	(54.9)	51.7%
Effect of IFRS 16	**1.6**	1.3	

(1) FY 2020 Revenue includes £7.0 million of equipment sales to a retail partner recognised as revenue under IFRS 15. The impact on EBITDA is nil.

(2) Distribution and administrative costs excludes depreciation, amortisation and impairment

(3) Segment has been re-presented for FY 2019. For further details refer to note 2.1 of the condensed financial statements

Fees and Revenue

Fees invoiced amounted to £123.9 million (2019: £81.4 million), up 52.2%, with growth driven by design fees across a number of clients, certain upfront fees following the announcement of our new partnership with Aeon, and fees associated with the commencement of operations for Sobeys and Groupe Casino. Under IFRS15 revenue recognition, fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner. In FY 2020 revenue recognised from the International Solutions business increased due to the "Go live" during the year of the first CFCs for Sobeys and Groupe Casino.

Distribution and Administrative Costs

Distribution and administrative costs primarily consist of the costs of operating the technology platform and CFCs for our international clients, other 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 year-on-year as a result of the increase in headcount to support building further capabilities to sign future clients, increased people and cloud costs to support existing international clients in launching the CFCs, and further improvements in our platform.

EBITDA®

EBITDA® from our International Solutions activities was a loss of £(83.3) million (2019: £(54.9) million), principally reflecting the increased investment in our teams and technology to support our international growth ambitions, and the support costs relating to new CFCs.

Other Segment

EBITDA® loss was £(36.5) million in the current period (2019 loss: £(14.2) million). The "Other" segment represents revenue and costs which do not relate to the other three segments. This includes Board costs, the results of the Fabled business that was divested during FY 2019 and the consolidated results of Jones Food Company. The increase in costs is primarily due to an increase in share-based senior management incentive charges, in part attributable to a strong share price performance in FY 2020, together with net realised foreign exchange losses of £(4.4) million, principally in respect of FX movements on US Dollars purchased in preparation for the acquisition of Kindred Solutions and Haddington Dynamics, and acquisition related costs of £(3.5) million.

Exceptional Items

	FY 2020 £million	FY 2019 £million
Andover CFC		
Write off of property, plant and equipment	**–**	(96.9)
Write off of intangible assets	**–**	(2.1)
Loss of inventory	**–**	(5.5)
Insurance reimbursement	**103.9**	23.8
Other exceptional costs	**(4.0)**	(7.3)
Total Andover exceptional	**99.9**	(88.0)
Disposal of Fabled	**–**	(1.1)
Set up costs for the joint venture with Marks & Spencer	**–**	(3.4)
Litigation costs	**(2.7)**	(1.3)
Changes in fair value of contingent consideration	**7.4**	–
Other exceptional items	**–**	(0.3)
Total exceptional items	**104.6**	(94.1)

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 £103.9 million (2019: £23.8 million) comprise reconstruction and other incremental costs of £59.2 million (2019: £3.7 million) and reimbursement for business interruption losses of £44.7 million (2019: £20.1 million). The reimbursement has been presented within "other income". A portion of reimbursements has been received and recorded as deferred income. This will be released to profit or loss in the future as the rebuilding costs of the CFC are incurred.

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 included any future reimbursement since the likely insurance proceeds cannot yet be quantified accurately. It is expected that 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, but are not limited to, temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employees' personal assets that were destroyed, and redundancy costs.

Litigation Costs

Exceptional litigation costs of £(2.7) million relate to legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and their company Project Today Holdings Limited in relation to theft and unlawful use of the Group's Intellectual Property, and patent infringement complaints made against the Group by AutoStore AS (a Norwegian company owned by the US private equity firm TH Lee) and two subsequent counterclaims made by the Group against AutoStore AS.

Change in Fair Value of Contingent Consideration

In 2019 the Group sold Marie Claire Beauty Limited (trading as "Fabled") to Next plc and 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S"). Part of the consideration agreed for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. This resulted in a gain of £7.4 million recognised in exceptional administrative expenses in FY 2020.

Covid-19

Covid-19 has impacted all aspects of the business, with the immediate effects predominantly in the Ocado Retail and UK Solutions and Logistics businesses. The Group considers the additional costs incurred and revenues generated as being a fundamental part of trading during the pandemic, reflecting the associated shifts in customer behaviour and in working practices. All associated costs have therefore been accounted for as pre-exceptional.

Whilst we have seen greater interest in our OSP platform as a way for retailers to meet the global increase in demand for online grocery, we have also had to work hard to adapt to new methods of engagement with clients and prospects in light of the international travel restrictions that have been in place during the year.

The Group has not taken advantage of any of the Covid-19 tax rebates and other support measures offered by the UK Government or any overseas Government.

Depreciation, Amortisation and Impairment

Total depreciation and amortisation costs were £168.9 million (2019: £136.1 million), an increase of 24.1% year-on-year. The increase in year-on-year costs is primarily due to an increase in amortisation costs relating to our investment and rollout of OSP software.

Net Finance Costs

Net finance costs of £52.8 million increased from £27.6 million in the prior period primarily due to interest expense on the two unsecured Convertible Bonds issued during the year totalling £950m, together with the release of previously capitalised interest costs totalling £2.8 million relating to the RCF which was terminated in the period. The vast majority of the movement primarily relates to the accounting charge for these instruments and the impact of IFRS 16, which are non-cash in nature, offset by finance income relating to treasury deposits. The coupon paid in the year relating to these two instruments was £2.7 million.

£0.5 million of interest costs have been capitalised in the period in relation to the senior secured notes in accordance with the relevant accounting standards (2019: £0.1 million).

Share of Result from Joint Ventures and Associates

The Group has accounted for the share of results from two joint ventures; MHE JVCo Limited ("MHE JVCo"), a joint venture with Morrisons, and Infinite Acres Holdings BV, a vertical farming company jointly owned with 80 Acres Farm Inc. and Priva Holdings BV. 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 share of MHE JVCo profit after tax in the period amounted to £0.5 million (2019: £1.0 million). The Group's interest in Infinite Acres Holdings BV was acquired during FY 2019, and contributed a loss of £(0.9) million to the Group's results in the period (2019: £(0.1) million).

Loss Before Tax

Loss before tax for the period was £(44.0) million (2019: loss of £(214.5) million).

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Taxation

The Group's reported tax charge for the period was £25.6 million. This charge reflects corporation tax payable of £18.3 million, resulting from the increase in profitability in the Retail business after utilising all their respective carried forward tax losses. A deferred tax charge of £6.6 million was recognised in the period representing the expected future utilisation of UK tax losses and capital allowances. At the end of the period, the Group had £407.4 million (2019: £284.7 million) of unutilised carried forward tax losses.

Dividend

During the period, the Group did not declare a dividend (2019: nil).

Loss Per Share

Loss and diluted loss per share were (17.55)p (2019: (30.63)p).

Subsequent Events

Acquisitions

On 2 November 2020, the Group announced that it had agreed to acquire the entire share capital of two companies, Kindred Systems Inc. ("Kindred Systems") and Haddington Dynamics Inc. ("Haddington Dynamics") for consideration of $260 million and $25 million respectively (subject to closing adjustments). The acquisition of Kindred Systems was completed on 15 December 2020, following the satisfactory completion of closing conditions, including US regulatory approvals. The acquisition of Haddington Dynamics was completed on 21 December 2020.

The consideration agreed for the acquisition of Kindred Systems comprises $257 million of cash paid on completion, and deferred cash of $3.5 million, payable on the third anniversary of the acquisition. The consideration agreed for the acquisition of Haddington Dynamics comprises $8 million of cash paid on completion, and 0.6 million ordinary shares of Ocado Group plc issued on completion.

Acquisition-related costs of £3.5 million, including legal and professional fees, have been recognised in the current period within administrative expenses in the Consolidated Income Statement.

Disposal

On 7 January 2021, Ocado Retail announced that it had agreed to sell the entire share capital of its wholly-owned subsidiary, Speciality Stores Limited trading as Fetch, to Paws Holdings Limited for an undisclosed sum. The disposal was completed on 31 January 2021.

Litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company owned by the US private equity firm TH Lee, 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 Eastern District of Virginia.

AutoStore subsequently applied to the UK intellectual property office claiming ownership of several Ocado patents relating to elements of the OSP system.

The Group 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 build its capabilities and the OSP system 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 alleging patent infringement and the second an antitrust claim. In the antitrust claim Ocado has alleged, based on the available evidence, that four of the five AutoStore patents on which AutoStore has based its case were procured by fraud against the US Patent and Trademark office.

On 21 January 2021 an application 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.

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

Given the early nature of this litigation, the Group does not believe that any contingent asset or liability should be reflected.

UK Withdrawal from the European Union ("Brexit")

The conclusion and successful ratification of a binding post-Brexit Free Trade Agreement between the UK and EU occurred after the Group's financial year end. This substantially mitigated many of the principal risks relating to Brexit for the Group. The impact of this agreement will continue to be monitored and managed, including risks to the supply chain. The Group has created buffers of certain critical ambient and frozen products and engineering spare parts until there is confidence that the supply chain risk has subsided; however it is not possible to do this for fresh and short-life perishables.

Capital Expenditure

Capital expenditure totalled £525.6 million in FY 2020 (2019: £260.7 million) as we continued to develop new CFCs in both the UK and with our International retail partners, and invest in technology to support our OSP growth ambitions.

	FY 2020 £million	FY 2019[4] £million
UK Operations	**202.4**	88.8
International CFCs	**190.6**	65.2
Technology, Fulfilment Development and Innovation	**129.2**	105.9
Total capital expenditure[1], [2] (excluding MHE JVCo)	**522.2**	259.9
Total capital expenditure[3] (including MHE JVCo)	**525.6**	260.7

(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 2020 of £3.4 million and in 2019 of £0.8 million

(4) FY 2019 reflects changes in the allocation of certain expenditure between International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with FY 2020.

In FY 2020 we invested £135.5 million (2019: £8.2 million) in three new UK CFCs in Bristol, Andover and Purfleet. These are expected to go live during FY 2021 which will add approximately 40% more capacity once the facilities ramp up to full operational throughput. Included within UK Operations is capital expenditure of £55.2 million for the Andover CFC which represents the gross cost to the Group. This is offset by insurance proceeds received to date or in the future, which is recognised as exceptional income as capital expenditure is incurred. We have also continued the development work for Erith CFC with £19.2 million (2019: £39.0 million) invested to support a significant scale up in operations. The remaining £47.7 million of UK operational spend (2019: £41.6 million) increased by £6.1 million compared to the prior period and primarily relates to spend on UK Vehicles, together with investment in our back office systems and the Group's transformation programme.

During the period we invested £190.6 million (2019: £65.2 million) in developing international CFCs for our clients, with two now operational, and two more expected to be operational in 2021. Of this spend, £104.4 million related to the CFCs in North America.

Ocado continues to invest in the development of its own technology and incurred expenditure of £129.2 million (2019: £105.9 million). Technology and Engineering headcount now stands at over 2,200 (2019: 1,700 staff), reflecting the increased investment we are making to support our strategic initiatives. The main areas of investment are greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and support for the Erith CFC and existing partners' future CFCs. In addition, investment in the development of fulfilment equipment totalled £50.8 million (2019: £33.3 million), enhancing our next generation fulfilment solutions for CFCs and delivery operations for all our Solutions partners.

At 29 November 2020, capital commitments contracted, but not provided for by the Group, amounted to £328.7 million (2019: £93.6 million).

"Capital expenditure totalled £525.6 million in 2020 as we continued to develop new CFCs in both the UK and with our International retail partners, and invest in technology to support our OSP growth ambitions."

Cash flow

	FY 2020 £million	FY 2019 £million
EBITDAⒶ[(1)]	**73.1**	43.3
Movement in contract liabilities	**97.5**	79.5
Other working capital movements	**32.1**	(29.0)
Other non-cash items	**26.9**	(5.1)
Finance costs paid	**(25.8)**	(30.6)
Insurance proceeds received	**40.0**	73.8
Cash settlement of share incentive plan	**–**	(80.2)
Taxation paid	**(18.4)**	–
Operating cash flow	**225.4**	51.7
Capital investment	**(451.8)**	(259.6)
Insurance proceeds received	**25.0**	–
Proceeds from disposal of 50% share in ORL	**(13.1)**	558.3
Dividend from joint venture	**7.7**	15.6
Increase/(decrease) in net debtⒶ/ finance obligations	**881.6**	(65.7)
Proceeds from share issues	**657.5**	59.5
Movement of short-term deposits	**(260.0)**	43.5
Other investing and financing activities	**(3.7)**	(20.0)
Movement in cash and cash equivalents	**1,068.6**	383.3

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

Operating cash flow increased by £173.7 million to £225.4 million, primarily driven by a strong Retail trading performance and growth in fees in the International Solutions business.

Cash received during the period in relation to our Solutions partners, excluding VAT (shown in movement in "contract liabilities"), amounted to £97.5 million (2019: £79.5 million). This reflects stage payments from both Kroger and Aeon as their CFC build programs gather momentum, and payments from Groupe Casino and Sobeys reflecting the achievement of go-live with both of these partners in the year.

A net decrease in other working capital of £32.1 million (2019: net increase of £29.0 million), primarily reflects movements as a result of the increase in retail trading volumes and the timing of cash flows relating to our expanded capital programme, which overall contributed a positive movement in cash flow. This gave rise to an increase in trade receivables of £59.2 million (2019: £29.4 million), offset by an increase in trade and other payables of £52.8 million, and an increase in inventory accruals of £38.5 million (2019: (£7.6) million) due to the increased trading volumes and differences in the invoicing cycle following the end of the Waitrose Sourcing Contract. Supplier promotional activity and amounts outstanding with payment service providers have increased in line with increased volume.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

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Insurance proceeds of £40 million were received in the period relating to the Andover business interruption claim and a further £25 million was received relating to rebuilding the Andover CFC and shown within investment activities in the cash flow.

Cash outflow for capital expenditure in 2020 amounted to £451.8 million as the Group invests for future growth comprising investments in new CFCs both in the UK and internationally, and development of our next generation fulfilment solutions. In anticipation of the acquisition of Kindred and Haddington that completed post period-end, the Group entered into a contract to purchase USD to hedge FX exposure prior to completion. The acquisitions completed subsequent to the year-end, in December 2020.

Investing activities include a net outflow of £260 million relating to placing treasury deposits, which are not defined as cash equivalent as the deposit term is greater than 3 months. Other investing activities included the initial Fabled disposal proceeds of £3.0 million inflow, joint venture dividends received of £7.7 million, interest received of £5.2 million and loans made to associated companies amounting to £11.2 million outflow.

Net debt and financing cash flows for the period were an inflow of £1,526.0 million. This included £935.5 million from the issuance of two new unsecured convertible bonds, proceeds from the issue of £646.2 million of new shares, offset by financing fees and £53.4 million of repayment of other lease liabilities. Other financing activities include £10.8 million proceeds from the allotment of share options and an outflow of £13.1 million on final completion of the disposal of the 50% share of Ocado Retail.

Balance Sheet

The Group had cash and cash equivalents and other treasury deposits totalling £2,076.8 million (2019: £750.6 million) at the end of the period, comprising cash and cash equivalents of £1,706.8 million (2019 (restated): £640.6 million), and other treasury deposits classified as other financial assets of £370.0 million (2019: £110.0 million). Gross debt at the period end was £1,405.2 million (2019: £608.2 million), with net cash at the period-end of £671.6 million (2019: £142.4 million). The balance of other current financial assets comprises loans to joint ventures and associates.

Trade and other receivables includes £73.8 million (2019: £61.9 million) of amounts due from suppliers in respect of commercial and media income. Of this amount £56.3 million (2019: £43.1 million) is within trade receivables, and £17.5 million (2019: £18.8 million) within accrued income.

Trade and other payables includes deferred income of £16.3 million in respect of insurance proceeds which have not yet been recognised as exceptional income. Within contract liabilities, £299.3 million (2019: £191.8 million) relates to Solutions contracts, payments made for performance-based payments, 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, £3.8 million (2019: £1.1 million) is due from our Solutions customers.

Deferred tax assets decreased by £3.6 million to a balance of £23.6 million at the end of the period, primarily due to the utilisation of brought forward losses by the Ocado Retail business. This was partially offset by the recognition of a deferred tax asset on short term timing differences in the period. Deferred tax liabilities increased by £3.0 million to a balance of £19.3 million (2019: £16.3 million).

Provisions in the period relating to the insurance reimbursement decreased by £43.7 million to £5.5 million resulting in the reimbursement being utilised in the period. An insurance reimbursement asset and an equal provision of £5.5 million has been recognised on the balance sheet for the obligation to restore the original asset at the Andover CFC site under the leasehold agreement.

Included within property, plant and equipment and intangible assets of £339.1 million (2019: £141.2 million) is capital work-in-progress where depreciation has not yet commenced. The increase year-on-year relates to international CFCs, predominantly with Kroger, and the various UK CFCs that are in progress, specifically Bristol, Andover and Purfleet.

Increasing Financing Flexibility

In the period the Group issued senior unsecured convertible bonds of £600 million (December 2019) with a coupon of 0.875% due in 2025, and subsequently raised £1.0 billion (June 2020) in additional funds consisting of a £657 million share issue and issuance of senior unsecured convertible bonds of £350 million with a coupon of 0.75% due in 2027. Subsequent to both fundraisings, the Group terminated a £100 million RCF which had been renegotiated in 2017 and which was undrawn in the period.

We expect increased demand for the Ocado platform and the fundraisings carried out in 2020 will allow the Group greater opportunities to grow faster and capitalise on the worldwide shift to online retail. The additional capital supports Ocado Solutions in its ability to sign more clients, build more CFCs, build CFCs faster and invest in innovation to ensure the Ocado platform stays at the forefront in the sector. As our client commitments grow we expect further funding will be required to deliver additional CFC investments.

Key Performance Indicators

The following table sets out a summary of selected unaudited operating information for FY 2020 and FY 2019:

	FY 2020	FY 2019	Variance
Average orders per week (000's)	**334**	325	2.8%
Average basket size (£s)(1)	**137**	106	29.2%
Average deliveries per van per week (DPV/week)	**184**	196	(6.1)%
Mature CFC efficiency (units per hour)(2)	**169**	161	5.0%
Active customers(3) (000's)	**680**	795	(14.5)%

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited. Fabled is excluded from both years.

(1) Average basket size refers to results of Ocado.com and Fetch.

(2) Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel. We consider the mature CFCs to be Hatfield, Dordon and Erith. FY 2019 therefore now includes Erith UPH to enable comparison.

(3) Customers are classified as active if they have shopped on ocado.com within the previous 12 weeks

Response to Covid-19

The Covid-19 pandemic has been a time of real challenge, globally. At Ocado Group, we faced a different challenge to many; scaling up Ocado.com to play its part in feeding the nation, and helping our other partners in the UK and internationally to launch and/or ramp up their online businesses more rapidly against a backdrop of a likely long-term increase in demand for online. Meeting these challenges, amidst ongoing disruption, has required resilience and resourcefulness across the business. We put our people first, so we could be our best, and deliver our best, for all our stakeholders.

Prioritising the wellbeing of colleagues to delivery for stakeholders during Covid-19

Our People

At Ocado Group, we have over 18,500 employees, working across several countries and varied roles, from technology to logistics. The pandemic required adapted ways of working, for both frontline and office employees, almost overnight. Ensuring the safety of our colleagues was our first priority, combined with a fast and holistic approach to supporting everyone through the potential challenges to wellbeing that pandemic-related disruption might represent. We can proudly say, as reflected in colleague surveys, that this action enabled us to maintain the wellbeing of our colleagues through the hardest months of the Covid-19 crisis. In turn, our people were able to adapt and deliver even more for our stakeholders than originally planned, during a critical time.

Customers and Community

In our home market of the UK, though unprecedented demand required difficult proactive decisions to prioritise the most vulnerable and most loyal customers, we helped Ocado Retail to deliver many more groceries to households than ever before. We increased Morrisons in-store fulfilment capacity several fold, enabling them to also do their part to feed the nation at a crucial time.

Away from the front line, we opened up our Rapid Router platform to parents and caregivers, to support continued home learning as part of our mission to #KeepKidsCoding and develop STEM skills in the next generation.

→ Read more on page 81

Partners

For our operational partners in the UK and abroad, our teams successfully enabled them to deliver much faster growth, with better efficiency. Despite widespread disruption, we delivered our first two international CFCs ahead of plan and have continued to successfully ramp them throughout the remainder of the year. We have seen no material delays to other ongoing projects, are in talks to accelerate future sites with partners, and have expanded our relationships with some partners to include in-store fulfilment services, helping them to meet the tactical demands of the material acceleration in online grocery worldwide.

→ Read more on page 35

Investors

We have continued to deliver on our strategic ambitions in the short and long term, to deliver value for shareholders. We have grown faster for, and with, our partners during this challenging period, whilst continuing to invest in innovation. Following significant capital raises in the year, we are well positioned to take advantage of our full opportunity set in the medium term.

→ Read more on pages 18 to 20

70+
health and safety process changes

10%
bonus for front-line staff, globally with sick pay from day one

Mind Yourself
global taskforce initiative for employee wellbeing

2
CFCs delivered early for international partners, with no material delays to ongoing projects

How We Manage Our Risks

The Risk Management Framework

Ocado's risk management process is designed to improve the likelihood of delivering our business objectives, protect the interests of our key stakeholders, enhance the quality of our decision-making, and assist in the safeguarding of our assets, including people, finances, property and reputation.

The Board is responsible for the review and approval of the risk management framework and for the identification of Ocado'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, and the monitoring of the quality of financial statements and consideration of any findings reported by the auditor, Deloitte LLP, in relation to Ocado's control environment and its financial reporting procedures. The review covers all significant controls, including financial, operational, compliance controls, and risk management systems.

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

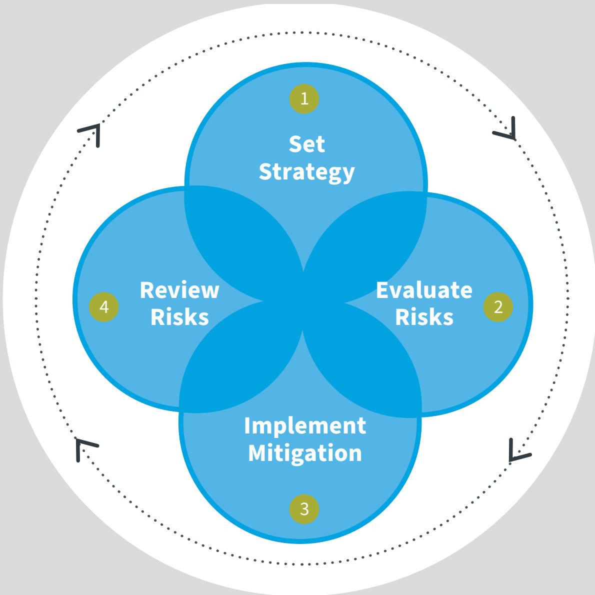
- An organisational structure with clear segregation of duties, control and authority, and a framework of policies covering all key areas;
- A system of financial reporting, business planning and forecasting processes;
- A capital expenditure approval policy that controls Ocado's capital expenditure 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 Governance, Risk and Compliance team which monitor Ocado's risks;
- An Information Security Committee and an Information Security team which monitor Ocado'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'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 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 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

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 divisional 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. Divisional directors 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 by the Audit Committee.

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.

→ For further information on the review of financial reporting, refer to page 132 of the **Audit Committee report**.

Covid-19 impact on the Group

The Board continues to monitor the impact of Covid-19 on the business. The year-end risk assessment conducted by the Board considered both the specific consequences of Covid-19 and its effect on the underlying principal risks managed by the business.

As outlined in the half-year statement, the Group has implemented extensive measures to mitigate the effects of the pandemic on its business. These measures are intended to ensure the health and safety of its employees, customers and suppliers and to ensure the continuity and operational effectiveness of the business, both the Retail and Solutions divisions. These measures are wide-ranging and include: implementing rapid-response Covid-19 tests for frontline employees; following government guidance in closing offices and introducing home-working; introducing social distancing and hygiene measures in CFCs, vehicles, spokes, construction sites and at customers' doorsteps to keep employees and customers safe; engaging with government and specialist advisers; and instigating business continuity plans and regular monitoring.

The Group continues to monitor government guidance carefully and where needed adapts its operational protocols and processes to safeguard Retail customers and employees, so as to cater for the continued operation of the Retail business and to allow the OSP programmes to progress as planned.

Although the principal risks as stated prior to the pandemic remain largely unchanged in substance, the pandemic has increased the likelihood and effect of some of those risks. For example, international travel restrictions impede the Group's ability to bring technical expertise to bear on some Solutions client projects, increasing the possibility of delays or quality issues. Similar risks apply to the on-boarding of new overseas manufacturing and supply chain partners, further affected by the challenges posed by a lack of available shipping. The level of Covid-19 related sickness both in production and in the supply chain is understood to be a factor in having a negative impact on the supply of goods.

The immediate effect of lockdown on the Retail business was a multiple-fold increase in demand for online groceries, massively exceeding our available CFC capacity in the UK. In ensuring the continuity of the Retail operations, measures were taken both to restrict access to the webshop and to prioritise availability of delivery slots to the most loyal and most vulnerable customers. The platform has been adapted and steps taken to increase capacity rapidly to allow more groceries to be delivered to customers, but this has affected some customers and meant that our product availability and order fulfilment KPIs have been lower than typical for our business.

UK Withdrawal from the European Union

Brexit impact on the Group

The Group is continuing to closely monitor the developments and impact following the UK's exit from the EU ("Brexit"). A Brexit readiness committee was established in 2018, to prepare the Group for the post-Brexit economic arrangements and has been progressing the readiness alongside the ongoing Brexit negotiations, extensions, transition, deals and the actual exit.

The conclusion and successful ratification of a binding post-Brexit Free Trade Agreement (FTA) between the UK and the EU substantially mitigated many of the principal risks for the Group, but the impacts of that agreement are continuing to be monitored and managed.

The Group considered the impact in a number of areas:

Employees

- The Group has a dedicated and talented workforce, a substantial number of whom are EEA nationals in many different business areas. The ability of these employees to continue to live and work in the UK is of critical importance, although the UK Settled Status Scheme has substantially mitigated that risk. Applicable employees have been encouraged to take advantage of that scheme.
- Our technology division has several software development centres in the EU that work closely with their UK based colleagues. We are providing support to those UK and EEA nationals who need to travel or relocate between the UK and the EU, given the travel and migration frameworks that are now in place, to ensure that the efficiency of these centres is not impacted.

Supply Chain

- The UK imports about 30% of its food from the EU and the Group does not differ significantly from this average. Our supply chains have been developed as part of this established system, allowing for wide product choice, short ordering times and low inventories. Whilst the FTA means that there is no longer a risk that tariffs will impact on cost prices, the Group is continuing to monitor the impact on cross-border haulage, where border check delays, documentation problems, reduced capacity and inflated haulage charges could impact on costs or lead to delisting of some short-life products or reduction in ranges.
- Prior to the end of the transition period, the Group had created buffers of certain critical ambient and frozen products, which will continue to be maintained until there is confidence that the supply chain risk has subsided. It is not possible to do this for fresh and short-life perishables.

How We Manage Our Risks
Continued

Technology

- Ocado Solutions exports UK-produced technology and equipment to our partners in the EU and imports a significant proportion of the components in the automation, warehouse, delivery and maintenance equipment used in Ocado's operations from the EU. Buffers of technology components, including bots, will remain in place at the major build sites, along with additional spares at the operational sites.
- Any future divergence in standards or other trade barriers may reduce our competitiveness and the Group will continue to monitor any such developments. Tariffs are no longer a concern although the Rules of Origin could have some impact.
- The Group is closely involved in a number of EU collaborations in research and development. Whilst the EU funding is important, access to EU-based academic skills, knowledge and collaboration with other corporates is more important. The Group is pleased to see that the UK will continue to participate in EU research funding programmes, such as Horizon Europe as if it remains a member state. Our EU-located development centres will also provide opportunities for access to EU-based academic institutions.
- Ocado Solutions' technology and engineering teams are designing equipment for our UK and international partners. The Group's approach will be adapted given that certification by a UK authority will no longer be suitable for both the EU and the UK.
- The lack of an adequacy rating between the EU and UK for data protection remains a risk to the services provided to EU based clients, which the Group is continuing to mitigate through contractual clauses with relevant suppliers and clients and intra-Group agreements.

The Group had engaged with suppliers, partners and external advisers to explore solutions to these risks to its business. Aside from considering the impact of Brexit on its operations and business model, the Board gave consideration to Brexit in the context of reviewing its viability and going concern, as noted below. The Company also considered the impact of Brexit as part of its post Balance Sheet events review process and did not identify any adjusting events.

2020 concluded with the agreement of the trade deal between the United Kingdom and the European Union. This was a considerable relief to all UK companies that are dependent on trade with the EU and substantially reduced the risks that had been identified in last year's Annual Report.

Still, the UK's exit from the free market necessitates new cross border procedures and documentation. These changes are likely to delay and reduce overall volumes of goods passing through the border, whether due to reduced border capacity, or pre-emptive actions taken by hauliers.

In respect to Ocado specifically, it is too early for those capacity constraints to have directly impacted the Ocado Group operations. The risk remains that delays will impact on the availability of the components essential to the CFC builds in the UK and the EU, be they due to reduced border capacity or the pre-emptive reductions by hauliers.

Contingency measures taken during the transition period in late 2020 remain in place to mitigate any potential impact, including a contingency of components at the major build sites, additional spares at the operational sites and additional high-risk grocery stock within the CFCs or the UK supply network.

Any impact of Brexit on the import of groceries and other products for Ocado Retail is also not yet significant, particularly when compared to the current Covid-19 related issues.

Another Brexit related issue includes the ongoing ability to transfer data between the EU and the UK, given that the deal agreed did not include an adequacy rating for the UK. As part of the agreement between the UK and the EU, there is a transitional period of at least 4 months (the EU may extend this period by another 2 months), when personal data can be transferred from the EU to the UK without any additional measures. During this period, the EU will decide whether or not the UK will be granted a finding of adequacy. There are no changes to the way that personal data is transferred from the UK to the EU. In the case that the UK is not granted a finding of adequacy, there would be a potential risk of disruption to providing OSP services to EU clients. We are working with the business to review contracts with our clients and suppliers, making sure we have appropriate safeguards in place to continue the safe transfer of personal data to and from the EU following this period.

Emerging Risks

As part of the ongoing risk management process, emerging risks have been identified and assessed. These risks are deemed to be very significant but are not listed as one of the Group's principal risks. The business will bring additional focus to these emerging risks and look at actions for addressing them.

One such emerging risk is climate change and the impact of this on our business. Given the rapid global expansion of the business, increasing complexity and the increasing importance of climate-related performance to our stakeholders, the Risk Committee discussed the strategic risks and opportunities posed by climate change and other related environmental and social issues. The Group is commencing a project to look at the Group's strategic plans for addressing climate change issues. The Board has had initial discussions regarding a new carbon strategy as part of the new corporate responsibility strategy. The carbon strategy will include detailed plans to address carbon and energy efficiency, and the Board will review these plans further in due course. Further information on our strategic priorities for climate change is contained on pages 83 to 84.

Another emerging risk relates to the acquisition of two specialist robotic companies, Haddington Dynamics and Kindred Systems, during the period. Both acquisitions represented a strategic opportunity to accelerate our delivery and innovation in the area of robotic manipulation solutions. However, the Group may fail to realise the expected benefits of these acquisitions, including improving the speed, accuracy, product range and economics for robotic manipulation. In addition, the commercial opportunities to enter new markets for robotic solutions outside of grocery in general merchandise and logistics sectors may not be realised or be as strong as forecast. Realising value and innovation improvements will depend on a number of factors, including effective integration of the new businesses and their technology capabilities into the Group's existing arrangements. A post-integration plan has been developed and will be monitored by the Board. Whilst these risks exist, the acquisitions are an important part of the Group developing robotic picking, which is seen as an area of growth for the business and an important part of the platform for Solutions clients.

Principal Risks and Uncertainties

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. 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 have been listed against the most relevant Group strategic objectives and are not set out in any order of priority or importance. The inherent (or pre-mitigation) risk movement from prior year for each principal risk and uncertainty has been assessed and is presented (per the key on page 64).

→ For further information on the financial risks, see pages 246 to 249 of the notes to the **Financial Statements**.

How We Manage Our Risks

Continued

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Improving the Proposition	Risk of decline in high service levels in the retail business. Covid-19 related disruption adds an additional element of risk[1]	• Ongoing monitoring of the key performance indicators and regular review meetings with Operational Management and Ocado Retail Management. • Continuing initiatives to improve operational performance of the CFCs and scaling of operations at Erith. These arrangements help reduce the impact of operational problems in CFCs on customer service levels. • Covid-19 mitigations in place, as described on page 61.	↑ The risk has increased during the period from the impact of Covid-19 on the operations.
	Risk of failing to maintain a retail proposition which appeals to a broad customer base and sustains growth rates[2]	• Continuing to refine and monitor the pricing and value to customers. • Development of own-label range. • Closer supplier arrangements on product range and terms. • Continuation of investment and optimisation of the marketing channels to acquire new customers. • Continued improvement of webshop and apps. • Development and roll-out of further immediacy sites.	→
	Risk that current Solutions pricing levels may not provide both acceptable returns for our shareholders and attractive long-term cost of ownership for our clients, whilst delivering a viable fully operational end-to-end customer experience	• Full review of projected financial impact undertaken before signing any new partnerships. • Periodic review of financial model and delivery costs and close relationship with our partners provides oversight. The amount of capital invested in our platform is carefully controlled to manage costs. • Regular review of rate of software development and regular platform steering meetings. • Resources and capabilities are scaled and reallocated to help meet Ocado Solutions project deadlines. • There is an ongoing programme of design improvements for the platform.	→

Key:

↑ Increased

↓ Decrease

→ No Change

For notes see page 67.

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Maximising Efficiency	Risk of failing to deliver a sustainable operational infrastructure able to execute effectively the requirements for multiple Ocado Solutions contracts, simultaneously in many international locations, and risk of failing to develop suitable management, technological and engineering capabilities	• The Group transformation team supports the business in the implementation of the new operating model and transformation roadmap, which includes people, process and systems, to transform the business. • Development of cross-functional programme governance committees to provide programme oversight and regular management oversight meetings. • Increased hiring of key skills. • Review of reward frameworks, performance management and succession planning for all parts of the Group is underway.	→
	Risk of delays in the generation of additional capacity in the UK and delivery of the international OSP programme(3)	• Capacity is increasing as Bristol CFC becomes operational. Further capacity is under development at CFC5 (Purfleet) and CFC3 (Andover). • Dedicated resources continue to work on modularising technology to enable faster replication and reduced build times. • Regular Steering and cross-functional implementation meetings and Management oversight for new CFC projects, including managing programme risks, milestones and actions. • New programme management framework, tools and process mapping for improved project delivery.	→
Utilising Proprietary Knowledge	Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers	• Establishing our identity as a technology business, international platform provider and innovation factory. • Engagement with a wide number of international grocers to understand market needs. • Experienced teams in place who understand the current solutions and are aware of global alternatives used in other industries. • Horizon scanning over a five year timeframe to identify new opportunities.	→

How We Manage Our Risks
Continued

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Utilising Proprietary Knowledge	Risk of failing to protect Ocado'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 IP, financial damages or harm to the Company's reputation or relationships[4]	• Conducting "freedom to operate" searches on selected technologies in selected jurisdictions and monitoring IP filings by a large number of companies. • Ongoing effort to innovate and patent new inventions. • Expansion of IP team to help with IP protection work and training of key staff. • Where necessary, we take steps to protect our IP from unauthorised use. • Where appropriate, obtaining specialist or legal advice, including to help ensure our ability to use our IP is not restricted by infringement claims. • Combined internal and external legal counsel management over litigation and other proceedings.	↑ The risk has increased during the period given the ongoing patent litigation and other proceedings, see page 56.
Operational	Risk of supply chain disruption, in particular for single source equipment, adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue	• Actively managed risk matrix reviewed by supply chain and procurement areas to manage key suppliers and components. • Agile approach to manufactured products, including the ability to divert any product to sites with the most pressing requirements. • Supplier assessments, due diligence and site audits undertaken during development process. • Supply chain demand monitored against supply capacity constraints by steering group.	→
	Risk of a safety incident	• Experienced technical experts monitor and audit compliance against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health and construction. • Supplier approval and certification process. • Training, risk assessments and safe systems of work prepared by qualified staff to raise awareness and knowledge. • Active monitoring of regulatory changes supported by external expertise and advice.	→

For notes see page 67.

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Operational	Risk of changes in regulations or non-compliance affecting our business model or the viability of Solutions' deals	• Regular monitoring of regulatory developments to ensure that changes are identified. Due diligence, territory research and specialist advice sought for regulatory issues. • Compliance framework of policies and procedures and employee training.	→
	Risk of negative effects due to changes in the global economic and geopolitical environment, including Brexit, which may impact our business model	• Brexit committee and supply chain teams monitoring Brexit contingency plans include supply chain continuity and management and assessment of changes to trade arrangements. See further on page 61. • As noted on page 61, the Group has a Covid-19 steering committee and many other mitigation plans in place to manage the disruption to the business from Covid-19.	→
	Risk of failing to prevent or respond to a major cyber attack or data breach that could result in business disruption, reputational damage, significant fines or the loss of confidential business information	• IT systems are structured to operate reliably and securely and some third party testing. • An information security governance programme overseen by the Information Security Committee. • A dedicated information security team to monitor for security issues and respond to security incidents. • No customer payment card data is held in Ocado's databases. • Data Protection Officer oversees the Group's privacy compliance programme. • Cyber incident contingency planning.	↑ The risk has increased during the period as a result of the increasing external threat environment, regulatory actions and Ocado's higher overall profile.
	Risk of business interruption	• IT systems are structured to operate reliably and securely. • Dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment. • Disaster recovery testing and business continuity plans continue to be progressed and updated. • High level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks.	→

Notes:

(1) The risk described in the 2019 Annual Report as "Risk of decline in high service levels" no longer includes reference to "the transitional period of change associated with the creation of the retail JV", whilst recognising that "Covid-19 related disruption adds an additional element of risk".

(2) The risk described in the 2019 Annual Report as "Failure to maintain a retail proposition" no longer includes reference to "managing changes resulting from our new arrangements with M&S".

(3) The risk described in the 2019 Annual Report as "Risk of delays in the generation of new capacity in the UK" has been expanded to include delivery of the international OSP programme.

(4) The risk described in the 2019 Annual Report as "Risk of infringing a third party's IP" has been expanded to include the litigation and patent proceedings risk noted.

How We Manage Our Risks
Continued

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, our strategy and our 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 30 to 33 and 40 to 46 and our risk management framework is described on pages 60 to 61.

The Group's planning cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group, extending for the five successive financial years that follow beyond the assessment date.

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 Strategy Day, which was approved by the Board.

At the time of preparing the plan, the Group had experienced about six months of Covid-19 and considered the impact that would be reasonable to include into the base case which underpins the viability assessment for the period. Financially, the impact was positive for the business, though action was required to maintain the safe operation of 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 £1 billion fundraising in June 2020, the Group has cash of about £2.1 billion as at the end of the period (split between cash and cash equivalents of £1,700 million and other financial assets of £370 million, for term deposits which are greater than three months notice).

During 2020, the Group terminated its revolving credit facility, which was undrawn. The existing debt, namely our Senior Secured Notes, carries a covenant of Finance Interest/EBITDA ratio of greater than 2:1, and, as such, the only covenants that must be monitored are those relating to this debt. As at the 2020 year end, there is £225 million outstanding with a coupon of 4%; the Senior Secured Notes are repayable in June 2024. The Group also has £600 million and £350 million of convertible bonds, repayable in 2025 and 2027 respectively if not converted.

As set out in the modelling below, our base case sees the Group depleting its cash reserves by the end of 2023 and therefore a further fundraise would be required by the end of 2022.

Under the base case, the covenants are within their limits and there is substantial headroom due to the forecast EBITDAⒶ growth in the period supported by modest levels of secured debt, sufficient to support a further fundraise. This is a key criteria in the assessment of both going concern and viability.

Operational and Business Impact of Covid-19

The Covid-19 pandemic resulted in high levels of demand for grocery retail worldwide. In the UK, there was a significant amount of demand on online grocery retailers which resulted in the Group being designated as an "essential business" and continuing to trade throughout lockdown periods. Financially, the impact was positive for the business, with revenue for Ocado Retail up 27% in the first half of the financial year and 35% for the full year.

On the international landscape, there were some short-term operational challenges due to a mix of duration and severity of 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.

The Group did not take 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 determined that three years was the most appropriate period for assessing the Group's prospects. Although the Group's strategic plan forecasts up to five years ahead, the Directors also took into account the impact on forecast outcomes of the rapid growth of the business and its changing strategic opportunities (among other factors) as evidenced by developments in each of the last three years.

In prior years, we have adopted a three-year time horizon for the viability period. We also considered the factors that could contribute to a longer viability period, notably the duration of our Solutions contracts, the length of the M&S partnership with the Ocado Retail JV and the recent convertible bond issuances which are repayable in 2025 and 2027 respectively. 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. Strategic development timescales can be further accelerated through targeted M&A activity, under condensed timescales, as we have seen with the recent robotic technology acquisitions in the US.

Given the pace of change, there would be significant uncertainty when considering modelling beyond a three-year time horizon. As such, the Directors have concluded that a three-year time horizon remains appropriate for the viability review.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Financial Modelling

The Group has modelled three scenarios in its assessment of going concern and viability.

These are:

- The base case.
- Downside stress tests.
- A severe downside and reverse stress test.

	Stress test scenario	Group Principal Risk
1	A material delay in rolling out new UK capacity with reduced revenues as a result	Service Levels, Retail Proposition, CFC Capacity & Partner Delivery, Business Interruption
2	A material proportion of our operational workforce is unable to attend work due to mass outbreak of Covid-19 impacting throughput and service to our partners in the UK	Service Levels, Retail Proposition, CFC Capacity & Partner Delivery, Supply Chain, Safety, Global Economic & Geopolitical Environment, Business interruption
3	Severe downside scenario: A material increase in the cost base of the business equivalent to an increase of 1% of retail partner sales across the viability period This scenario acted as the "reverse stress test" case to assess when viability is no longer maintained	Commercial viability, Supply Chain, Safety, Regulatory Compliance

How We Manage Our Risks
Continued

The Base Case

The Going Concern and Viability assessments use as their base the Five Year Plan approved by the Board, updated to reflect the recent robotic acquisitions, 2020 financial performance and the 2021 Budget.

The Five Year Plan assumes that the existing Senior Secured Notes remain in place until maturity in 2024. The RCF has been terminated in the period and does not factor in the analysis. The Convertible Bonds issued with maturity dates of 2025 and 2027 are assumed to remain in place and unconverted.

The Five Year Plan has a cash position of £2.1 billion as at the end of the 2020 financial year, and showed positive cash headroom through until the end of 2023.

The Plan for the 2021 financial year assumes a continuation of the strong UK Retail volumes throughout the first two quarters of the year. Capital expenditure in the 2021 Plan is assumed to continue to deliver the roll-out of the CFC programme both in the UK and internationally. 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 in 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, we believe that a fundraise would be achievable in the equity, debt and/or convertible bond markets. In addition, we retain the option to buy back the existing Senior Secured Notes.

Interest cover improves year on year during the viability period. Under this case, the Group retains strong headroom under the interest covenant on the Senior Secured Notes throughout the viability period and sufficient EBITDAⒶ to underpin a fundraise to fund ongoing capital expenditure requirements. The Directors concluded that both going concern and viability would be maintained under the base case scenario, with significant headroom.

Downside Stress Tests

Two downside stress tests were undertaken to determine the sensitivity to going concern.

The first case reflects a material delay in rolling out new UK capacity resulting in reduced revenues across the assessment period. This was modelled as a six-month delay to the go-live of new UK Capacity, whilst capital expenditure is still incurred as per the base case across the three-year period.

The second case reflects a material decline in our ability to fulfil customer demand due to the Covid-19 pandemic impacting the ability for the workforce, resulting in reduced revenues and higher costs across the going concern period. This was modelled as a reduction in throughput, as a result of an increased level of absenteeism of front-line workers, over a six-month period across all live UK CFCs and Spokes.

Under both scenarios, going concern and viability could be maintained with limited mitigating actions to be undertaken in the first year, with improving headroom each subsequent year towards the end of year three. Both scenarios therefore result in going concern and viability being maintained.

The Severe Downside Case and the Reverse Stress Test

This case reflects a material increase in the cost base of the business equivalent to an increase of 1% of retail partner sales across the assessment period. This would represent a significant increase in the cost base of the business.

Under this scenario, the 2021 financial year would see a breach with interest cover falling slightly below the 2.0x required on the bond covenant. The Directors have identified mitigating actions that would be sufficient to avoid a breach. These would be readily accessible in a short time frame, such as a pause on recruitment and discretionary investment.

From the 2022 financial year onwards, and with no mitigating actions, the Group remains compliant with its covenants, has positive cash reserves throughout the period and retains sufficient EBITDAⒶ to support a fundraise.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Reverse Stress Test

This case reflects the downside case, with the relevant sensitivity increased to the point where going concern is no longer maintained. The modelling undertaken indicates that an increase in costs equivalent to 2% of Retail Partner Sales would be the maximum that could be sustained, whilst still maintaining the ability to raise finance for ongoing roll-out of the Group's capital investment programme.

Under this scenario, the covenant on the Senior Secured Notes would likely be breached in the 2021 financial year; however this could either be remedied through significant mitigating actions to reduce costs, or by buying back the bonds through available cash. As in the base case, a fundraise would be required, although the timing would be earlier, in the 2022 financial year. However, the Directors believe that this would still be achievable under the scenario modelled, subject to global economic market conditions.

Despite a significantly reduced EBITDAⒶ profile compared to the base case and other scenarios, as set out above, Group EBITDAⒶ should still support a material fundraise to fulfil its obligations. Furthermore, this scenario assumes no mitigating actions. 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 re-phasing the capital expenditure to help manage the cash position in such a scenario, de-risking the level of in-year funding required.

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 64 to 67 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 has been adopted.

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 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. As above, the Group had £2.1 billion of cash and other financial assets 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 pages 188 to 269.

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 14–59) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 60–71). Given the global economic uncertainty of the Covid-19 pandemic, and taking into account the recent 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 along with the Covid-19 impact, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Company's and Group's financial statements.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Engaging With Our Stakeholders

Our materiality assessment: a key step in developing our ESG strategy as a solutions provider

Materiality

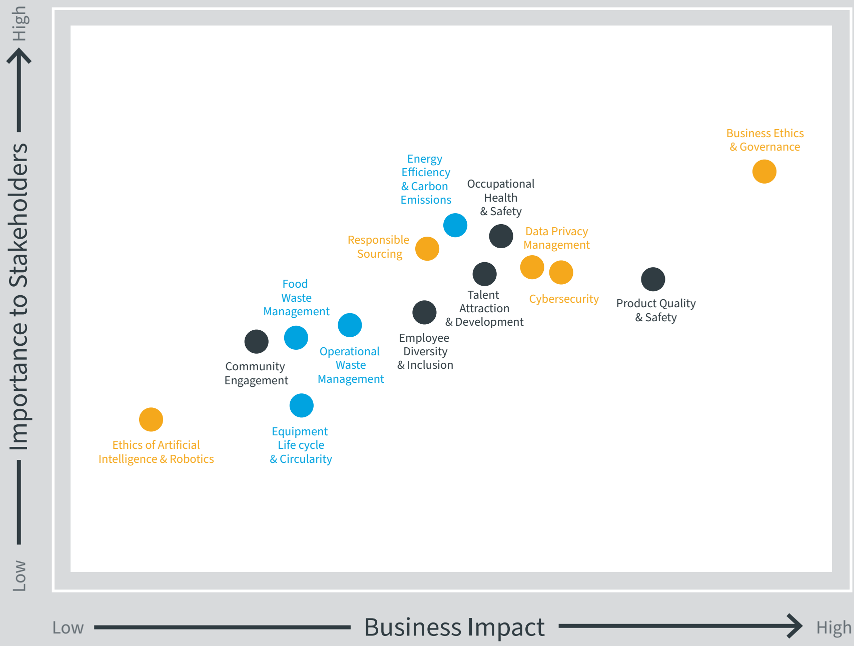
This year we undertook a materiality assessment to reflect the significant transformation journey the business has been on in the last few years into our role as a global technology company.

Ocado Retail is now a 50:50 joint venture with M&S, and a formal partner to Ocado Solutions. With the launch of our first international CFCs, we are set to accelerate into our role as a global software and robotics solutions provider in grocery fulfilment and increasingly further afield. In partnership with sustainability consultancy Finch & Beak, we undertook a robust re-evaluation of those topics that are most important to our stakeholders and of greatest business impact in the years ahead.

Determining and prioritising material issues

We have identified the 14 environmental, social and governance issues which are the most important in shaping our risks and opportunities and the most likely to impact value for stakeholders in the years ahead. We determined relevant topics through a robust process of desk research and stakeholder engagement. In practice, this meant assessing the likely priorities of each of our key stakeholder groups, through sustainability reports and reporting frameworks, industry reports, media scanning, and other internal and external information. This initial work was further refined through a series of interviews with key internal and external stakeholders, to establish a comprehensive shortlist of material topics. Internal workshops and external panel sessions were used to prioritise and analyse these topics, which we have reviewed and ratified. For more information on our ongoing progress in each of these areas, please refer to the relevant sections of this Annual Report signposted in the table on pages 74–75.

Materiality Matrix



Environmental
- Energy Efficiency & Carbon Emissions
- Food Waste Management
- Operational Waste Management
- Equipment Life cycle & Circularity

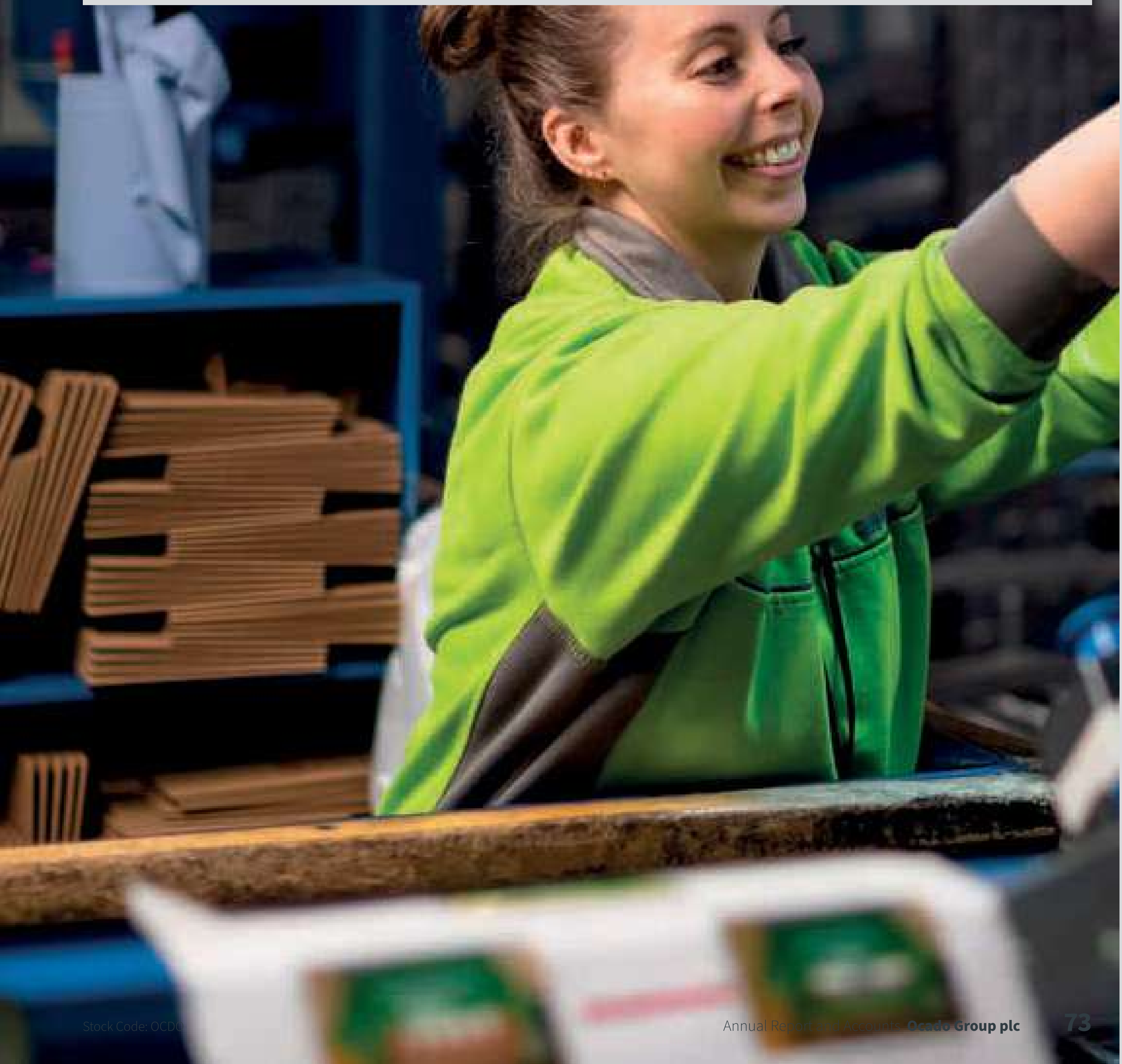
Social
- Talent Attraction & Development
- Employee Diversity & Inclusion
- Occupational Health & Safety
- Product Quality & Safety
- Community Engagement

Governance
- Business Ethics & Governance
- Ethics of Artificial Intelligence & Robotics
- Data Privacy Management
- Cybersecurity
- Responsible Sourcing

Accelerating our sustainable business: areas of focus for Ocado Group going forward

We have identified three key areas of potential strategic differentiation for Ocado Group. These topics are representative of the defining attributes of the business model and will play a key role in the business sustaining and enhancing its competitive advantage as a global solutions provider for online grocery. They are: Energy Efficiency & Carbon Emissions, Talent Attraction & Development, and Food Waste Management. Of the remaining topics, we have identified six as important enablers, where continued progress will put the Group in the best position to go faster in the execution of our strategy. These are Employee D&I, Community Engagement, Responsible Sourcing, Product Quality & Safety, Operational Waste Management and Business Life cycle and Circularity. The remaining five areas will be carefully monitored so as to ensure compliance with leading standards to mitigate risk.

In accordance with these insights, the outcome of this materiality assessment will contribute to ongoing refinement of our Group strategy going forward.



Engaging With Our Stakeholders
Continued

Our material issues and how they influence ability to create value over time.

We continue to make encouraging progress in the environmental, social and governance areas material to the Group's ability to create sustainable value. The sections of this report where you can learn more about the specifics of this progress are signposted below.

In addition, a discussion of the Group risk management process, principal risks and associated strategic objectives can be found on pages 60-71, How We Manage Our Risks. The material topics of greatest impact to the business and importance to shareholders are incorporated within our principal risks and emerging risks, as a result of the ongoing process to identify, understand and manage key risks, to improve the likelihood of delivering our business objectives and to protect the interests of our key stakeholders.

Key:

- Environment
- Social
- Governance

		Example of		
Topic	**Description**	**Opportunity**	**Risk**	**Read more**
Energy Efficiency & Carbon Emissions	Decreasing our carbon footprint by limiting greenhouse gas emissions, for instance through energy efficient solutions.	• Lower carbon footprint. • Corporate reputation. • Lower operational costs.	• Societal impacts of climate change. • Preparedness for regulatory changes. • Stakeholder pressure and boycotts.	**Corporate Responsibility** pages 82–88
Food Waste Management	Enabling our retail partners to guarantee that no edible food is sent to landfills by creating technological advances and procedures in our customer fulfilment centres, including food redistribution and anaerobic digestion.	• Operational cost efficiency. • Positive environmental and social impact. • Innovation opportunities.	• Non-compliance with regulations. • Operational costs. • Stakeholder pressure.	**Corporate Responsibility** pages 82–88
Operational Waste Management	Limiting waste resulting from our operations by reducing, reusing and recycling transportation packaging and fulfilment centre waste streams, including plastics.	• Improved quality and efficiency. • Cost reductions. • Innovation. opportunities.	• Non compliance with regulations. • Reputational risks.	**Corporate Responsibility** pages 82–88
Equipment Life cycle & Circularity	Managing the environmental impact and enhancing the adaptability and longevity of the equipment in our customer fulfilment centres.	• Product innovation and quality. • Cost efficiency. • Future-proofing of product portfolio.	• Investment costs and ROI. • Non-compliance with future regulations. • Outperformance by competition.	**Maximising Efficiency** pages 44 and 45
Talent Attraction & Development	Being a preferred employer and creating opportunities for skills development for our employees.	• Employer reputation. • Employee engagement. • Operational excellence.	• Inability to deliver strategy. • Development costs. • High turnover.	**Our People** pages 90–98
Employee Diversity & Inclusion	Building a diverse and inclusive workforce that offers equal opportunities and actively prohibits discrimination and harassment.	• Capacity to attract new talent. • Enhanced collaboration. • Capacity for innovation.	• High turnover. • Cultural dissonance. • Non-compliance.	**Our People** pages 90–98 **Corporate Governance Report** pages 118 and119

Topic	Description	Example of Opportunity	Example of Risk	Read more
Occupational Health & Safety	Preventing work-related injuries and illnesses for both Ocado Group's and our partners' employees.	• Employer reputation. • Operational excellence and quality.	• Casualties. • Operational costs. • Impact on license to operate.	**Our People** pages 90–98
Product Quality & Safety	Providing technological solutions that enable our retail partners to deliver food products that comply with the highest quality and safety standards.	• Company reputation. • Stakeholder trust.	• Product recalls, incidents. • Customer health risks.	**Our Solutions business** pages 34 to 37
Community Engagement	Contributing to making a positive impact in local communities by investing in programmes and projects with our employees and partners.	• Employee engagement. • Collaboration opportunities. • Access to local talent.	• Licence to operate. • Reputational risk.	**Corporate Responsibility** pages 82–88
Business Ethics & Governance	Operating with ethical and transparent business practices by rigorously complying with laws and regulations and actively preventing bribery, corruption and anti-competitive behaviour.	• Stakeholder trust. • Licence to operate. • Future regulatory compliance.	• Unfair business practices due to impropriety. • Internal costs. • Non-compliance and fines.	**Ethics & Compliance** page 98 **Our People** pages 90–98
Ethics of Artificial Intelligence & Robotics	Considering and addressing the ethical concerns surrounding technological advances and their social impacts.	• Company reputation. • Increased efficiency. • Innovation potential.	• Societal implications. • Non-compliance and fines.	**Ethics & Compliance** page 98
Data Privacy Management	Respecting employee and customer data and privacy by actively protecting our security systems and implementing rigorous policies.	• Corporate reputation. • Partner, consumer and employee trust.	• Exposure of personal data. • Non-compliance and fines.	**How We Manage Our Risks** pages 60–71 **Leadership Structure** page 114 **Audit Committee Report** pages 130 to 137
Cybersecurity	Preventing the unauthorised access to our networks and IT systems and developing solutions that are resilient to cyber threats.	• Differentiation from competition. • Product innovation and quality. • Stakeholder and employee trust.	• Non-compliance and fines. • Impact on business continuity. • Loss of sensitive information.	**How We Manage Our Risks** pages 60–71 **Leadership Structure** page 110 **Audit Committee Report** pages 130 to 137
Responsible Sourcing	Safeguarding ethical and sustainable sourcing in order to ensure responsible environmental, social and governance practices and respect human rights standards throughout the supply chain.	• Cost reductions. • Innovation opportunities. • Stakeholder trust.	• Severe incidents and human rights breaches. • Sourcing risks.	**Corporate Responsibility** pages 82–88

Engaging With Our Stakeholders

Continued

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

Effective engagement with our key stakeholders is critical to delivering our strategy and ensuring the long-term success of our business. We 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 but there is also significant engagement at both the senior management and operational level of the Company. The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders and this information is used to inform discussion and decision-making. A key example of the consideration of stakeholder interests in decision-making is illustrated in the decisions taken in response to the Covid-19 pandemic as detailed on page 81.

The section below sets out our key stakeholder groups, the value of each group to the Company, the issues that matter most to them and how we engage with them. Further information can be found in the Corporate Governance section on how the Board meets its obligations with regards to stakeholder engagement at pages 112 to 113 and on how the Board's discussions and decisions have been informed by different stakeholder considerations at page 118.

All the stakeholders identified are key to the Ocado Group but, as shown on the graphic opposite, Partners refer specifically to our Ocado Solutions partners, Customers are the retail customers of Ocado Retail Limited and due to their separate and specific interests we have separately identified Suppliers for both Ocado Solutions and Ocado Retail.

Further information as to how the Board has had regard to the s172 factors:

s172 factor	Key example(s)	Page number
Consequence of any decision in the long-term	• Purpose. • Strategy. • Risk management.	14–15 & 110 40–46 & 110 60-71 & 135
Interests of employees	• Employee engagement. • Culture. • Diversity and inclusion. • Employee health and wellbeing.	77 & 97 & 113 91 & 110–111 93 90–92 & 113
Fostering business relationships with suppliers, customers and others	• Engagement with suppliers. • Engagement with customers. • Supply chain practices.	78 & 80 80 86

s172 factor	Key example(s)	Page number
Impact of operations on the community and the environment	• Corporate responsibility strategy. • Ocado Foundation. • Support of SafeSpace charity appeal.	82–86 87 88
Maintaining high standard of business conduct	• Culture and values. • Whistleblowing. • Human rights and modern slavery. • Anti-bribery and anti-corruption. • Board leadership.	14 & 110 98 86 & 98 98 114–115
Acting fairly between members	• Shareholder engagement. • Investor information/AGM.	77 & 112 178–185

Our People

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.

What matters to them

- An inclusive and diverse working environment.
- Opportunities for career and personal development.
- Having a voice.
- a safe and secure workplace
- Good pay and benefits.
- Working for a company that is fair, treats people well and that they can be proud of.

How the Group engages

- Various methods are used to communicate to all employees, including 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, and Ocado Connections, the twice monthly People newsletter.
- This year there has been a strong focus on mental health and diversity and inclusion. To support employee mental health our Mind Yourself campaign launched this year and a newly created role, Global Head of Culture and Engagement, is focused on how to support our people. A new Diversity & Inclusion Manager role has also been created and diversity and inclusion events have been held across the year. We have in place five inclusion committees for LGBTQ+, gender, mental health, ethnic minorities and disability.
- Our new employee engagement platform, Peakon, introduced this year, enables the Company to continuously gather employee feedback and take more timely, responsive and focused action.
- The Speak Up whistle-blowing hotline allows employees to confidentially raise any concerns or issues.
- Our employee representative body, Ocado Council, provides a voice to employees. This is now being transitioned into a new framework to better represent our growing business.
- The Designated Non-Executive Director attends Ocado Council meetings to answer questions and listen to employee feedback and then reports back to the full Board.
- CEO Tim Steiner provides regular live stream updates on the business, with other Executive Directors in attendance who also contribute, which also provides all employees the opportunity to submit questions to be answered during the update.
- All significant new policies are considered by the Board, notably the approval this year of the new Ocado Code of Conduct.
- Update reports at each Board meeting on people matters including culture, 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.

Investors

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.

What matters to them

- 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.

How the Group engages

- 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.
- 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.
- Regular discussions with, and briefings for, investors and analysts.
- 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 Chairmen 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 2020 annual general meeting was not possible. For the 2021 AGM the Company has ensured shareholder participation will be possible electronically through an online meeting platform.

Engaging With Our Stakeholders
Continued

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.

What matters to them
- 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 and 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.
- Bring together representatives from all our global partners as part of the OSP Leadership Club to work collaboratively and discuss experiences of shared importance, and build our understanding of partners' needs.
- Work with our partners on press releases and updates on projects undertaken.
- 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.

Suppliers (Solutions)

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.

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

How the Group engages
- Our onboarding 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 onboarding manual to help suppliers understand and meet Ocado's required standards.
- 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. During the height of Covid-19, Ocado provided letters to suppliers to confirm to their regulators the need to keep operating to supply Ocado as a key business during the pandemic.
- Corporate responsibility and ethics reporting.
- Review and approval of significant orders by the Board.

Society and Community

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.

What matters to them

- 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

- Direct engagement locally with MPs, councils and community groups.
- Environmental and social reporting on our website, including corporate responsibility, modern slavery, gender pay and carbon emissions.
- As part of Ocado's ongoing free coding education resource for teachers, Code for Life, we opened up Rapid Router, free education resources that teach children aged 6-13 coding and programming at home, to the wider community.
- Philanthropy and employee-matched funding for charity policy.
- Environmental and social issues update reports at Board meetings.
- Oversight by the Board of corporate responsibility plans and reporting, including the review and approval of key corporate statements..

Regulatory Bodies

Regulatory Bodies

Why we value them

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

What matters to them

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

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 during investigations.
- Establishing and maintaining key contact relationships with the Company's main regulators.
- Confirmation and updates on our compliance with regulations through our website, regulatory news announcements and the annual report.
- Engagement with the British Retail Consortium, and other trade associations, including, this year, over the grocery retail industry's response to Covid-19.
- The Board is informed of relevant governance, legal, regulatory and compliance matters, including updates on preparations for the UK's withdrawal from the EU durnig the year.
- 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.

Engaging With Our Stakeholders
Continued

Customers (Retail)

Why we value them
Customers are vital for the success of Ocado Retail and for the continuing growth and success of the technology and robotics business that supports the retail offering. Listening to customers helps us to better understand their needs so we can continue to meet these.

What matters to them
- Excellent customer service.
- Access and ease of use of the online shopping experience.
- A wide range of great value and quality products.
- Availability of delivery slots and reliability of delivery.
- Good communication.

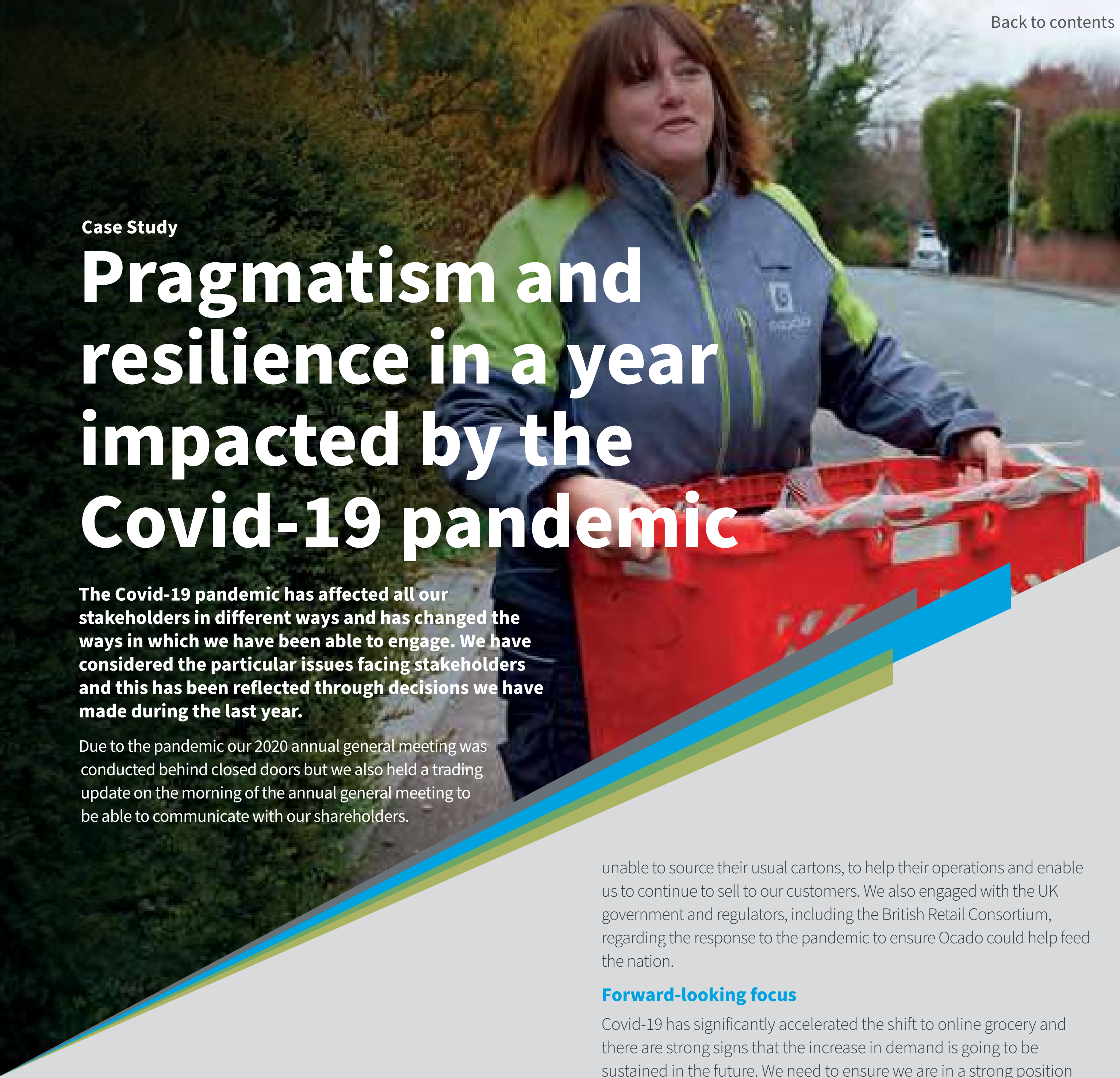
How the Group engages
- Ongoing communication with customers and potential customers through emails, social media and advertising. Customer feedback on the switch to Marks and Spencer products was used to enable targeted communication addressing the queries raised.
- Our customer contact centre is open seven days a week to assist customers with any queries and there is a new live chat feature on ocado.com allowing a quick response to customers on the website.
- Regular update reports to the Board from Ocado Retail, including trading figures, customer behaviour and new and ongoing initiatives.
- Many of our Directors are regular ocado.com customers which provides a great way to understand the customer experience.

Suppliers (Retail)

Why we value them
Good suppliers are essential to be able to provide a full range of quality products to allow us to offer customers an excellent range and service.

What matters to them
- Prompt and accurate payment.
- Understanding Ocado standards and policies for suppliers.
- Long-term partnerships.
- Responsible sourcing.
- GSCOP compliance.
- Ocado's financial performance, reputation and growth prospects.

How the Group engages
- Compliance with the Groceries Supply Code of Practice (GSCOP).
- Various methods of communication with suppliers are used, including through our dedicated supplier website, supplier surveys and attendance at supplier conferences.
- This year we have held virtual conferences with our top suppliers and own brand suppliers. We also hold supplier forums on specific issues, for example regarding packaging with our own brand suppliers.
- Regular update reports to the Board from Ocado Retail regarding retail performance and GSCOP.



Case Study

Pragmatism and resilience in a year impacted by the Covid-19 pandemic

The Covid-19 pandemic has affected all our stakeholders in different ways and has changed the ways in which we have been able to engage. We have considered the particular issues facing stakeholders and this has been reflected through decisions we have made during the last year.

Due to the pandemic our 2020 annual general meeting was conducted behind closed doors but we also held a trading update on the morning of the annual general meeting to be able to communicate with our shareholders.

Without our people we would not have been able to achieve the success we have during this difficult period. We have put in place a number of initiatives during the pandemic to ensure that our colleagues have been supported. A 10% bonus was paid to frontline employees during the height of the pandemic and we introduced new health and safety protocols and mental health support systems for all employees. It was important to balance the needs of retail customers and the communities we serve and the safety and wellbeing of our people in the decisions made to adapt operations in light of the pandemic.

We worked with our Solutions partners both in the UK and internationally to increase capacity so that as many customers as possible could be catered for, including increasing capacity at our current CFCs and working to continue to bring online our new CFC projects on time. Our supply chain is vital for the continuation of our business and during the pandemic, despite the challenges to maintain relationships with suppliers, we maintained an ongoing dialogue and provided support where possible. Letters were provided to those suppliers to Solutions key to our continuing operations to confirm to their regulators the need for them to be permitted to keep operating. An example with our retail suppliers was changing the packaging of eggs sold when suppliers were unable to source their usual cartons, to help their operations and enable us to continue to sell to our customers. We also engaged with the UK government and regulators, including the British Retail Consortium, regarding the response to the pandemic to ensure Ocado could help feed the nation.

Forward-looking focus

Covid-19 has significantly accelerated the shift to online grocery and there are strong signs that the increase in demand is going to be sustained in the future. We need to ensure we are in a strong position to build our business and support the growth potential of our partners globally. The capital raise undertaken by Ocado in June provided the necessary finance to allow further investment in the offering to our current Solutions partners and the ability to pursue opportunities with new potential partners. We have also invested in our people to allow us to continue to innovate and grow. With significant growth in our workforce globally we need to continue to invest in our people as the key driver for our future success. Our new direct employee engagement system Peakon will allow us to understand the ongoing needs of our employees and to respond quickly so we can support, retain and develop our people. We believe the investments we are making in our business, including our recent acquisitions of two specialised robotics companies, will ultimately benefit our shareholders as our success continues. As the Company grows and develops, meaningful engagement with our stakeholders and building good relationships will improve the quality of our decision-making. The materiality assessment, as detailed on pages 72 to 75, that we are undertaking is essential to improve our understanding of the priorities of our key stakeholders and to be able to take decisions about our future with this knowledge will be vital to our long-term success.

Corporate Responsibility refocussed for a changing business

The strategy continues to hold the UN Sustainable Development Goals (SDGs) as a central framework, and is working in conjunction with the ESG materiality work outlined on page 72.

The SDGs will be the central means of reporting progress in future annual and Corporate Responsibility reports, as well as the wider governance reporting set out in this report.

Ocado Group Corporate Responsibility Strategy:

Our mission is to "**change the way the world shops**" – seeking to harness the unlimited potential of technology for people and the planet. To get there we are preparing to ensure our future is a sustainable one. The three pillars below identify 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

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

→ Read more about our **Natural Resources** on page 84

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

→ Read more about **Skills for the Future** on page 85

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

→ Read more about **Responsible Sourcing** on page 86

Corporate Responsibility
Continued

1. Natural Resources

We contribute to climate change through our operations and we face an acute threat to our supply chains and our customers and employees' livelihoods as climate change worsens. We have a responsibility to manage our environmental impacts and all of our stakeholders expect this of us. Rising to this challenge presents commercial opportunities ranging from attracting talent, reducing costs, identifying new income streams and innovating new solutions.

Our relationship with Ecometrica continued for the fifth year, providing a centralised data management system. We track carbon emissions from our CFCs, spokes and vehicles.

Compared to 2018/19 there has been a 0.58% decrease in our location-based scope 1 and 2 total carbon emissions. Following on from our success with CNG trucks we have increased their use this year and are now using biomethane to reduce their footprint further. We have also continued to invest in energy efficiency measures such as increasing LED lighting within our buildings. Our location-based-intensity measure of tCO_2 e per 100,000 orders has decreased from our 2012/13 base line by 39.19%. Due to the Covid-19 pandemic, our order sizes have changed this year, as customers purchase more within one delivery. As a consequence, we have introduced a tCO_2 e per 100,000 normalised orders, to more accurately reflect this. To illustrate the unusual year, we have included previous years of this metric as comparison.

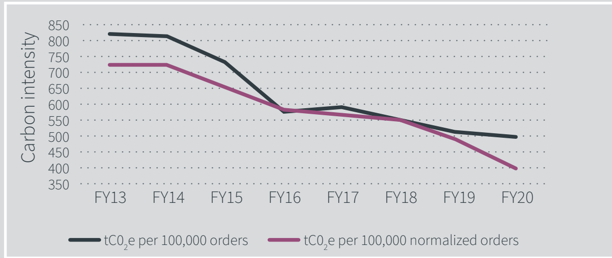
The majority of our emissions continue to derive from our fleet, accounting for 73%, followed by electricity at 20%. Our footprint is predominantly UK based, with 99.7% originating in the UK and 0.3% from other worldwide operations.

For the fourth year running we partnered with the Carbon Trust who have carried out a limited assurance engagement on selected GHG emissions data in accordance with ISO 14064:3 (table below). With the introduction of the Streamlined Energy and Carbon Reporting (SECR) we have also included for the first year our energy use, which was assured at the same time as the carbon data.

GHG Emissions

GHG Emissions (tonnes CO_2e)	2019/20	2018/19	2012/13
Scope 1 – Direct	**87,038**	86,502	39,530
Scope 2 – Indirect			
Location-based	**21,644**	22,811	21,613
Market-based	**729**	814	n/a
Total Emissions (Location-based)	**108,682**	109,313	61,143
Intensity Measure (Tonnes of CO_2e/100,000 orders)			
Location-based	**501**	514	823.4
Market-based	**404**	411	n/a
Intensity Measure (Tonnes of CO_2e/Normalised 100,000)			
Location-based	**398**	491	730
Market-based	**321**	392	n/a
Energy (MWh)	**424,439**	n/a	n/a

Carbon Intensity Measures – Actual and Normalized Orders



Financial Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Reported intensity measure	823.4	815.1	725	582.8	596.4	550.1	514.0	501
Normalized intensity measure	730	731	660	585	569	546	491	398

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 2019–20 is 1,378,537 kWh.

Emissions (Tonnes of CO_2e)*	2019–20
Scope 1	91.39
Scope 2 (location-based)	198.27
Scope 2 (market-based)	0
Scope 3 – business travel where responsible for fuel	7.70
Intensity measure – Tonnes CO_2e per 100,000 orders	17.94

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

We have participated in CDP's Climate Change Disclosure Submission for the fourth consecutive year. We are delighted to once again have retained a score of a B.

B	B	B	C
20	19	18	17

CDP

424,439 MWh
Global energy use in 2020 from scope 1 and 2 sources

Food Waste Management

We continue to believe that Ocado has the lowest food wastage in the industry. As in previous years, we are committed to ensuring that no edible food goes to landfill and all edible food is redistributed. We continue to send all inedible food to anaerobic digestion and during 2020 over 3,000 tones of inedible food was diverted from landfill, saving 98% of the associated carbon. In 2020 only 0.044% of food items in our CFCs was wasted, a figure we continue to be proud of.

2. Skills for the Future

A lack of education and digital skills acutely limit people's life chances today and this will be exacerbated in the future. These issues affect our business by limiting our pool of talent which affects our growth, as well as the societal contribution we can make to children, young people and those returning to work.

During the year, and particularly given the challenges posed by Covid-19, we have embraced a number of opportunities to contribute to skills, education and learning.

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.

Since the return of UK schools in September 2020, Ocado Group has been providing employee volunteers, as well as funding, for the TutorMate online reading programme. This scheme supports over 800 struggling young readers in London, Leeds and Bradford. A total of 54 Ocado Group employees, from all parts of the business across the UK signed up to read remotely with primary school children for 30 minutes a week until the end of the current academic year. Of the volunteers, 38 were assigned to a student in London and there were 1,511 minutes of reading sessions with the children based in London in the four weeks 26 Oct–23 Nov. Volunteers were assigned to read with a child from Leeds and Bradford. A total of 23 reading sessions took place with these children in the four weeks 26 Oct–23 Nov, lasting 606 minutes in total.

Case Study

Upskilling Offenders

In 2020, we started working closely with all-female HM Prison Low Newton in Durham. From August, the residents began sewing reusable face covers for our employees, with a total of 4,800 made up to the end of November. We've prioritised distributing the covers to our drivers and warehouse operatives who are working on the front line. We aim to reduce the need for single-use plastic masks, which are often worn once, discarded, and may not biodegrade. This is a full-circle, sustainable project that takes uniform fabric – fleeces, trousers and tops – which could have gone to landfill and repurposes it to benefit both the makers and our employees. We plan to keep working with HM Prison Low Newton and others, such as HMP Styal in Cheshire, to protect more of our employees and continue to upskill prison residents.

"I really enjoy coming to work because I am getting the chance to learn new skills and I am getting the chance to get to meet new people."

Michele

"I enjoy coming to work, it gets me out of my room and it is a good feeling knowing I've achieved something and I enjoy working in a team and getting to learn new skills."

Emma

Corporate Responsibility
Continued

3. Responsible Sourcing

Human rights issues can be prevalent through a supply chain. Even beyond a moral obligation to tackle these issues, businesses face a serious risk to their licence to operate should this not be carefully managed. By tackling these challenges we mitigate risks to our business, help secure our reputation and demonstrate to all of our stakeholders that we are a responsible business.

This year has seen vast amounts of work go into updating and redrafting many of our policies, procedures and working practices, to ensure they are in line with the changing business and as robust as they can conceivably be.

We choose our business partners and suppliers carefully. We want to build and maintain strong relationships with those who share our values and demonstrate similar commitments and standards. Our Code of Conduct sets out our minimum standards and expectations for all Ocado Group employees and contractors, wherever they are based.

Our Human Rights Policy also sets out our requirements for all persons working for us or on our behalf, in any capacity. Provisions in the policy include:

- The prohibition of all forced and compulsory labour.
- The prohibition of child labour.
- The right to freedom of association and collective bargaining.
- That working hours, wages and deductions comply with national laws.
- That discrimination does not occur in the conditions of employment of workers.

Our whistle-blowing “Speak Up” policy encourages our employees, suppliers and other third parties to report genuine suspicions about any wrongdoing or malpractice within Ocado, or that impact Ocado, and can be assured that any information received will be treated seriously and confidentially.

Any instance of non-compliance will be investigated and appropriate disciplinary action will be taken as needed.

Where there is a significant bribery or corruption risk, departments must consult the legal team in relation to appropriate anti-bribery and corruption compliance measures before:

- Appointing a new supplier or provider of goods;
- Appointing an agent to work on Ocado’s behalf; or
- Entering into a new contract or amending the terms of an existing contract.

1,856
Direct suppliers

£1,255m
spent

95% of our spend was with
56
Suppliers

During FY20, 95% of supply chain spend was with just 3% of our suppliers. This presents us with an opportunity to greatly focus our engagement efforts with key suppliers, in the first instance, before expanding out to the wider supply chain.

Beginning this financial year, we became a member of techUK. Through our membership we attend their Sustainable Supply Chain Group, a forum to hear from leading NGOs, government and international officials, on topics including modern slavery and human rights. Group discussions focus on the interpretation and understanding of current requirements and new policies under consideration by the UK Government, the EU, UN, OECD, and international efforts.

→ Read our most recent **modern slavery act statement** at www.ocadogroup.com.

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

This year has been somewhat different with many volunteering opportunities and fundraising not taking place due to Covid-19, but where colleagues and volunteers have been able to find creative ways to support their charities and endeavours, we have continued to support.

Covid-19 placed enormous pressure on charities' resources and their ability to operate. Sources of funding disappeared, and needs of recipients increased. We worked hard to ease some of these challenges, donating over £400,000 to food banks, homeless accommodation and places of safety shelters, and making over 100 donations with vouchers, matched funding and funding in lieu of volunteering hours.

We are also delighted to now be able to support international colleagues, as the Ocado Foundation has spread its wings beyond the UK and now offers support for colleagues in their fundraising endeavours in other countries, where Ocado has established operations.

Gurleen Minhas, a colleague in Canada, raised over $871 for the Princess Margaret Cancer Centre, undertaking its 8th Annual Journey to Conquer Cancer Run/Walk.

Gurleen said the following;

“ Having the backing of the Foundation is greatly motivating. And knowing our fundraising efforts are supported, wherever we're based, brings us together as global colleagues. The additional funds will help the Princess Margaret cancer research and teaching centre further its vital work.”

Gurleen Minhas

£400,000+

in donations to charities

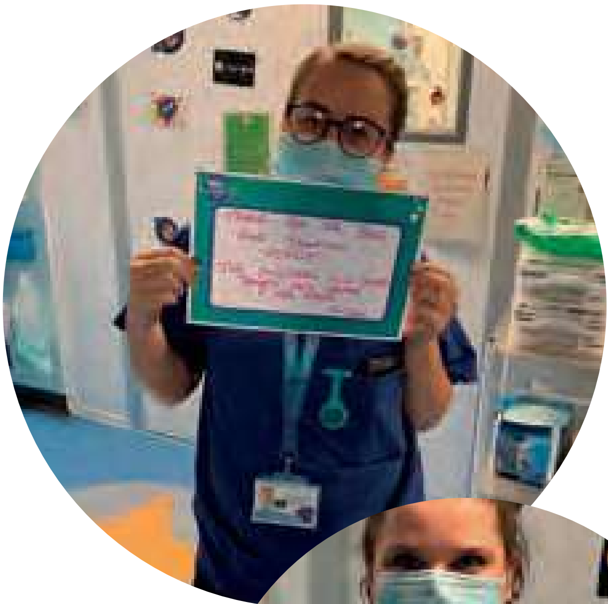
Corporate Responsibility
Continued

SafeSpace

'The Lister' means everything to many north Londoners – from Ocado Group employees to the local community, to its doctors, nurses, and 'play specialists' – many of whom fundraise for the Stevenage Hospital themselves. It is the hospital closest to our head office in Hatfield.

More than 30,000 children pass through Lister's doors each year. And, for over 20% of them, it's because of a mental health crisis.

Whilst the NHS and Lister's medical experts are doing everything possible to treat sick and vulnerable children, our Ocado Foundation is supporting Lister's SafeSpace appeal to make the building feel more friendly for the children who need it.



With our support, Lister's latest charity appeal, SafeSpace, will create a new private safe area for children to wait in the Emergency Department.

Once complete, the room will be somewhere young people can go if feeling angry, frightened or anxious. It will be a safe space for them to calm down and let out their emotions, without harming anyone.

Next on the list is refurbishing an A&E corridor for young people and teens. Those aged 12–15 are often left out, or with only children's TV to watch. The finished corridor will have them in mind. It will offer technology and reading materials, as well as advisory leaflets on topics like sexual health, suggesting where they can seek help.

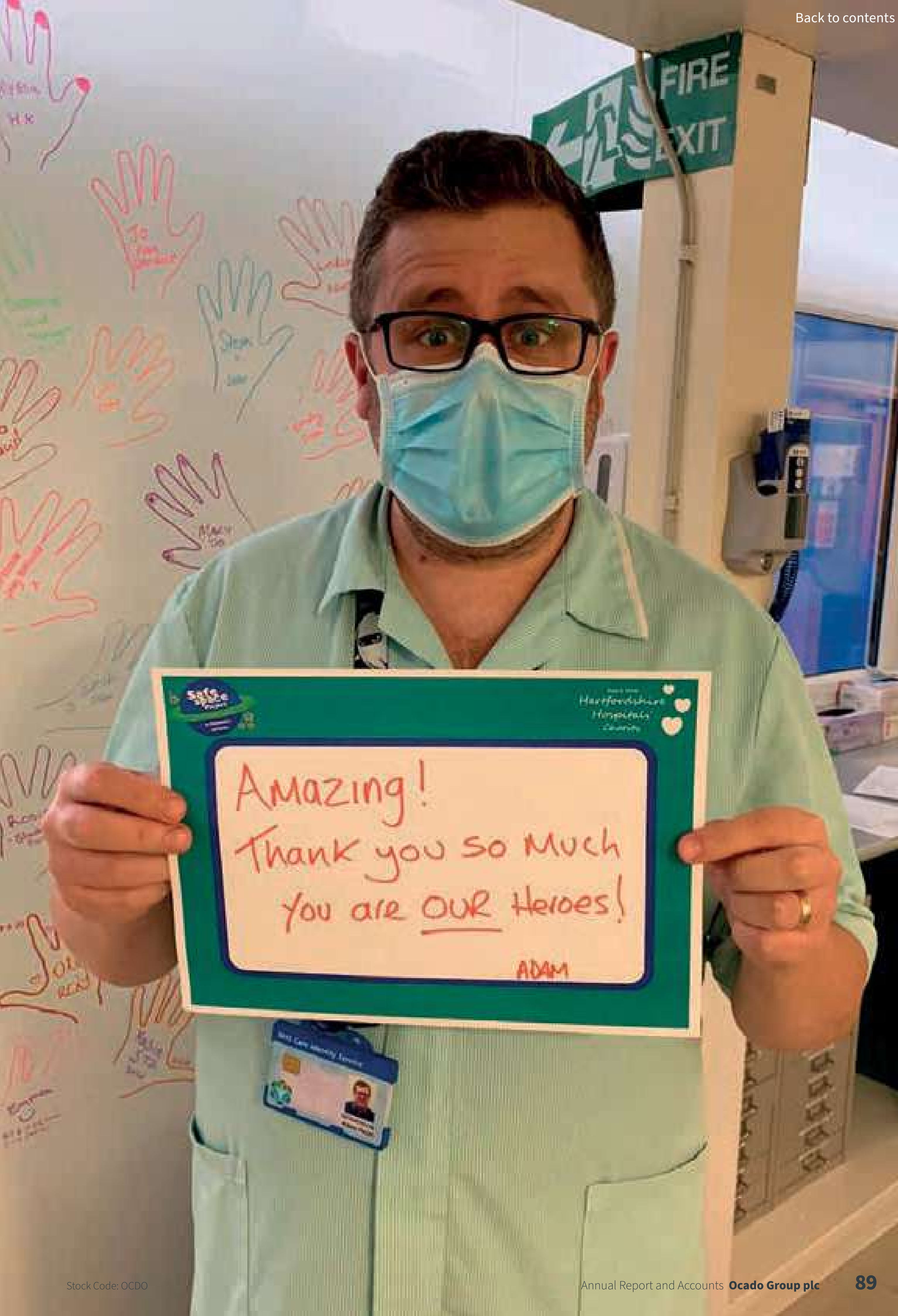
We're also funding two sensory medical equipment trolleys for patients with sensory needs and learning disabilities, including autism. By providing external stimulation, the machines will help draw a young person's mind away from any negative thoughts, instead offering an engaging and soothing experience.

The SafeSpace project will change the experience for thousands of children in the years to come.

It's not the first time we've given to Lister.

- We've supported the Lister 'Magic of play' for several years. A giant, colourful mural brightens one corridor, whilst we deliver Easter eggs and Christmas presents for each child on the ward.
- Our last donation purchased two sensory projectors for children with limited movement. It projects onto the floor and inspires them to get up and be active.

All the toys had to be removed from Lister's communal areas during the Covid-19 pandemic. So, we provided Foundation Activity Booklets for waiting areas to keep youngsters occupied drawing their own robots, completing puzzles, and more.


FIRE
EXIT
Hertfordshire
Hospitals
Charity
Amazing!
Thank you so Much
You are OUR Heroes!
ADAM

Our People

Building a Workforce for the Future

The world has changed and in a year like no other, demand for our product and services has been matched only by our employees' commitment to deliver. Against a backdrop of a global pandemic, we've continued to grow our business, innovate, find solutions and deliver world-class service. We call this 'change for good'.

Our responsibility and commitment to #feedthenation extended beyond the UK to our partners globally and at the heart of our response was our people. Our unique culture and values meant we were able to tackle any challenges head on.

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

To support our people at the start of the pandemic, immediate and significant safety and support measures were introduced across our global sites, which never lost a day's operation:

- Temperature scanning and antibody Covid-19 testing for all.
- Social distancing measures and mandatory mask wearing.
- Our frontline employees were paid bonuses for working during the Covid-19 pandemic. The first payment was a 10% bonus on basic pay for all hours worked from 23 March to 5 July 2020 and a further lump sum bonus was paid in January 2021 in relation to the nine months from March to the end of the period.

Further 'change for good' measures were also introduced to support health and wellbeing to cover:

- Company Sickness Benefit from day one of employment for anyone who contracted Covid-19, wherever they were based in the world.
- Introduction of a global Employee Assistance Service – offering expert counselling, emotional support and practical guidance available 24/7 to all of our people, in their local language.
- Priority access to ocado.com for all UK employees and 15% discount on their orders.
- Investment in proactive and preventative guidance tools and learning to support our people to look after their mental health and wellbeing.

Proactive and preventative health and wellbeing support

We rapidly scaled our mental health support and launched a global communications and awareness campaign called 'Mind Yourself'.

Services were signposted at every opportunity, including our global live stream sessions led by our CEO and executive team.

Mind Yourself included:

- Weekly voluntary check-in surveys to gauge workforce state of mind.
- Access to Mental Health Champions trained in Mental Health First Aid, equipped with knowledge of our health and wellbeing support services.
- Colleagues were actively encouraged to join a host of webinars targeted at different needs and types of employees, from parents to those who live alone.
- Confidential network groups on hand to provide emotional and practical support.
- Regular communications pointing employees to a wealth of online mental health services and support available via our intranet on Fuse and Slack.
- As we finish the year we are rolling out a new tool, 'Unmind' – a globally available app that supports all elements of our employees' wellbeing.

Our Culture

Ocado Group's current and future success is dependent on our people and we know that by putting them first, they will put our partners and customers first. This is why we are focused on continuing to change for good and creating an environment that fuels growth by listening to, caring about and energising our people – for us as individuals, for our teams and for our business.

The relentless pace and 'always on' nature of business today means that it is impossible to truly separate our work and home lives. Our people are our greatest asset and we recognise that a happy, healthy and productive workforce is vital to our business success, so we are reimagining our workplace and embedding health and wellbeing at the heart of our business strategy.

Our ambition is clear. At Ocado we are creating a proactive and data-driven approach to listening, wellbeing and inclusion that understands, nurtures and celebrates our people. We call it **YouMatter**.

To enable this increased level of effort and focus, we welcomed pivotal new roles to our organisation; our Global Head of Culture and Engagement, as well as Diversity and Inclusion, Health and Wellbeing and Data Insight leads. Their close alignment to the Chief People Officer and the Designated Non-Executive Director for workforce engagement ("DNED"), ensure we are driving the right culture from the top down to continuously improve what we do and provide an amazing experience for our people using our **YouMatter framework**.

Our People Fuel Our Growth
YouMatter Framework

YouMatter:

For everyone to feel a sense of purpose and belonging, we're creating a framework that will make Ocado the best place to work.

Strategic Pillar
Listening

So that everyone can
Feel heard and understood

Results in
High engagement, increased productivity

Action
Be curious

Key message

#your**voice**matters

Strategic Pillar
Wellbeing

So that everyone can
Feel cared for and energised

Results in
Good health and high performance

Action
Be caring

Key message

#your**energy**matters

Strategic Pillar
Inclusion

So that everyone can
Feel valued and accepted

Results in
Innovation and growth

Action
Be collaborative

Key message

#**belonging**matters

Our People
Continued

#yourvoicematters

– being included in every conversation, turning insights into action and leading by listening

Work has already begun on shaping a Group-wide listening strategy, through which we are embedding our engagement tool – Peakon – across all our communities to continuously gather feedback and share insights with managers and leaders who can take action. We are also building a global network of 'listening champions' to help us hear our people's voice and explore listening and we're evolving the role of employee representatives for our global partners business. This year saw the creation of the UK Logistics Council and biannual National Logistics Council.

84
employee representatives across the National Logistics Council in the UK alone

72
listening champions globally

6,501
people have shared their views in Peakon

74,683
'comments shared through Peakon

1,173
managers exploring the data to listen and engage with their team

58,789
comment interactions

#yourenergymatters

– whatever ignites the spark

We're always innovating and thinking one step ahead to deliver for our partners and 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. To thrive whilst growing we need to support our people to look after their wellbeing, learning and development, so they feel happy and energised – that's what will make us successful.

Through listening we're developing a new mental health and wellbeing strategy that feeds into our overall Occupational Health and Safety strategy. At its heart is our new global mental health and wellbeing product – Unmind – which provides guidance, tools and learning as well as support our growing global community of mental health champions. Together they will help us remove the stigma surrounding mental health, support change for good and signpost support services to our people. This developing framework will be led by a new Head of Health and Wellbeing to lead this important agenda in the Global People Team.

#belongingmatters

– bring your whole self to work

In order for our people to feel like they belong, we're creating a more diverse and inclusive workplace. To support this important work we're:

- **Investing in senior leadership roles to accelerate our work in this area** – Global Head of Culture and Engagement, Global Diversity and Inclusion Lead and Global Head of Talent Acquisition. Collectively, these roles are focused on promoting inclusion and taking positive action to improve diversity at each stage of the employee experience (attraction, recruitment, development and succession planning).
- Becoming more data driven, capturing and analysing diversity data and inclusion insights at each stage of the employee experience. Further information about our Board Diversity can be found on page 104 and UK reporting on our gender pay gap can be found on our Corporate Website (www.ocadogroup.com).
- **Ensuring equal opportunities for all** – 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. We believe that this increases our pool of talent and benefits the organisation.
- **Empowering our employee communities** – over the last year we have focused on supporting our culture of inclusion by establishing five diversity communities (mental health, ethnic minorities, disability, LGBTQ+ and gender), bringing together employees from all parts of our business to share their views, support each other and educate others. We've also established a global partnership with Stonewall and invested in innovative recruitment solutions.
- Gathering data from these communities is critical to understand where we need to focus.
- **Growing female talent** – our main populations are in logistics, engineering and technology which are industries that struggle with gender diversity at all levels, so we're taking significant steps to nurture and grow female talent and hire female talent into leadership roles.

Spotlight on gender diversity

1.

Nurturing and growing female talent

To increase our pipeline of female leadership talent we have focused on:

- Building targeted development and succession plans for female leaders.
- Participating in the 30% club mentoring programme for high-potential female talent; will have reached 60 mentors and mentees by end of the year.
- Creating customised 'Women in Tech' mentoring programme for high-potential female leaders in Ocado Technology.

2.

Hiring female talent into leadership roles

We see every hire as an opportunity, whilst also remaining committed to hiring the best talent. Proactive recruitment initiatives include:

- Investing in 'Work 180', an online platform to connect talented women with leadership roles in technology.
- Partnership with 'SheCanCode' to support women to enter, remain and excel in the technology industry.
- Using new recruitment technology to capture and track diversity data throughout the candidate pipeline.
- Running new leaders assimilation to accelerate the onboarding process for new hires.
- Increasing the diversity of our graduate hires (10% increase in number of women since 2018); a critical feeder for future leadership roles.

3.

Promoting inclusion and diversity at Ocado

For diverse talent to flourish we need to create the right environment and supportive culture. Our work to enable this include:

- Introducing a Board diversity policy that sets out our approach and commitments to ensuring diversity and inclusion on the Board of Ocado.
- Creating global inclusion communities; one is focused on gender and unites leaders and passionate women across all parts of our business.

Gathering global listening data on inclusion and diversity to target areas for improvement and shape targeted strategies/KPIs to support female talent.

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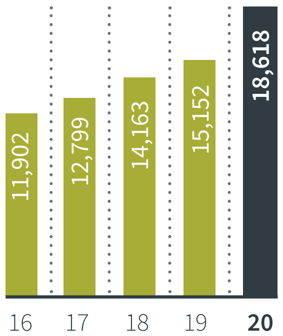
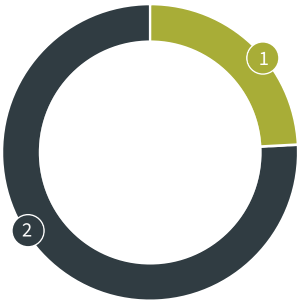
Our People
Continued

Total Number of Employees

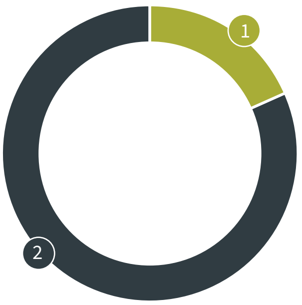


Senior Managers



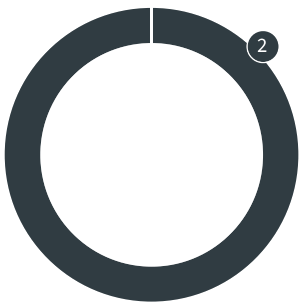
1 Female **17**
2 Male **53**

All Employees by Gender



1 Female **3,433**
2 Male **15,185**

Directors



1 Female **0**
2 Male **5**

Talent Attraction and Development

We continue to grow through our retail business, our international partners and our acquisitions. In this financial year, we have welcomed almost 3,000 new colleagues to Ocado Group, 500 of those outside of the UK.

Ocado Technology is on target to hire an additional 500 technologists across all our UK and international development centres by July 2021. We also welcomed colleagues from Kindred Systems, Inc. and Haddington Dynamics, Inc.. This acquired expertise will support and contribute to us solving one of the world's hardest challenges in robotic manipulation – the picking and packing of groceries.

The Client Services business area is currently 530 employees strong, operating and supporting nine partners in eight countries with a significant presence in another seven territories on partners sites. We hired our first employee in Japan which now means we have employees in ten countries.

The organisation we support

Business-wide

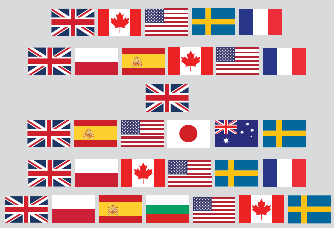
18.5k
Headcount (rounded to nearest 100)

10
Countries with employees in

7.7
Engagement Score (Peakon)

By mission

Client Services 530
Group Ops. 670
Logistics* 1,220
Solutions 110
Platform Imp. 510
Technology 2,100



Change is the new normal. As stability gives way to unpredictability, more than ever, individuals and teams need to be adaptable and resilient to cope with an ever-evolving organisational landscape. To support all of our people, we offer a cycle of continuous learning and development, from onboarding new starters, graduate programmes and manager and leadership development to support our innovative and ambitious growth.

Development Update

This year our central L&D team delivered a number of programmes to support our culture and ways of working:

Created a common 'behaviours' language with over

1,000

Insights profiles delivered globally

Check-in development campaign on better conversations with over

1,000

attendances and over 5,000 views of new online resources (94% recommend and 4.2/5 will do something differently)

Launched over

100

apprenticeships

Delivered a virtual leadership toolkit to support Covid-19 working with over

450

'views' of resources

Delivered CFC development campaign for managers to support Logistics transformation

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. This year the offer was expanded to employees outside the UK with access to an Ocado Employee Share Purchase Plan. It's similar to the UK Save As you Earn scheme, which means now virtually everyone really can buy Ocado shares and become an owner of our Company.

Case Study

Ocado Employee Share Purchase Plan

The launch of the Ocado Employee Share Purchase Plan in October 2020 generated an overall take-up 62%. The average take-up for International Purchase Plans is usually quoted at around 30% to 37%.

Breakdown by country:

	Eligible	Enrolled	Take-up
Bulgaria	105	68	65%
Canada	54	32	59%
France	56	20	36%
Poland	479	310	65%
Spain	120	76	63%
Sweden	8	8	100%
US	35	18	51%
Total	**857**	**532**	**62%**

Our People
Continued

Our Code of Conduct

Our business has grown rapidly across the world and we continue to form new partnerships and welcome more international colleagues to Ocado Group. As new people come on board it's important that we communicate what life is like at Ocado, we introduce the values, culture and principles that we live by, and help establish our expectations and standards of conduct.

To deliver these key messages consistently, we launched our new Global Employee Handbook and Code of Conduct to frame the existing Global Onboarding Programme – Let's go Ocado. These aim to be the three key global documents that provide our people with a gateway to the fundamental employment information they need for daily life at Ocado. They are available on Fuse, our mobile first communications platform to which all employees have access.

The safety and wellbeing of Ocado's employees and associates is of the utmost importance. The Company's objective is to ensure the safety of all employees in line with Ocado's Health, Safety and Environment Policy and to ensure that its activities do not harm the public, customers or employees. Ocado does not tolerate any form of bribery and corruption, or the giving or receiving of bribes for any purpose. Ocado's Anti-Bribery Policy sets out definitions of bribery and corruption, and our internal training provides examples of this, such as the rules around gifts and hospitality, as well as how to report any cases of suspected wrongdoing.

Whistleblowing

We offer an independent and confidential whistle-blowing service that allows our employees, suppliers and other third parties to raise concerns about possible wrongdoing that would be of public interest.

This initiative is referred to internally as 'Speak Up'. A campaign of awareness runs regularly to the global workforce who are encouraged to make their disclosures either in person to a line manager or using the external independent system hosted by Expolink via either telephone, app or web. It is possible to make anonymous reports where permitted in relevant countries

On a quarterly basis the Board receives high level updates on all whistle-blowing. The introduction of these procedures has provided beneficial insight, supporting the integrity of the operational control environment.

→ Read about **Whistleblowing** on page 98

Celebrating 20 years

As a start-up 20 years ago, Ocado had a highly developed sense of mission. It formed a core part of the culture of the organisation. And it still does. Whilst we develop new missions for the different elements of our global business, we have worked hard to maintain the culture that underpins our ways of working to ensure we stay aligned and true to our heritage.

These culture principles are fundamental elements of our values, behaviours and career opportunities that are to be used to attract talent into the business. They are all a part of what makes us Ocado.

To celebrate our 20th anniversary, we asked our employees to share their stories of life at Ocado in just six words. Each one reflected or illustrated our closely held values and we were delighted with the hundreds of entries we received which perfectly summed up the spirit of Ocado, or the 'Ocado magic' as we like to call it. Everyone has a story to tell – and these are some of ours.

Case Study

Workforce Engagement

Andrew Harrison
Non-Executive Director Designated to Workforce Engagement

"Caring for and listening to our people is not simply the right thing to do in this context, it is also an essential requirement and a commercial priority for us as a global FTSE 30 organisation."

The process

In line with the UK Corporate Governance Code (2018) Andrew Harrison, Designated Non-Executive Director (DNED) works with the Chief People Officer and the Global Head of Culture and Engagement in a role that complements and enables our commitment to giving our employees a voice, and who advocates and directly represents them during Board discussions.

To ensure engagement in the process, the DNED and Head of Global Culture and Engagement:

- Meet on a monthly basis and use the insights from established employee forums and new listening technology to identify and explore issues and, where required, escalate these to Senior Management.
- Attend existing and set up new listening forums to involve and engage employees across all parts of Ocado Group.
- Conduct a quarterly review and report all listening and wellbeing insights across Ocado, to be shared and discussed with the Board.
- Communicate back to the workforce the steps being taken to address concerns or explain why steps have not been taken.

2020 Summary

In 2020 Andrew Harrison represented and engaged with employees on a number of different issues, including:

- Attended Ocado Council meetings, and presented at the Group Council Conference.
- Visited spokes and CFCs, and worked with Head of Retail and Ocado Logistics to support frontline engagement.
- Introduced a Covid-19 weekly update to the Board to drive support for Logistics colleagues around welfare, bonuses and rosters.
- Reviewed and supported the focus on mental health and wellbeing issues.
- Updated the workforce on a number of Board issues such as Executive Pay, acquisitions of robotic companies and the Covid-19 response.
- Ensured the review of Payroll services was delivered, with results being shared at Board level.
- Engaged with shareholders on workforce engagement and inclusion.
- Monitored business KPIs, Employee KPIs and business comms, combined with a monthly report on workforce trends and engagement.

Ethics and Compliance

We are committed to maintaining the highest standards of ethical conduct and integrity in our business practices and we have in place compliance policies and processes to ensure these standards are embedded across the business.

This year we undertook a comprehensive compliance risk assessment across the business on a range of important compliance and legal areas. We also carried out an employee compliance survey to gain an understanding of the current awareness and understanding of core compliance topics and the overall compliance culture across the business. These both fed into the compliance roadmap for the year. A policy tracker has been put in place and a Policies Working Group established to ensure our policies remain up to date and fit for purpose across our global operations.

We recently introduced a new Code of Conduct that sets forth the values and behaviours expected of all employees and provides guidance on our policies and processes and how these are to be applied. It is applicable across all geographical areas of the business and is flexible enough to adapt to the future growth of the Group. Employees were required to undertake training on the topics covered in the Code of Conduct, to embed the knowledge and understanding of the principles and policies contained therein, and complete an annual compliance statement confirming adherence across important areas of compliance.

Anti-bribery and Anti-corruption

In response to the increase in scale and complexity of the business and the growth in headcount and geographical coverage, a new anti-bribery policy and a new standalone money laundering policy were launched this year, following a risk assessment across the business. The anti-bribery policy reiterates our zero-tolerance approach to bribery across all of our global operations. A training programme for employees was launched alongside the policy and associated guidance to help embed the principles and practical application of the policy. The updated money laundering policy provided clearer guidance on potential red flags to aid the identification of potential issues.

Whistleblowing

As part of our open and transparent culture, it is vital that all employees and others that work with us feel able to raise concerns of any safety, legal or ethical issues, without any fear of reprisal. The Company operates a system managed externally by an independent third party, Speak Up, available in all countries in which the Company operates, where employees can make a report via a confidential telephone helpline, website or mobile phone application. This permits employees to raise concerns, without any fear of retaliation, where they feel uncomfortable making a report to their manager. All reports are submitted to relevant investigators within the Company, as determined by the nature of the concern, so that appropriate investigations and actions can be taken.

Human Rights and Modern Slavery

Our commitment to protecting the human rights of our workforce and ensuring respect for human rights in our supply chains is embedded within our Code of Conduct and Human Rights Policy. The Code of Conduct and our policies and processes are designed to strengthen and sustain our culture of integrity and transparency and we are focused on ensuring our workforce is respected and supported. The Group has a zero-tolerance position with regards to slavery and human trafficking, which is set out in our Modern Slavery Statement, available on the Ocado website, and clearly communicated to our partners and our supply chains.

→ For more details on our workforce policies and practices see **Our People** section on pages 90 to 98

→ For more details on our supply chain see **Corporate Responsibility** section on pages 82 to 88

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. This is an area we aim to review further to ensure that our operations continue to meet our own ethical standards.

Governance.

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Chairman's Governance Overview

Lord Rose
Chairman

"The Board recognises the value and importance of good corporate governance and the role it plays in supporting the long-term success of the business."

Governance Highlights

- Richard Haythornthwaite joined the Board, after year end, in January 2021 as an independent Non-Executive Director and Chairman-elect
- Appointment of Stephen Daintith as Chief Financial Officer, to start in the role later in 2021
- Michael Sherman joined the Board in October 2020 as an independent Non-Executive Director and member of the Nomination Committee
- An externally facilitated Board evaluation conducted by Manchester Square Partners
- A review of Board composition
- Robust assessment of the Group's principal and emerging risks

Dear Shareholder

On behalf of the Board I am pleased to introduce the Corporate Governance Report for the year ended 29 November 2020. This report describes the governance structures and procedures in place and summarises the work of the Board and its Committees to illustrate how our responsibilities have been discharged this year.

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. This is the first year the requirements of the 2018 UK Corporate Governance Code have applied to the Group and you can read how we have complied with the updated principles throughout this Corporate Governance Report.

Covid-19

During the pandemic the Board's primary concern has been to keep our employees safe, support our customers and partners, and serve the wider community by doing our part to feed the nation. Although the Board was rarely able to meet in person we continued to hold regular meetings to discuss the impact on the business and oversee the Group's response to the pandemic. The Group introduced a range of new health and safety measures to ensure the wellbeing of our employees and customers, and worked to increase capacity to serve additional demand from customers, including the customers of our international Solutions partners.

→ For further information on how we have responded to **Covid-19** see pages 59 and 61

Stakeholder Engagement

The Board has always sought to engage with and understand the views of our key stakeholders and consider their interests in decision-making, but the new reporting requirements in this area have increased the emphasis on stakeholder interests. We 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.

→ For further information on **Engaging With Our Stakeholders** see pages 72 to 81

Our People

Our people are essential to the delivery of our strategic objectives and our continued success and, therefore, it is vital that we provide a work environment where everyone feels valued, motivated and able to thrive. We have introduced a number of initiatives to support the well-being of our employees, including our Employee Assistance Programme, our Mind Yourself campaign and the introduction of live stream presentations to all employees from CEO Tim Steiner. The pandemic has proven the value of such a work environment – our people have shown great strength, commitment and resilience, and have continued to grow online capacity for our partners. Despite the pandemic we opened our first two international CFCs ahead of plan.

→ For further information on **Our People** see pages 90 to 97

Culture

Our positive corporate culture is an important asset, and we acknowledge the challenge of retaining it as the Group grows into a much larger organisation. The Board reviews and approves all workforce related policies and processes to ensure that they help to embed this culture, which this year this included the introduction of a new Code of Conduct and Global Employee Handbook. The Group has also introduced a number of initiatives to promote diversity and inclusion, including establishing five diversity and inclusion committees, holding forums and events across the organisation, and appointing a new Diversity and Inclusion Manager.

→ For further information on **Culture and Diversity** see pages 91 to 94

Accountability and Risk

The Board understands that to ensure the long-term success and resilience of the Group, long-term decisions must be taken and risks and opportunities in the short and long-term must be 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 maintains regular oversight of the principal and emerging risks facing the Group and the controls in place and the risk appetite of the Group, with a formal annual review. Covid-19 has provided additional risk, particularly to the service levels of the retail business. The acquisition of Haddington Dynamics and Kindred Systems in 2020 bring exciting opportunities in robotic solutions but we must mitigate the risk that these opportunities are not realised. An important emerging risk the Board is considering in the short and long-term is climate change and other related environmental and social issues.

→ For further information on **How We Manage Our Risks** see pages 60 to 71

Finance Transformation

In response to the recent significant change to the Group, including the establishment of the Ocado Retail joint venture and the expansion of Ocado Solutions and Ocado Ventures, this year has seen the ongoing transformation of our Finance function. This has included considerable recruitment, the development of existing controls, strengthening user access controls and the implementation of additional reconciliation processes.

→ Read more in **Audit Committee Report** see pages 130 to 137

Board Developments

We are very sorry that Duncan Tatton-Brown retired from the Board and as Chief Financial Officer this year and we would like to thank Duncan for his valuable contribution to the Board and the Group. We are pleased that Stephen Daintith has been appointed as his successor and look forward to welcoming him to the Group in the near future.

Richard Haythornthwaite joined the Board as an independent Non-Executive Director and Chairman-elect, after the end of the period, in January 2021, bringing a wealth of international board-level experience. Michael Sherman joined the Board as an independent Non-Executive Director in October 2020 and his experience and knowledge in the technology industry has already proven an asset to the Board. We are sorry that following the year end Claudia Arney stepped down from the Board as a Non-Executive Director and thank her for her contribution.

I will be stepping down from the Board after this year's AGM, following eight years as Chairman, but I am confident that I am leaving Ocado in good hands with Rick stepping into the role. It has been a privilege to help steer the business and oversee its transformation to a leading global solutions provider in online grocery and I would like to thank all my colleagues for their support during my tenure.

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 faced.

Lord Rose
Chairman

9 February 2021

Corporate Governance Report

Lord Rose,
Chairman

Tim Steiner OBE,
Chief Executive Officer

Mark Richardson,
Chief Operations Officer

Executive/Non-Executive:
Non-Executive

Committee Membership:
Nomination (Chairman)

Independent:
No

Skills and experience:
Lord Rose has worked in the retail industry for over 40 years, including over 25 years board-level experience. He has held Chief Executive Officer roles at Argos plc, Booker plc, Arcadia Group plc and M&S plc. He was Chairman of M&S plc from 2008 to 2011. Lord Rose's in-depth understanding of UK corporate governance requirements and extensive experience in the retail sector provides the Board with valuable, strong leadership. His considerable experience in change management has been invaluable in driving the Group whilst retaining focus on the core strategic objectives during a period of significant transformation. Lord Rose was knighted in 2008 for services to the retail industry and corporate social responsibility, and granted a life peerage in August 2014.

External Appointments:
Chairman of Stylemania Limited, trading as Dressipi; Non-Executive Director of RM2 International S.A.; Chairman of Majid Al Futtaim Retail based in Dubai; Non-Executive Director of Time Out Group plc; Chairman of Zenith; Chairman of EG Group Limited.

Executive/Non-Executive:
Executive

Committee Membership:
N/A

Independent:
No

Skills and experience:
Tim is the founding Chief Executive Officer of Ocado, which he started in 2000 and has led continuously since that time. He provides not only unparalleled knowledge of the Group but also a passion that has not dimmed over the 20 years since the Group's formation. His drive and vision continue to be instrumental in the impressive growth and success of the Group. In 2016 he was appointed OBE in the Queen's Honours List, and in 2018 he was voted Sunday Times' Businessman of the Year. Prior to Ocado, he spent eight years at Goldman Sachs, during which time he gained international experience working in London, Hong Kong and New York in the Fixed Income division. Tim graduated from Manchester University in 1992 with an honours degree in Economics, Finance and Accountancy.

External Appointments:
None

Executive/Non-Executive:
Executive

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. He is responsible for the day-to-day running of the Ocado operation, including CFCs, logistics developments, customer service, business planning and engineering, and for the installation and maintenance of international OSP facilities. Prior to joining Ocado, Mark held a number of IT positions at the John Lewis Partnership, including Head of Selling Systems at Waitrose. Mark contributes valuable knowledge, through his technology capability and operational experience. 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

Neill Abrams,
Group General Counsel and
Company Secretary

Andrew Harrison,
Senior Independent Director
and Designated
Non-Executive Director

Executive/Non-Executive:
Executive

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. Luke has extensive experience in strategy, online and grocery retailing and since joining Ocado has overseen the establishment of a number of international partnerships and the launch of our first international CFCs. 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 an MBA from INSEAD.

External Appointments:
Non-Executive Director of Hana Group SAS, registered in France; Non-Executive Director of ASOS plc.

Executive/Non-Executive:
Executive

Committee Membership:
N/A

Independent:
No

Skills and experience:
Neill was on the founding team of Ocado, joining the Board in September 2000, and provides broad legal and corporate governance knowledge with a profound understanding of the business. He has responsibility for the Group Operations departments – Legal, Governance, Intellectual Property, Insurance, Real Estate, Government Relations and Corporate Responsibility. 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.

Executive/Non-Executive:
Non-Executive

Committee Membership:
Remuneration (Chairman), Audit, Nomination

Independent:
Yes

Skills and experience:
Andrew is a partner at Freston Ventures Management Ltd, which invests in consumer brands that challenge the status quo. He chairs two of the businesses, online estate agent Strike and Whocanfixmycar.com, and advises other businesses such as Five Guys, Secret Cinema and Cubitts. Andrew previously served as Chairman 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. He brings impressive business and leadership experience to the Board. Andrew graduated from the University of Leeds with a BA (Hons) in Management Studies in 1992.

External Appointments:
Chairman of Trustees of The Mix; Chairman of Strike (House Simple Ltd); Partner of Freston Ventures Management Ltd; Director of Chik'n Ltd; Chairman of Whocanfixmycar.com Ltd.

Corporate Governance Report
Continued

Jörn Rausing,
Non-Executive Director

John Martin,
Non-Executive Director

Julie Southern,
Non-Executive Director

Executive/Non-Executive:
Non-Executive

Committee Membership:
Nomination

Independent:
Yes

Skills and experience:
Jörn is the Head of M&A for Tetra Laval Group and 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.

Executive/Non-Executive:
Non-Executive

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. Until he stepped down from the role in November 2019, John was Group Chief Executive for Ferguson plc, the world's leading specialist distributor of plumbing and heating products. John was also a partner at Alchemy Partners, a private equity group, and prior to that he was Chief Financial Officer at Travelex Group, the international payments business, 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:
None

Executive/Non-Executive:
Non-Executive

Committee Membership:
Audit (Chairman), 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 Chairman role at Ocado. She is also an experienced remuneration committee chairman. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a Chartered Accountant.

External Appointments:
Non-Executive Director and Chairman of the Audit Committee of Rentokil Initial plc; Non-Executive Director and Chairman of the Audit Committee at NXP Semiconductors N.V.; Non-Executive Director and Chairman of the Audit Committee of easyJet plc.; Non-Executive Director of Shilton Midco 2 Limited

Emma Lloyd,
Non-Executive Director

Executive/Non-Executive:
Non-Executive

Committee Membership:
Nomination, Audit, Remuneration

Independent:
Yes

Skills and experience:
As Sky's Chief Business Development Officer, Emma identifies and builds revenue growth opportunities. This includes responsibility for key strategic relationships with Sky's technology and content partners. Emma has overseen 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:
Group Director of Business Development, Strategic Partnerships and Investments of Sky, a Comcast Company.

Michael Sherman,
Non-Executive Director

Executive/Non-Executive:
Non-Executive

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 Chief Strategy and Transformation Officer of BT Group, having joined the Group in 2018. 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:
Chief Strategy and Transformation Officer of BT Group plc.

Richard (Rick) Haythornthwaite,
Non-Executive Director and Chairman-elect

Executive/Non-Executive:
Non-Executive

Committee Membership:
Nomination

Independent:
Yes

Skills and experience:
Rick has extensive board-level experience, having previously held the role of Chairman at Mastercard Inc., Centrica plc and Network Rail Limited, the CEO role 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. His recent experience, from 2006 to 2020, overseeing a period of huge growth and development at Mastercard is a valuable asset as Ocado continues to grow. Rick also provides leadership experience in the technology sector as the Chairman and co-founder of QiO Technologies Ltd, an advanced analytics and AI software company.

External Appointments:
Non-Executive Director of Globant SA.

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.

Duncan Tatton-Brown resigned as Executive Director on 22 November 2020.

Michael Sherman was appointed as Non-Executive Director on 5 October 2020.

Claudia Arney resigned as Non-Executive Director on 25 December 2020, after the end of the period.

Rick Haythornthwaite was appointed as Non-Executive Director and Chairman-elect on 1 January 2021, after the end of the period.

Corporate Governance Report

The layout of the Corporate Governance Report follows the structure of the principles of the UK Corporate Governance Code 2018 (the "Code") to illustrate how the Code principles have been applied.

Code Principles

1 Board leadership and Group purpose

A Effective Board (page 109)
B Purpose, strategy, values and culture (page 110)
C Governance framework and Board resources (page 111)
D Stakeholder engagement (page 112)
E Workforce policies and practices (page 113)

2 Division of responsibilities

F Board roles (page 114)
G Independence (page 119)
H External commitments and conflicts of interest (page 120)
I Board Efficiency: Key activities of the Board (page 118)

3 Composition, succession and evaluation

J Appointments to the Board (page 121)
K Board composition (page 122)
L Annual Board evaluation (page 124)

4 Audit, risk and internal control

M Financial reporting (page 132)
External Auditor & Internal audit (page 136)
N Review of the 2020 Annual Report (pages 132 and 138)
O Internal financial controls (page 135)
Risk management (page 135)

→ Read more in **our Audit Committee Report** on pages 130 to 137

5 Remuneration

P Linking remuneration with purpose and strategy (page 148)
Q Remuneration Policy review (page 156)
R Performance outcomes in 2020 (page 163)
Strategic targets (page 152)

→ Read more in **our Directors' Remuneration Report** on pages 140 to 177

Corporate Governance Statement 2020

This Corporate Governance Statement, together with the rest of the Corporate Governance Report and Committee Reports, provides information on how the Group has applied the principles and complied with all relevant provisions of the UK Corporate Governance Code 2018, 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 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.

For the year ended 29 November 2020, the Board considers that it has complied with the provisions of the Code except that the Senior Independent Director did not meet with the Board without the Chairman present to appraise the Chairman's performance. However, the Chairman's performance was appraised as part of the external Board review undertaken during the period.

The key requirements under the Disclosure Guidance and Transparency Rules 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 60 to 71
- Information with regards to share capital are presented in the Directors' Report on page 179
- Information on Board and Committee composition can be found on pages 104 to 107 and pages 126, 130 and 140
- The Board diversity policy is discussed on pages 122 and 129

Board Approval of the Corporate Governance Statement

This separate Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chairman and the Group General Counsel and Company Secretary.

Lord Rose
Chairman

Neill Abrams
Group General Counsel and Company Secretary

9 February 2021

Board Leadership and Group Purpose

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.

This is achieved through good governance and a Board of Directors which includes the necessary skills, knowledge and experience to provide effective leadership for the Group.

The key contributions of the Board in driving the long-term success of the Group are set out below.

Driving long-term success

1.

Strategy:

The Board sets the strategic priorities of the Group, monitors the implementation of strategic initiatives and measures proposals against, and takes decisions in line with, the strategy.

2.

Purpose, Values & Culture:

The Board establishes the purpose and values of the Group that underpin the foundations of the Group's culture, and monitors these to ensure they are aligned.

3.

Stakeholders:

The Board oversees engagement with all key stakeholders and takes into account their interests in exercising its responsibilities to focus on improving outcomes for all stakeholders.

4.

Governance:

The Board ensures a framework of prudent and effective governance is in place, including the management of risks, to maintain stakeholders' trust and confidence in the Group.

Board Leadership and Group Purpose
Continued

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 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 purpose, 'reimagining shopping, by solving complex problems to provide sustainable solutions for online grocery', describes our core focus and is the basis of our actions. 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 implementation of these into the operations of the business.

→ For further information on the actions of the Board this year see the **Key Activities of the Board** on page 118

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.

→ Read more about **Our Purpose, Strategy, Values** on pages 14 and 15 and **Our Culture** on pages 91 and 92

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. This year we introduced a new Code of Conduct and a new Global Employee Handbook that provide an overview of Ocado and the values expected of all employees. 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 on the opposite page 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 and diversity	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 all key workforce related policies, including a new Code of Conduct and Global Employee Handbook	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 attends all Ocado Council meetings and reports back to the Board	Provides direct update on the concerns raised by employees to assist in monitoring the culture and identifying any issues
Reports to the Board on whistleblowing statistics and issues raised	Provides information on risks and concerns identified so these can be assessed and mitigated as appropriate
Updates to the Board on health and safety matters, for example injury rates, safety incidents, and risk assessment results	Enables the Board to assess the effectiveness of safety practices and behaviours and assess any risks and actions required
Board oversees the launch of new employee wellbeing initiatives, such as the Mind Yourself campaign, and actions focused on enhancing diversity and inclusion, such as the creation of five inclusion committees	Enables oversight of the initiatives and actions taken to ensure the tools for a positive culture and employee wellbeing are in place
Review and approve modern slavery statement and gender pay gap statement	Enables assessment of the broader culture of the Group and its relationships with suppliers and customers

Governance Framework 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. As part of the Group's transformation programme the management leadership structure has moved to a mission-based structure organised around the missions of the business.

The governance framework embeds our values into the policies and processes of the Group and therefore helps to strengthen the corporate culture. 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.

→ Read more about our **Leadership Structure** on pages 114 to 115

During this year the Board has reviewed and approved an updated Schedule of Matters Reserved for the Board, Board Committee Terms of Reference and Delegations of Authority Policy. There is an internal controls system in place which allows the Board to assess and manage risks to the business.

→ Read more in **How We Manage Our Risks** on pages 60 to 71 and the **Audit Committee Report** on pages 130 to 137

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 Leadership and Group Purpose
Continued

Stakeholder Engagement

Board Engagement in 2020

9
Broker-hosted Q&A events (outside of results) with Director presentations

8
Formal investor update sessions with Directors

11
All-employee live stream business updates led by CEO Tim Steiner

30,000
Combined total views of employee live stream video updates

The Board recognises its responsibilities to engage with and incorporate the views of key stakeholders in strategic planning and decision-making, and the importance of stakeholder trust in building resilience and long-term sustainability. The induction of new directors includes appropriate training on the director duties of section 172 and the role of stakeholder engagement. Annually the Board is provided with a detailed analysis of stakeholder interests and engagement mechanisms and given a refresher on section 172. A reference to section 172 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.

Although the Board retains overall responsibility for stakeholder engagement there is interaction at various levels of the business so that it is carried out by those most relevant to a particular stakeholder group or particular issue. The Engaging With Our Stakeholders section on pages 72 to 81 sets out the main interests of key stakeholders and the ways in which the Group engages with them. Where engagement is delegated to senior management or other employees the Board maintains oversight through reports provided to the Board. Engagement and feedback from stakeholders provides not only valuable information on the interests of stakeholders but also helps to keep the Board aware of any material issues and significant changes within the market which can then be factored into decision-making. The Board recognises the importance of considering all stakeholders in its decision-making, although the weight given to each stakeholder group may vary depending on the subject in question. Through engagement and greater understanding of the interests of stakeholders, the Board is able to assess the long-term consequences of decisions on stakeholders and the business. We continue to work on embedding practices across the Group so that consideration of stakeholder interests in decisions is second nature at all levels of the business.

→ Read more about the **Key Activities of the Board** on page 118

In addition to individual stakeholder groups the Board is mindful of the impact of the Group's operations and the actions directed by the Board on the wider society and environment.

The Board in its actions seeks to maintain the highest standards of professionalism, integrity and ethics and to ensure that the Group maintains its reputation for high standards of business conduct.

→ Read more in our **Corporate Responsibility** section on pages 82 to 89

→ Read more in our **Ethics and Compliance** section on page 98

Shareholder 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 Chairman has overall responsibility for ensuring that the Group has appropriate channels of communication with its shareholders and is supported in this by the Senior Independent Director and the Executive Directors. Shareholders are consulted on a variety of issues, as appropriate, such as the composition of the Board and Director remuneration. The Board regularly receives feedback from the Group's brokers, advisers and the Executive Directors on the views of major shareholders and the investor relations programme, and also receives reports on significant changes to the composition of the Group's share register. Due to the pandemic the usual direct engagement mechanisms with shareholders have been curtailed but the Directors have continued communications virtually through one-to-one meetings and responding to specific shareholder queries and provided digital presentations, including for the Half-Year results announcement. In order to ensure that shareholder engagement is facilitated at the 2021 AGM, despite the potential ongoing restrictions for in person meetings due to the pandemic, the Company is utilising an online meeting platform to allow for electronic participation by all shareholders.

Workforce Policies and Practices

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 key policies that impact our workforce to ensure that policies and practices support the Group's purpose and reflect our values. This year a new Code of Conduct and a Global Employee Handbook were both introduced, which provide important information on working at Ocado and help embed the behaviours and values of the Group alongside more practical information to enable our employees to work effectively and efficiently. We have also introduced updated anti-bribery and anti-corruption policies this 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.

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 98. The Board monitors this area 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 hire during the pandemic.

→ Read more in **Our People** section on pages 90 to 97

Workforce Engagement

The Board engages with the workforce using various methods to ensure they receive information on the Group to remain engaged and committed and to ensure the Board understands the composition and views of employees. As the Designated Non-Executive Director, Andrew Harrison is an important link to the workforce. Andrew attended all Ocado Council meetings this year and reported back to the Board on the views and concerns of the workforce, as well as being able to respond to questions raised at these meetings.

→ Read more about the DNED in the **Our People** section on page 97

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. Tim, and the executive team, update the workforce on all aspects of the business and take direct questions in real time from employees. This year the frequency of updates from the Chief People Officer increased to provide the Board with up to date, valuable information on the workforce. This year has also seen the introduction of a new employee engagement platform, Peakon, which enables employee feedback to be gathered continuously, as opposed to an annual survey, to provide more useful data and enable more timely action in response.

→ Read more in our **Engaging With Our Stakeholders** section on pages 72 to 81

Division of Responsibilities

Leadership Structure

The Board is responsible for providing leadership to the Group. The structure of the Board, and 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 Chairman 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 Chairman, 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 weekly.

Executive Committees

These governance Committees are chaired by an Executive Director and 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.

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.

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 Chairman 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

Chairman

- 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 Chairman
- Available to the shareholders

Designated Non-Executive Director

- 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

The role descriptions for CEO, Chairman, 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.

Information for Directors

The Chairman 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.

Indicates delegation

Indicates Board support

Division of Responsibilities

Continued

Board and Committee Meetings and Attendance

During the year, due to the pandemic, the Board and its committees have conducted 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.

Meetings attended / Possible meetings the Director could have attended

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Lord Rose (Chairman)	12 / 12	N/A	4 / 4	N/A
Andrew Harrison (SID, DNED)	11 / 12	7 / 7	3 / 4	7 / 7
Emma Lloyd (NED)	12 / 12	7 / 7	4 / 4	N/A
Jörn Rausing (NED)	12 / 12	N/A	4 / 4	N/A
Julie Southern (NED)	12 / 12	7 / 7	4 / 4	6 / 7
Claudia Arney (NED)*	11 / 12	N/A	3 / 4	6 / 7
John Martin (NED)	12 / 12	7 / 7	4 / 4	N/A
Michael Sherman (NED) – appointed within the year	4 / 4	N/A	1 / 1	N/A
Tim Steiner (CEO)	12 / 12	N/A	N/A	N/A
Duncan Tatton-Brown (CFO) – resigned within the year	12 / 12	N/A	N/A	N/A
Mark Richardson (COO)	12 / 12	N/A	N/A	N/A
Luke Jensen (CEO, Ocado Solutions)	12 / 12	N/A	N/A	N/A
Neill Abrams (Group General Counsel and Company Secretary)	12 / 12	N/A	N/A	N/A

* Claudia retired from the Board after the end of the financial year.


AB-K78
AA-L85
AA-L85

Division of Responsibilities
Continued

Board Effectiveness: Key Activities of the Board

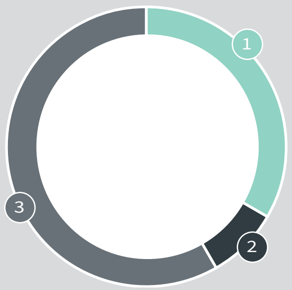
The table below sets out some of the Board's key areas of focus and discussions through the year as it effectively discharged its responsibilities. It also shows the stakeholder views and interests, gathered through stakeholder engagement and feedback, that were considered in each of the actions identified.

Area	Actions	Stakeholders considered
Strategy, Performance and Financing	Annual strategy conference to review 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.	
	Received regular updates on the impact of Covid-19 on the business, particularly projects with Solutions partners and online grocery demand, and oversaw the response to the pandemic, including increasing capacity and putting in place new health and safety measures.	
	Received regular reports from senior management, including Ocado Retail, on trading, business performance, financing and the implementation of strategy throughout the year.	
	Approved a capital raise of approximately £1,007 million comprising the placing of approximately £650 million of new ordinary shares and share offer on PrimaryBid, and the offering of £350 million of convertible bonds due 2027.	
	Approved the acquisition of Haddington Dynamics Inc. and Kindred Systems Inc., specialist robotic companies.	
Reporting, Risk Management, and Accountability Controls	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 2018/19 and half-year 2020 results as well as the quarterly results, regulatory announcements and the Group's Viability Statement and going concern status.	
Operations	Approved the annual budget, the business plan for the Group and individual capital expenditure projects.	
	Received regular reports on the key projects including new technologies and the switchover to M&S products on ocado.com.	
	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.	
Leadership and People	Consideration of the composition and effectiveness of the Board, including the appointment of Michael Sherman and Rick Haythornthwaite.	
	Reviewed and discussed the outcomes of the externally facilitated Board evaluation and reviewed progress against the 2019 Board evaluation action plan.	
	Received reports on people issues including diversity and inclusion, gender pay gap analysis, the introduction of new employee wellbeing initiatives, and the launch of a new employee engagement platform.	
Governance and Corporate Responsibility	Reviewed various environmental, governance and social related matters including, annual stakeholder analysis, corporate responsibility update, and materiality assessment.	
	Reviewed and approved corporate statements including gender pay gap statement, modern slavery statement, and carbon assurance statement and basis of preparation document.	

Key to icons:

- Our People
- Society and Community
- Regulatory Bodies
- Investors
- Partners
- Suppliers (Solutions)
- Suppliers (Retail)
- Customers (Retail)

Board Independence



1 Executive Director **4**

2 Chairman **1**

3 Non-Executive Director **7**

Figures as at year end.

Independence

At end of the financial year the Board comprised twelve Directors, including seven Non-Executive Directors, excluding the Chairman (who was independent on appointment), all determined by the Board to be independent and four Executive Directors (for the majority of the year prior to the retirement of Duncan Tatton-Brown there were five Executive Directors). Therefore the Board complies with the Code recommendation that independent non-executive directors should make up at least half of the Board, excluding the Chairman. 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 17 years, ten 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.

Division of Responsibilities
Continued

Change in Directors' Commitments

Director	Change in Commitment	Effective Date of Change
Lord Rose	Appointed Chairman of EG Group Limited	21 January 2021 (after period end)
	Resigned from Fat Face Group Limited	23 October 2020
Andrew Harrison	Appointed Chairman of Trustees of The Mix (previously Trustee)	July 2020
	Appointed Chairman of Whocanfixmycar.com Ltd (previously Director)	March 2019
Claudia Arney	Appointed Director of RooFoods Ltd	23 November 2020
Julie Southern	Appointed Director of Shilton Midco 2 Limited	3 December 2020 (after period end)

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 Chairman 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 Chairman 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 104 to 107. There have been a number of changes to the Directors' external appointments during the period as set out in the table above.

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.

Whenever a Director takes on additional external responsibilities, the Director will discuss the potential position with the Chairman and confirm 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 Chairman and the Company Secretary as and when they arise. As part of the induction process, a newly appointed Director completes a questionnaire that requires him or her 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 review. During the year some Directors declared potential conflicts of interest in relation to matters being discussed by the Board and as such did not participate in discussions regarding these matters. None of the other Directors declared to the Company any actual or potential conflicts of interest between any of his or her duties to the Company and his or her 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 and Duncan Tatton-Brown are Ocado appointed directors on the Ocado Retail Limited board. Notwithstanding their Companies Act 2006 duties and obligations under the Articles, both directors are 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.

Composition, Succession and Evaluation

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. The formal procedure for Board appointments and succession planning is detailed in the Nomination Committee Report on pages 128 to 129.

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 2020 annual general meeting, all of the current Directors (except for Michael Sherman and Rick Haythornthwaite who had not yet been appointed) stood for reappointment, and were duly elected with majorities ranging from 80.35% to 99.78% of the votes cast.

All the Directors will retire and seek re-election at the 2021 Annual General Meeting of the Company ("AGM"), except for Lord Rose who intends to stand down at the AGM. This report and in particular the Board Biographies on pages 104 to 107 sets forth the contribution of each Director on the Board to the Company and on this basis the Board, and specifically the Chairman, believes each Director proposed for re-election at the AGM should be reappointed. The Board has based its recommendations for re-election or election, in part, on its review of the results from the Board evaluation process outlined on pages 124 and 125, on the reviews of the Executive Directors conducted at meetings of the Non-Executive Directors, the Chairman's review of individual evaluations, and whether 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 17 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 and Professional Development

On joining the Board, it is the responsibility of the Chairman 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 the standard employee onboarding to provide first hand experience of the introduction provided to all new employees. Then the Director meets 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. Guidance and training, as appropriate, is provided on Board governance and the duties, responsibilities and liabilities of a director of a listed company. These activities formed part of the induction programme for Michael Sherman who joined the Board in October 2020 and Rick Haythornthwaite who joined the Board in January 2021.

The Board and Board Committees receive training, including in specialist areas, and updates on issues relevant to the Group's business, including legal, regulatory and governance developments and operational and technological updates. Training is typically arranged by the Company Secretary in consultation with the Chairman or relevant Board Committee Chairman. 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.

Composition, Succession and Evaluation
Continued

Board Composition

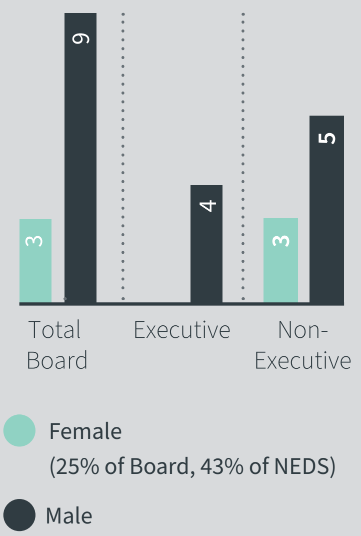
The composition of the Board and Board Committees is continually assessed to ensure an appropriate balance of skills and experience is maintained. The Board takes into account various considerations in assessing the composition of the Board including length of Director tenure, Board diversity, independence and the combination of skills and experience of the Directors. As highlighted in the external Board evaluation undertaken in 2019, 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. The appointment of Michael Sherman this year has strengthened the Board in these areas due to his global business background and technology industry based experience. The appointment of Rick Haythornthwaite as Non-Executive Director and Chairman-elect brings further depth to the Board in global business experience as well as extensive leadership experience, including in the technology sector. The combination of skills and experience of the Board is illustrated on the chart on the opposite page.

Board Diversity

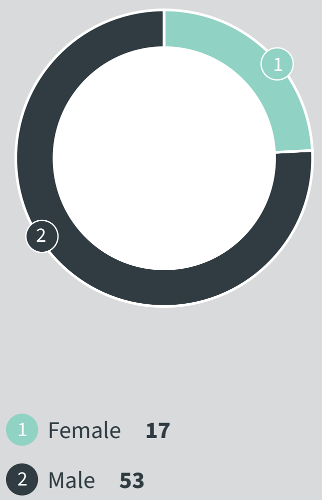
The Board considers a diverse Board, of gender, ethnicity and social backgrounds, leads to better outcomes and improved decision making and is committed to improving diversity on the Board. The Board diversity policy includes agreed objectives to improve diversity, and progress against the objectives is regularly monitored. Further details on the policy and diversity and inclusion at Board level is included in the Nomination Committee report on page 129 and for the Group as a whole in the People section on pages 90 to 97. The charts below and opposite illustrate the gender diversity of the Board and senior management and the diversity characteristics of the Board as identified by individual Directors.

→ Read more in the **Board's Biographies** on pages 104 to 107

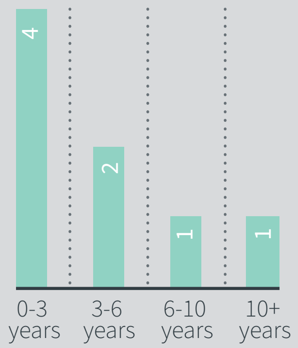
Board Gender Diversity



Senior Management Gender Diversity



Length of Tenure of Chairman and Non-Executive Directors



Note that all information is recorded as at the end of the period.

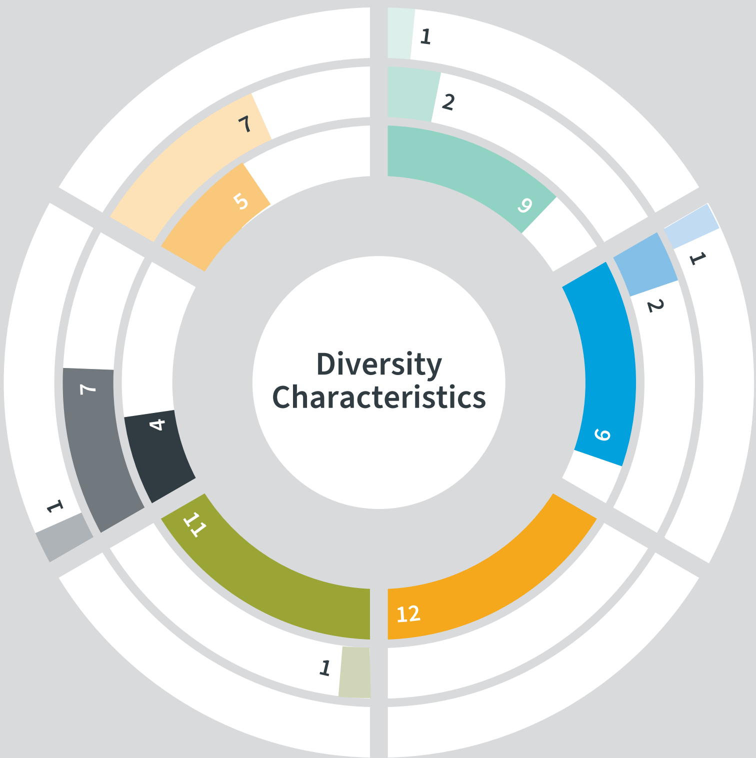
Combination of skills and experience as identified by the Board

Skill	Number of Directors
Chairmanship	7
Risk management	8
Financial reporting	10
Workforce engagement	11
International board experience	10
Prior FTSE Board experience	5
Financial acumen	12
Technology	11

Skill	Number of Directors
Investor relations	10
Retail industry	11
Marketing	7
Governance	10
Grocery industry	8
Business development	10
Operational	8

The Board participated in a process to identify their own cognitive 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.



Age
- 41-55
- 56-70
- 70+

What is your ethnic group?
- White
- Mixed/multiple ethnic groups
- Black/African/Caribbean/Black British

Sexual orientation
- Heterosexual/straight

Do you consider yourself to have a disability defined by the Equality Act 2010?
- No
- Prefer to self-describe

What is your highest level of educational attainment?
- Level 7 – Master's degree
- Level 6 – Bachelor's degree
- Level 5 – Higher national diploma

Were you educated outside of the UK?
- Yes
- No

Note that all information is recorded as at the end of the period

Composition, Succession and Evaluation
Continued

Annual Board Evaluation

Review of Board Effectiveness

In October 2020 a board evaluation review was externally facilitated by Manchester Square Partners ("MSP") (who have no other connection with the Company, and are considered by the Board to be independent).

The Board recognise that a continuous and constructive review of its performance supports the development of a high-performing board. It is committed to conducting annual reviews with external input at least once every three years, as recommended by the Code.

A board effectiveness review was also externally facilitated by MSP in 2019. Given the impact of the Covid-19 pandemic and the unprecedented challenges and increase in retail demand it presented, it was agreed by the Chairman and the Company Secretary that external insight and input on the Board's effectiveness would be particularly valuable. MSP were selected to facilitate the evaluation, providing continuity of the evaluation completed in 2019.

2019	2020	2021
External evaluation conducted by MSP	External evaluation conducted by MSP	Internal evaluation

2020 External Board Evaluation Process

1. An online questionnaire was developed by MSP in collaboration with the Company Secretary to address the performance and effectiveness of the Board whilst applying the principles of the Code.
2. Individual interviews were conducted with the Chairman, Senior Independent Director, Chief Executive Officer and Chief Financial Officer.
3. Summary and detailed anonymised data were provided in a separate report. The data, free format comments and interviews formed the basis of the board evaluation report, which was discussed with the Chairman before presenting to the Board.

External Board Evaluation Results 2020

The evaluation report concluded that:

- The Board and its Committees function well with excellent dynamics. The Board is led by a strong, inclusive and effective Chairman who encourages engagement, contribution, openness and trust.
- The Board responded well to the Covid-19 pandemic, the challenges it presented and the significant increase in online demand whilst transitioning the retail business, expanding work with existing partners and developing the Solutions business.
- The Board is effective, providing good oversight, leadership and support to the business with all Directors engaged, recognizing the opportunities and challenges, and focused on ensuring a successful future, whilst providing keen and active contribution wherever possible within a remote environment.

The review also highlighted the following as areas to consider during 2021:

External Board Evaluation Actions 2020

	Action
Succession planning	Further develop on-boarding plans for new appointments and review support given to transitions. More discussion, with action plans on future management structures and issues of diversity and inclusion in management. Consider recruiting a Non-Executive Director with international experience in software or engineering to support the expansion of the Solutions business.
Solutions Business Performance	Develop an enhanced performance reporting pack.
Board papers and discussion	Continue to build on board paper improvements initiated in 2020, including mechanisms to improve contributions and debate.
Board Agenda planning	To review forthcoming agenda items to ensure appropriate board time is allocated across key areas.

Progress Against 2019 External Board Evaluation Actions

The outcome of the 2019 externally facilitated board evaluation was reported in detail in last year's Annual Report. The focus areas highlighted by that review and progress made are set out below:

	Action	Outcome(s)
Board pack and presentations	Review of board meeting reporting and development of metrics that readily highlight key points for discussion, enabling an appropriate level of preparation, questions, debate and challenge.	Board Intelligence software, one of the market leaders in board reporting, is in the early stages of implementation, providing access to their platform, including templates and learning tools, for all board paper contributors. Effective Reporting Workshops have been provided by Board Intelligence to Board paper contributors, with a particular focus on s172 requirements and the provision of an executive summary/key points for discussion. Executive Management are developing a results pack that reports key performance metrics to provide better information concerning the performance of the Solutions business in particular.
Length of meetings	Given the pace and activity of change, allotted time for Board meetings should be extended to ensure enough opportunity for full discussion on all topics.	Meeting length increased, monitored and reviewed regularly.
Visibility of relationship with Stakeholders	Given the evolving range and nature of key stakeholder groups, further visibility and review of key stakeholder groups to take place at Board level.	There has been significant focus on workforce engagement during the year. Following a trial with Ocado Technology, Peakon, the market-leading employee feedback tool that enables employees to instantly, anonymously and continuously give feedback, was introduced to Operational Management and Head Office roles across the globe, with Andrew Harrison, Designated Non-Executive Director (DNED), an active sponsor of the project. As an active conduit between the Board and employees, the DNED provides feedback to the Board following discussions with employees and management and likewise communicates Board decisions to the workforce. The introduction of Peakon supports the feedback process, providing insights across all cross sections of our employees, ensuring an even better understanding of our people and putting them at the centre of our business decisions. Consultation takes place with shareholders on remuneration policies and Board composition. Management reporting includes feedback from Solutions partners.
Board composition	Consider a Non-Executive Director that will further support the Group's shift towards the Solutions Business.	Michael Sherman appointed as a Non-Executive Director in October 2020. Michael brings extensive technology sector experience and skills to support the Group's growth as a technology-led software and robotics platform business.

Nomination Committee Report

Lord Rose
Chairman

> **"The Nomination Committee believe our recent appointments fit well with Ocado's current and future strategic needs."**

Committee Membership

The membership of the Nomination Committee, together with the appointment dates, are set out below:

Lord Rose,
Committee Chairman
Date of Appointment:
11 March 2013
Independent: No

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

Rick Haythornthwaite,
Date of Appointment:
1 January 2021*
Independent: Yes

† Claudia Arney Retired 25 December 2020 (appointment 1 September 2019 and was Independent)

* after period end

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Nomination Committee for the 52 weeks ended 29 November 2020.

This has been a busy year for the Nomination Committee with a number of significant changes to the Board. Following his resignation after eight years in his role as Chief Financial Officer and Executive Director, I would like to thank Duncan Tatton-Brown for his dedication and hard work and the significant contribution he made throughout his time with Ocado. Stephen Daintith will succeed Duncan as Chief Financial Officer. We look forward to welcoming Stephen in the near future.

During the year the Nomination Committee undertook a thorough review of the Board's composition, placing a strong focus on succession plans, business transformation reviews and talent development and organisation succession. A new Non-Executive Director, Michael Sherman, took up his position on 5 October 2020 as an independent Non-Executive Director making an important addition to our skill set. The Committee also undertook a thorough search for a new Chairman, following my decision to retire at this year's AGM after eight years of service. This process was led and overseen by John Martin and the Committee, resulting in the appointment of Richard Haythornthwaite as an independent Non-Executive Director and Chairman-elect on 1 January 2021. Richard will assume his role as Chairman following the AGM on 13 May 2021.

As a Committee, we believe our recent appointments fit well with Ocado's current and future strategic needs.

Claudia Arney stepped down from the Board on 25 December 2020. As well as serving as a Non-Executive Director she was also a member of both the Remuneration and Nomination Committees. We thank her for her contribution.

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.

Lord Rose
Chairman

Delivering an effective Board

Key Responsibilities

- Review the structure, size and composition of the Board and its Committees
- Give full consideration to succession planning for the Board and senior management and oversee the development of a diverse pipeline for succession
- Review the leadership needs of the organisation, both executive and non-executive
- Identify and nominate potential candidates for Board vacancies as and when they arise, in line with succession planning
- Evaluate the combination of skills, experience, independence, diversity and knowledge on the Board and its Committees
- Review and act upon the results of the Board performance evaluation process and assess how effectively members work together to achieve objectives
- Liaise as necessary with other Board Committees and the Board, ensuring this interaction is regularly reviewed
- Support workforce initiatives that promote a culture of inclusion and diversity

Membership

As required under the Terms of Reference, the Nomination Committee comprises all Non-Executive Directors, and the Chairman, and holds a minimum of two meetings a year. Michael Sherman became a member of the Nomination Committee on his appointment to the Board on 5 October 2020. Claudia Arney resigned from the Committee and the Board after the end of the period on 25 December 2020. The biography of each member of the Nomination Committee is set out in the Board Biographies on pages 104 to 107. Other attendees at Nomination Committee meetings include the Chief Executive Officer and the Chief People Officer. The Deputy Company Secretary is the 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 main matters that the Nomination Committee considered during the year are described below:

- recruitment process for a new Non-Executive director, resulting in Michael Sherman's appointment to the Board;
- the process used in relation to appointments, the approach to succession planning and how both support developing a diverse pipeline;
- Stephen Daintith's appointment as Chief Financial Officer, following succession planning from Duncan Tatton-Brown's resignation;
- recruitment process and succession planning in line the Chairman's planned resignation following eight years of service, resulting in the appointment of Richard Haythornthwaite;
- reviewing the gender balance of those in senior management and their direct reports in line with the Company's governance structure; and
- refining the company's internal leadership structure for senior management and their direct reports in line with company strategy, talent development and organisation succession.

Nomination Committee Report
Continued

Board Appointment Process

Step One

Evaluate the combination of skills, experience, independence, diversity and knowledge of the Board and in light of this evaluation prepare a description of the role and capabilities required for a particular appointment and the time commitment expected.

Step Two

Begin facilitating the search using open advertising and instructing external advisers. Identify a strong long list of potential candidates (8-10) based on a number of factors including experience, merit and diversity.

Step Three

Narrow down a short list from those longlisted and invite those candidates to proceed to a 3 stage interview process, facilitated by a combination of Non-Executive and Executive Directors, the Chairman and senior management.

Nomination Committee Approval

Nomination Committee selects and recommends the preferred candidate choice to the Board.

Board Approval

The Board approves the formal appointment of the selected candidate and an announcement is made to the market.

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, diversity and ensuring a combination of Board knowledge, experience and skills. This review preceded the Board agreeing changes to the composition of the Board that occurred during the period, which included the appointment of Michael Sherman as Non-Executive Director with effect from 5 October 2020, the appointment of Stephen Daintith as a Chief Financial Officer due to begin later in 2021, and the appointment of Rick Haythorthwaite as Non-Executive Director and Chairman-elect with effect from 1 January 2021.

→ More information about the **Board's Composition** can be found on pages 122 to 123 and **Independence** can be found on page 119

The Nomination Committee continues to review Board composition to ensure that there is effective succession planning at Board level. This includes the review of a regularly updated skills matrix for all Directors, supported by a self-assessment analysis completed by each Director. Following the announcement of Duncan Tatton-Brown stepping down as CFO and Executive Director, changes were undertaken to ensure a smooth and effective transition with the appointment of a new CFO. The Company also appointed a new Non-Executive Director during the period and John Martin successfully led the recruitment process for a new Chairman, following Lord Rose's decision to resign at the 2021 AGM after eight years of service. The Nomination Committee engaged Russell Reynolds, an executive search agency, to assist in both Non-Executive Director appointments. The Company and the Directors have no other connection with Russell Reynolds.

The Nomination Committee oversaw the succession planning for the role of Chairman in line with the Board diversity policy and the Company's strategic vision for the next nine years. The Nomination Committee believes that the appointment of Rick Haythornthwaite as Chairman-elect will bring a vast depth of experience and represents an excellent cultural fit for both the Company and Board.

Following Claudia Arney's resignation from the Board, after year end on 25 December 2020, a vacant position was left on the Remuneration Committee. As a result, Emma Lloyd has been appointed to fill this position keeping the membership of the Remuneration Committee as three members.

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 e-commerce and logistics company. In light of this, the Nomination Committee reviewed the proposed new organisation structure. Through the business transformation programme, a new operating model was implemented for the Group during the period that allows the business to reorganise around its objectives and missions. By taking this approach, the business can ensure productive and effective decision making from those closest to each mission, establish a broader range of diversity in senior management and focus each area of business on achieving their objectives. The Nomination Committee reviewed management succession plans reflecting the new management structure and debated the areas for further strengthening given the transformation and strategic direction of the business. The Committee noted that the technology, construction and engineering teams had grown substantially in recent years and development of senior leadership in those departments is an area of focus for future years.

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 25% female representation, falling short of the aim of 33% representation as set out in the Board diversity policy, but met the policy aim of one non-white director on the Board. The Board continues to review the diversity policy annually and the criteria is under review organisation wide. 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". This includes Russell Reynolds, who were engaged to help the Company secure a new Non-Executive Director and Chairman for the Group. 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 90 to 97

Annual Review

The Nomination Committee carried out a review and updated its Terms of Reference during the year. The Nomination Committee's terms of reference can be found on the Corporate Website, www.ocadogroup.com.

Audit Committee Report

Audit Risk and Internal Control

Julie Southern
Audit Committee Chairman

> **"During the year the Committee has continued to play a valuable role in the Group's governance framework."**

Committee Membership

The membership of the Audit Committee, together with the appointment dates, are set out below:

Julie Southern,
Committee Chairman

Date of Appointment:
1 September 2018*

Independent: Yes

Emma Lloyd,

Date of Appointment:
1 April 2019*

Independent: Yes

Andrew Harrison,

Date of Appointment:
1 March 2016*

Independent: Yes

John Martin,

Date of Appointment:
1 June 2019*

Independent: Yes

For Committee attendance, see the table on page 116.

* Appointed to Committee

Dear Shareholder

I am pleased to present the report of the Audit Committee for the 52 weeks ended 29 November 2020. 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 procedures.

Last year saw significant and rapid change for the Group, including the creation of the Ocado Retail joint venture and the expansion of Ocado Solutions and Ocado Ventures. This year the transformation of the Finance department has continued, in order to reflect the changes to the business and to continue to meet the demands of the Group effectively. This has included additional recruitment to expand both the headcount and skill set of the team and the launch of a wide-reaching finance transformation project, to reflect the global business we have become.

Plans are well advanced to implement a new finance system with associated controls, processes and reporting appropriate for the Group's global expansion plans. During the last year, the use of the existing systems and automated processes has been improved, additional reconciliation processes have been implemented, user access controls have been strengthened and finance and tax risk registers have been updated. The expansion of the Solutions business will require 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. As a result of this activity I am pleased to report that the overall control environment is much improved.

Covid-19 has had a considerable influence on the business this year. The Finance team had to quickly adapt to the restrictions that remote working imposed but through the team's hard work the integrity of the financial control environment was maintained. The Audit Committee has monitored the risks associated with Covid-19 and any impact on the internal control mechanisms and risk management framework throughout the year.

This report sets out the role of the Audit Committee and how its duties and responsibilities have been discharged. This includes significant accounting matters and issues in relation to the Group's financial statements that the Committee has assessed during the year including the carrying value of software and construction in progress and accounting for the revenue recognised from our Solutions contracts that have gone live. The report explains why the issues were considered significant, which provides context for understanding the Group's accounting policies and financial statements for the period. The other primary responsibilities of the Committee, including reviewing the effectiveness of the Group's assurance functions, are also detailed.

I would like to take the opportunity to thank Duncan Tatton-Brown, who retired as Chief Financial Officer in November 2020, for his valuable contribution.

I will be available at the AGM to answer any questions about our work.

Julie Southern
Audit Committee Chairman
9 February 2021

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
- 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 104 to 107. 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 seven meetings. The timing of meetings coincides with key intervals in the Group's reporting and audit cycle. The Chairman 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 Deputy Chief Financial Officers, the Head of Internal Audit and the external auditor. Other attendees who attend as required include the Chief Executive Officer, the Chairman, 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.

Following the departure of Duncan Tatton-Brown as CFO, the duties and responsibilities of the CFO have been undertaken by the Deputy CFOs, Andrew Page and Richard Exact, until Stephen Daintith takes up the role.

Audit Committee Report

Audit Risk and Internal Control Continued

How the Committee Spent its Time During the Year

The responsibilities of the Audit Committee are set out in its Terms of Reference, which were last updated in October 2020 and are available on the Corporate Website. 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:

- financial control environment;
- provisions, contingent liabilities and contingent assets;
- Ocado Solutions revenue recognition;
- Andover CFC fire accounting;
- accounting and disclosure for new acquisitions and investments;
- impairment of capitalised costs;
- Group tax strategy;
- financial reporting process;
- viability and going concern including key underlying assumptions;
- Governance, Risk and Compliance annual plan and updates;
- risk management and internal control systems;
- Covid-19 risks;
- review of new risk management policy and procedure;
- effectiveness of internal control and risk management framework;
- internal audit plan and reports and internal audit effectiveness review;
- regulatory and compliance roadmap review and changes to the governance framework;
- cyber security program update;
- review of auditor appointment policy;
- review of Committee Terms of Reference; and
- evaluation of Committee paper.

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, a management report 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. For information concerning the process followed by the Company in preparing this Annual Report see page 138 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. 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 (including confirmation of timing of revenue recognition as two international customers went live).	The accounting treatment is included in the Consolidated Income Statement on page 199 and Note 2.1 to the Consolidated Financial Statements.
Accounting for Ocado Retail JV	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. The dispute resolution procedures (in relation to approval of the business plan and appointment and removal of the Ocado Retail CEO) remain unchanged in the shareholder agreement, giving Ocado Group control as defined by IFRS 10.	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 Note 3.14 to the Consolidated 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 report including the intention to defend against these claims. At this early stage it is not possible to predict an outcome or quantify any financial impact and so as guided by IAS 37 the claim is not treated as a contingent liability.	There is no impact to the financial statements and no additional disclosures required for the period. See Note 3.14 to the Consolidated Financial Statements.
Exceptional items	Management judgement was applied in order to treat certain one-off transactions as exceptional, including the ongoing transactions relating to the Andover fire. Management has judged that additional costs caused by the Covid-19 pandemic would not be treated as exceptional.	The Audit Committee considered the management reports on the accounting treatment of certain one-off transactions including the Andover fire costs 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.	See Note 2.6 in the Consolidated Financial Statements for the exceptional items disclosed and the explanation on page 134.

Audit Committee Report

Audit Risk and Internal Control Continued

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 4.7 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 in particular new schemes established for the Ocado Retail joint venture.	The Audit Committee gave due consideration to the management report on the fair value of all the existing schemes. The establishment of the new Retail scheme was debated within the Committee to ensure sufficient review of the potential performance ranges in 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.	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 commercial income 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. 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 188 to 198 of the Independent Auditor's Report. 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 impacted 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 is unchanged from the prior period, and also the clear reporting of these amounts in the financial statements.

Segmental Reporting: Management have considered how they manage, plan and report the performance of the business internally. There is no proposed change to the presentation of segments by management and the methodology used in the prior year was applied for segmenting the business. The disclosures are provided to shareholders including financial statement information and key performance indicators.

Going Concern and Viability Assessments: The Audit Committee and the Board reviewed the Group's going concern and viability statements (as set out on pages 68 to 71) and the assessment reports prepared by management in support of such statements. The report on the viability statement included updated downside scenarios and reverse stress test in light of the increased disclosure requirements and the Covid-19 pandemic, 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 (as set out on pages 68 to 71) 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 and Audit Committee reviewed the more extensive disclosure contained in the statements noting that it reflected much of the detailed analysis and assumptions presented to them in support of the 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. The substantial changes to the scale of the business and increase in international operations and the changes to the risk profile were considered. In light of these changes a comprehensive update of the Group's tax strategy was also completed. The strategy includes a low risk tax efficient model for the international Solutions business to meet the needs of our growing global operations. This covers our strategy in relation to issues such as transfer pricing, customs, cash extraction and IP rights holding. The Board reviewed and approved the Group's tax strategy and related statement, which is available on the Corporate Website.

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 management and other areas of the business and an annual assessment report provided by Governance, Risk and Compliance. In addition, the Audit Committee Chairman 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 130, 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 undergo significant change and the Finance team embedded a finance transformation programme with the objective, among others, of designing and implementing a more robust financial control environment responsive to the Group's growing complexity and strategy. This sought to address some of the shortcomings identified at the end of 2019 and reported on in the Company's previous annual report. Swift action has been taken to grow and strengthen the Finance team to improve the control environment, provide additional control rigour and improve overall efficiency thereby reducing risk. Resources within the Finance team were prioritised to undertake a number of control improvements as part of the transformation programme which will increase the maturity of the Group's financial control environment. The established Financial Controls team has been strengthened, with clear accountability, to act as the second line of defence to monitor, design and drive improvements in internal controls over financial reporting which are being embedded in the Group's end-to-end processes. Meaningful progress has set the foundations of a control framework which will be continuously refined in response to business requirements and regulatory changes including improving awareness and accountability on the control environment. A new finance system is planned for completion in mid-2021 significantly enhancing the automation of financial controls, processes and reporting appropriate for the Group's global expansion plans.

As well as considering internal control system effectiveness, the Board and the Audit Committee discussed the evolving risk landscape for the business as a result of the continued international expansion of the Solutions business and growth of the business as a whole. This year a comprehensive review and update of the Group Risk Management Policy and Procedures Manual has been undertaken that included discussion and review of the Group's risk appetite and the risk acceptance methodology. In addition, the terms of reference for the Risk Committee were reviewed and updated. In response to the introduction of Ocado's new organisational structure, put in place to reflect the changes in the business over recent years, the risk register hierarchy was rebuilt and the Audit Committee is continuing to monitor the ongoing work to deliver refreshed risk registers covering the Group's operations. As part of this work Governance, Risk and Compliance updated the assurance maps based on the three lines of defence model. The mapping exercise helped identify the relevant high level controls and management oversight reflecting the new mission structure. The exercise will be used to further develop the control framework and to identify areas for further assurance work.

Every year the Audit Committee focuses its attention on risk areas of particular importance, typically linked to the Group's principal risks. The Audit Committee spent time discussing a number of key programmes intended to mature the technology and security controls for the business. Such additional controls would be necessary to provide a control environment commensurate with providing the OSP platform to third party clients. Programme updates from management and assurance reports from Internal Audit were provided to the Audit Committee in a range of information security areas including: the programme to achieve compliance under the Security and Organisation Controls standard, the PCI compliance programme and new security controls for the existing information security systems. The Audit Committee expects to carefully monitor progress of management plans as this is such an important control area for the business.

→ Further details of the risk review and the Group's risk management and internal control systems, including financial controls, are set out in the **How We Manage Our Risks** section on pages 60 to 71

Audit Committee Report

Audit Risk and Internal Control Continued

Group compliance programme: The Audit Committee reviewed, considered and approved the annual plan for the Group compliance programme, including its extension to cover the global operation. This plan included the introduction of a number of new and updated policies, enhanced guidance material, new training modules and risk assessments in core areas of the business. The biggest milestone this year was the launch of a new global Code of Conduct both internally and externally. The Code, which was approved by the Board, was accompanied by a new training module that incorporated an annual statement of compliance covering a number of core compliance topics. The Board also considered and approved a new global Delegations of Authority Policy, supported by both systems updates to support financial controls, and comprehensive guidance. A further key focus was an updated anti-bribery programme, which included a risk assessment and a new global policy, both of which were reviewed and approved by the Board. This programme was also supported by enhanced approval tools for gifts and hospitality and a new training module. The Audit Committee will continue to monitor the implementation, enhancement and effectiveness of the Group compliance programme.

Internal Audit

The Internal Audit function provides independent and objective assurance to the Audit Committee on the effectiveness of the Group's systems of internal control and risk management. The Audit Committee reviewed and approved the Internal Audit plan in January 2020, and subsequent changes to the plan throughout the year. This included prioritisation of audit work and an increase in resources so that Internal Audit could cover more areas across the Group, in light of the growth in scope and complexity of the business. The Audit Committee also reviewed and approved the Internal Audit Charter.

Audits performed in 2020 included financial and operational risk areas such as food safety, privacy, treasury and business continuity; audits of key technology systems; and audits of key programmes.

The Audit Committee receives reports from Internal Audit at each meeting. The reports enable the Audit Committee to discuss key findings, recommendations and plans by management to address any areas of weakness. Management actions are tracked and the status of these actions is reviewed. Progress against the Internal Audit plan is also reviewed. During the period, the Audit Committee met with the Head of Internal Audit without management present.

Internal Audit Effectiveness Review: Internal Audit is subject to an effectiveness review each year. This year PricewaterhouseCoopers completed an external effectiveness assessment of the Internal Audit function. The set up and working practices, the current views of stakeholders on Internal Audit and its performance, and the future expectations of stakeholders were all considered, through a mix of interviews, analysis and benchmarking. The review acknowledged that the Internal Audit function has evolved in response to the challenging and changing needs of the business. It noted that the fast paced, entrepreneurial nature of the business created a specific challenge, but Internal Audit has worked to ensure its approach provides challenge and support without impeding the rate of change. The review recommended that in order to further strengthen the function, Internal Audit focus on stronger alignment with the business risks and actively engage with senior management to align expectations. The review concluded that Internal Audit is fulfilling its role, with positive feedback from stakeholders, and the provision of valuable reports to the business. The key recommendations from the review will be addressed by Internal Audit in 2021.

In order to assess the effectiveness of the Internal Audit function, the Audit Committee review and approve the annual plan, assess the quality of Internal Audit reports and monitor actions taken in relation to the findings. In consideration of these factors, together with the results of the external effectiveness assessment, 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.

External Auditor

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 2020 annual general meeting. The current audit partner Mark Lee-Amies has held the role for four years. Deloitte has been the external auditor for four years, since the last tender process was undertaken in 2016 for the financial year ended 3 December 2017. The Committee currently intends to conduct a tender process no later than the 2027 year-end audit, in accordance with the current regulation requiring a tender every 10 years, subject to the annual assessment of the effectiveness and independence of the external auditor carried out by the Committee. The Audit Committee agreed to conduct a process in 2021 for selecting a successor audit partner for when Mark Lee-Amies steps down.

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. Like last year, the Audit Committee again dedicated additional meeting time to allow for a careful review of the audit plan and ensure that sufficient planning had been done to ensure a robust and quality audit of the year-end financial statements would be performed. 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 on pages 188 to 198. The Audit Committee also considered the audit scope and materiality threshold and the response 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, particularly given the challenges for the year-end presented by Covid-19 restricted working conditions for the finance and audit teams. To further facilitate open dialogue and assurance the Committee also met with the external auditor without management present.

The Audit Committee, the Executive team, and members of management from across the Company completed an external audit effectiveness review questionnaire at the end of the period. The questionnaire asked respondents to consider the robustness of the audit process and the quality of delivery, reporting, people and service. 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.

The Audit Committee was satisfied that Deloitte delivered a robust and quality audit, with appropriate focus given to the significant risk areas and key areas of accounting judgement, effective challenge to senior management, and providing the appropriate resources to the Company in the period. Therefore, the Committee concluded that 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.

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 reviewed and approved 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 Chairman
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 217. The non-audit service fees of £190,000 (2019: £415,000) paid to Deloitte during the period related to £154,000 paid for audit-related assurance services for the review of the half year financial statements and £36,000 for other agreed upon assurance services in relation to an EU grant. All non-audit work engagements were approved by the Chief Financial Officer and Audit Committee Chairman as the fees concerned were within the approval thresholds set under the policy.

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 was satisfied that the level of audit fees payable in respect of the audit services provided (excluding audit-related services) being £917,000 (2019: £868,000) 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 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 2020. At the 2020 annual general meeting, 99.69% of votes cast by shareholders were in favour of granting the Directors this authority.

Statement of Compliance with the Competition and Markets Authority (CMA) 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.

Corporate Governance Report
Continued

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. We also presented to shareholders on changes in our segmental reporting, key accounting policies including adoption of IFRS 16 and KPIs. These documents are available on the Group's Corporate Website. Shareholders can choose to receive the Annual Report in paper or electronic form. An updated Corporate Website was released during the period, designed to provide more effective communication with shareholders and other stakeholders.

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 184 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 the disclosure 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.

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 on pages 188 to 198.

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 2021

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 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 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.

Shareholder Voting 2020 Annual General Meeting

At the 2020 annual general meeting, all resolutions were passed with votes in support ranging from 70.24% to 99.99%.

At the 2020 annual general meeting, there were significant minority votes against two resolutions: Resolution 2 (Directors' Remuneration Report) and Resolution 10 (Re-appointment of Andrew Harrison). The Company understands that this outcome was broadly attributable to concerns around the performance of the Growth Incentive Plan ("GIP"), the implementation of the VCP and the approach to Executive Directors' salary progression.

Ocado's 2019 Remuneration Policy and the VCP were subject to extensive consultation with all major shareholders and investor bodies prior to the 2019 annual general meeting. All shareholder feedback received was carefully considered and as a result, multiple changes were made to the operation of the VCP. The Board reviewed the voting outcomes and believes that the current Policy continues to be aligned with Ocado's strategy and business needs and hence remains the right vehicle to remunerate and retain our Executives. In conclusion, the Board understood the main areas of concern for shareholders, and the response at the annual general meeting was in line with expectations from the consultation exercise in 2019.

In keeping with the Investment Association guidance, an update statement was sent to the Investment Association and can be found on the corporate website, www.ocadogroup.com.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TO YOUR DRIVER

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Directors’ Remuneration Report

Andrew Harrison,
Remuneration Committee Chairman

> **“Our colleagues, customers and communities continue to be faced with a set of unique circumstances as a result of Covid-19. The Committee is committed to ensuring that our remuneration structure and outcomes reflect the Company’s ambition to create a sustainable long-term model that benefits all stakeholders post-crisis.”**

Committee Membership

The membership of the Remuneration Committee, together with the appointment dates, are set out below:

Andrew Harrison
Committee Chairman
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

Claudia Arney
Resigned
Date of Appointment:
1 September 2019
Independent: Yes

For Committee attendance, see the table on page 116.

* Appointed to Committee

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors’ Remuneration Report for 2020.

The performance of the Group this year saw continued growth in the Retail business as we sought to meet the increased demand for our services, delivering 35.3% Retail revenue growth compared to the prior year. The UK and international online grocery markets grew very rapidly during 2020. Building sustainable, scalable offerings for grocery online is now top of the agenda in grocery boardrooms worldwide. This permanent shift in the market has been reflected in the Company’s very significant share price growth, which was 2218 pence per share at the end of the period (2019: 1325 pence per share).

Our Response to Covid-19

The Covid-19 pandemic has created a seismic shift in the way that all businesses must operate. At Ocado we have been committed to ensuring that our customers continue to be able to access reliable, efficient and safe grocery deliveries during this turbulent time, while also supporting our colleagues and partners however we can. Further details on our response to Covid-19 are set out below and on page 59.

We have increased capacity in our Customer Fulfilment Centres (“CFCs”) as fast as possible to address the increased demand. Via our Solutions business we have also enabled Morrisons to treble their capacity to serve customers using our In-Store Fulfilment technology, thereby reaching more homes across the nation.

None of this however would be possible without our colleagues who continue to serve our communities and adapt to ever changing circumstances. We are extremely proud of their work and to say thank you while we adjusted to the new environment and challenging times, our frontline employees were paid bonuses for working during the Covid-19 pandemic. There were a number of actions taken by the Company in order to support our colleagues during this difficult period. Wellbeing and safety remains the top priority for our business and our “Mind Yourself” wellbeing programme is available to all colleagues to provide information to support their mental, physical, social and financial health.

Our colleagues, customers and communities continue to be faced with a set of unique circumstances as a result of Covid-19 whilst the world we live in, the market we operate in, and our business permanently changes. Our challenge going forward is to ensure we continue to optimise our business and create a sustainable long-term model that benefits all stakeholders post-crisis. Our remuneration principles, which cascade throughout the business, underpin our Remuneration Policy ("2019 Policy") and can be found on page 148. The Remuneration Committee is committed to ensuring that the remuneration structure and outcomes reflect this ambition.

Relationship Between Pay and Performance

The Committee considers a number of factors when assessing variable pay outcomes. This year, the Committee also considered the following factors in addition to business performance:

- Decisions in respect of the wider workforce – The Company did not make any redundancies as a result of the pandemic nor were any employees furloughed. The other measures taken by the Company such as additional bonuses for frontline workers and wellbeing initiatives demonstrate the importance of the employee experience to Ocado;
- Management performance – Strong decision making by management delivered an exceptional performance in light of the challenges – for example, scaling the Erith CFC faster than planned, reacting to the needs of our international clients and increasing in-store fulfilment, responding to the very significant operational challenges created by the rapidly changing customer behaviour and successfully delivering the switchover to M&S;
- Shareholder experience – The Company's share price has risen substantially over the period;
- Government support – The Company did not utilise any Government support, for example tax relief or furlough, despite these being available to the Company; and
- Capital raise – The Company made the strategic decision to raise capital by issuing new shares and convertible bonds in June 2020 in order to accelerate its capability in the medium term and be able to meet growing customer demand.

2020 Annual Incentive Plan ("AIP")

We have approved a bonus payment to the Executive Directors based on 93.6% to 95.6% achievement against objectives under the 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.

→ Further information on the **AIP** can be found on pages 166 to 167.

2018 Long Term Incentive Plan ("LTIP") Vesting

The 2018 LTIP is the last award granted by the Company under this plan under the old remuneration policy. During the period, we reviewed performance against the 2018 LTIP award targets, which had a performance period ending at period end. The 2018 LTIP awards were subject to the achievement of targets relating to Ocado Group and Ocado Retail's performance, including Retail business revenue and profitability and Solutions business efficiency and revenue for OSP. Based on the results to the end of the performance period, the Directors achieved 79.9% against the objectives under the LTIP for the period. The 2018 LTIP awards are expected to vest in March 2021.

The Committee carefully considered the formulaic outcome under the LTIP measures and assessed whether the measures reflected the Company's performance.

→ More details about the **LTIP** vesting can be found on page 168.

2019 Value Creation Plan ("VCP")

The first Measurement Date for the VCP was 12 March 2020. The Measurement Price (£11.23) was below the Hurdle/Threshold Total Shareholder Return (£15.16) required to bank awards and therefore no nil-cost options were banked by the Executive Directors in 2020.

The second VCP Measurement Date will be in March 2021 and an unaudited estimate of the number of options expected to be granted as a result was reviewed by the Committee.

Due to the capital raise that was undertaken by the Company in June 2020, a new Tranche of award under the VCP was created to ensure that the management team neither unduly benefit nor are penalised as a result of the capital raise.

→ More details about the **first and second VCP Measurement Dates** can be found on page 165.

→ Further information on the **second VCP Tranche** can be found on page 165.

2020 Annual General Meeting Voting

The Committee acknowledges that at our 2020 annual general meeting all resolutions were successfully passed with the requisite majority, although there were significant minority votes against two resolutions: Resolution 2 (Directors' Remuneration Report) and Resolution 10 (Re-appointment of Andrew Harrison). The Company understands that this outcome was broadly attributable to concerns around the performance of the Growth Incentive Plan ("GIP"), the implementation of the VCP and the approach to Executive Directors' salary progression.

The GIP was a one-off incentive plan granted in 2014 and vested in May 2019. The outcome of the GIP was subject to discussion with shareholders in November 2019 and having discussed the outcome, the Committee felt that the value of this award, earned over a five year period, reflected the outstanding returns received by shareholders.

Ocado's 2019 Policy and the VCP were subject to an extensive consultation with all major shareholders and investor bodies prior to the 2019 annual general meeting. All shareholder feedback received was carefully considered and as a result, multiple changes were made

Directors' Remuneration Report
Continued

to the operation of the VCP. The Committee does, however, continue to believe that the VCP remains the most appropriate vehicle to drive exceptional and sustainable growth of the business and retain a highly entrepreneurial executive team, and we are pleased with the support of our largest shareholders for the VCP. Executive Director salary progression was made in two stages to ensure that salaries were benchmarked to 2020 market data. The Committee's strategy remains to position Executive Director salaries in the lower quartile while variable pay is in the upper quartile to drive strong performance.

The Company remains committed to governance best practice and will continue its policy of continually keeping remuneration under review and proactively engaging with shareholders and advisory bodies on such matters.

→ Further details on our response to the **2020 voting outcomes** can be found on page 177.

Changes to the Implementation of the Policy in 2021

The appointment of Stephen Daintith as Group CFO was announced on 27 August 2020. The Committee considered Stephen's remuneration on appointment. More information can be found on the corporate website, www.ocadogroup.com.

The maximum potential award for the Group General Counsel and Company Secretary under the AIP will be increased from 190% to 215% of salary in FY21 to bring the award in line with the other Executive Directors. This change also reflects the new importance of this role given the growth in the Solutions Business and reflects the same rationale behind the salary increase to bring this role into line with the other Executive Directors.

Changes to Non-Executive Director Remuneration

Changes to fees for the Non-Executive Directors were also agreed (by the Executive Directors and Chairman) in 2020 including Non-Executive Director ("NED") base fees, the Committee Chairman fees and the introduction of a fee for being a member of either the Audit Committee or Remuneration Committee (effective 1 April 2020). The increases were made to reflect the growing complexity of the Ocado business and subsequent responsibilities, workload and time commitment required from the Chairman and the Non-Executive Directors.

As announced on 18 December 2020, Rick Haythornthwaite was appointed as an independent Non-Executive Director with effect from 1 January 2021, with the intention to appoint him as independent non-executive Chairman of the Board from the AGM in May 2021. Details of the remuneration arrangements on Rick's appointment can be found on page 172.

→ Please see page 169 for further information on **NED fees**.

Changes to Base Salaries and Fees from April 2021

Changes to base salaries for the Executive Directors were agreed to take effect from 1 April 2021. These increases are in line with the budgeted increase for all employees and more details can be found on page 164.

Changes to fees for the Non-Executive Directors were agreed (by the Executive Directors and Chairman) to take effect from 1 April 2021, including the Non-Executive Director ("NED") base fees, Committee Chairman fees and Committee membership fees. These increases are being made to reflect that the Ocado business continues to grow and become increasingly complex, requiring an increased workload and time commitment from the Chairman and the Non-Executive Directors. More details can be found on page 169.

Other Workforce Considerations

At Ocado we value diversity and celebrate difference. It is the diversity of our people and the skills that they have that enable us to continually grow and innovate and we are constantly learning and developing to help attract and retain top talent. This is reflected in our Equal Opportunities Policy. Whilst we want to have the right people with the same values and a communal focus on delivering our strategy, we are committed to building an inclusive and diverse culture in the workplace. The Company ensures that promotion and recruitment is fair and objective and that all of our people are rewarded appropriately for their valued contribution to our achievements. When making decisions on executive remuneration, the Remuneration Committee considers a number of factors related to the wider workforce, including feedback from the Designated Non-Executive Director ("DNED") on workforce remuneration and our all-employee remuneration report.

→ Further details on **Workforce Remuneration** can be found on page 157.

I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

Andrew Harrison
Remuneration Committee Chairman
09 February 2021

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 Chairman 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 Chairman, 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.

Following the end of the period, 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 attendance at Remuneration Committee meetings, information on market practice in relation to various aspects of remuneration, market trends and benchmarking of Executive Director and Chairman remuneration.
Other Services Provided by PwC	The same PwC advisory team advised management on remuneration strategy, policy and benchmarking for senior management remuneration and incentive arrangements. Other PwC advisory teams advised the Group on a range of matters during the period including the JV with M&S, internal controls, risk management, cyber security, accounting and diversity and inclusion advice. A separate PwC team have been engaged to provide SOC (System and Organisation Controls) audit assurance services to the Group.

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 were reappointed after the last review in 2020.

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 provided assurances to 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, £106,500 (2019: £127,600) 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 Chairman, 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.

Directors' Remuneration Report
Continued

How the Committee Spent its Time in 2020

The Remuneration Committee has, under its Terms of Reference, been delegated responsibility for setting remuneration for all of the Executive Directors, the Chairman 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 below:

Key Agenda Items

- Approving the Directors' Remuneration Report for FY19.
- Approving the annual general meeting explanatory notices and a minor amendment to the Ocado Employee Share Purchase Plan rules.
- Reviewing a response statement regarding shareholder consultation following the 2020 annual general meeting.
- Approving the Group's Gender Pay Gap Report for FY19.
- Receiving a report on Director performance and/or pay (Executive Director, Non-Executive Director and Chairman).
- Receiving a report from the CEO and Chairman on performance and remuneration of the Executive Directors.
- Approving Executive Director pay increases.
- Approving a change to employer pension contributions for Executive Directors.
- Reviewing performance under the FY19 AIP and consideration of any bonuses payable.
- Reviewing performance and approving payments under the FY17 and FY18 LTIP awards.
- Reviewing performance under the VCP as at the first Measurement Date and approving the creation of a new tranche of award under the VCP as a result of the capital raise in June 2020.
- Approving the FY20 AIP performance targets and reviewing the design/measures for the FY21 AIP.
- Receiving a report on the vesting of the 2016 Sharesave scheme.
- Receiving regular reports on Group-wide remuneration for FY19 and reports from the DNED on workforce remuneration arrangements and issues.
- Approving a proposal for new international share schemes.
- Receiving a report on the Group's share scheme and plans for FY21.
- Approving the remuneration arrangements upon retirement of Duncan Tatton-Brown, Group CFO.
- Approving the remuneration arrangements upon appointment of Stephen Daintith, Group CFO.
- Approving remuneration arrangements in light of the acquisition of Haddington Dynamics, Inc. and Kindred Systems, Inc.
- Approving incentive payments and salary changes for senior management.
- Approving a framework for senior management remuneration arrangements.
- 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 executive pay, market themes and trends and new governance requirements.
- Reviewing the performance of advisers.
- Review of Committee composition, Terms of Reference and performance.

The Executive Directors and the Chairman reviewed the remuneration arrangements of the Non-Executive Directors.

Directors' Remuneration Report

Continued

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**	**One-off 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 2020

The table below provides a summary total single figure of remuneration for 2020. Further details are set out on page 163 in the Annual Report on Remuneration.

Executive Director	Total 2020 (£'000)	Total 2019 (£'000)
Tim Steiner	**6,970**	59,038
Mark Richardson	**3,402**	15,978
Neill Abrams	**2,626**	1,932
Luke Jensen	**3,303**	8,696
Duncan Tatton-Brown	**3,478**	15,991

Outcomes for 2020

Fixed components

	Tim Steiner CEO	Mark Richardson COO	Neill Abrams Group GC & CoSec	Luke Jensen CEO Ocado Solutions	Duncan Tatton-Brown, CFO
Salary (£'000)	708	433	433	433	421
Benefits (include car allowance, private medical and other benefits) (£'000)	12	1	1	12	1
Pension – up to 7% of salary (£'000)	50	36	32	25	36
Total (£)	770	470	466	470	458

Pay for Performance at a Glance

2020 AIP outturn

Under this plan, the CEO had a maximum bonus opportunity of 275% of salary, the Group GC & CoSec had a maximum opportunity of 190% 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)
New International Solutions commitments (30%)		27.4
Retail segment EBITDA (20%)		20
Erith Capacity (20%)		20
OSP Features (10%)		10
Individual objectives (20%)		16.2–18.2
Total		93.6–95.6

→ Further details are set out on pages 166 to 167 in the **Annual Report on Remuneration**.

2018 LTIP outturn

Under this plan, the CEO was granted an award of 200% of salary, the Group GC & CoSec was granted an award of 120% of salary, and the other Executive Directors were granted awards of 150% of salary. A summary of the outcomes is as follows.

	Threshold – Maximum	Outcome (% total award)
Retail revenue (25%)		25
Retail EBIT (25%)		24.2
Platform operational efficiency (i)(12.5%)		6.3
Platform capital efficiency (ii) (12.5%)		0
Solutions revenue (25%)		24.4
Total		79.9

This was the last award to be made to Executive Directors under the LTIP.

→ Further details are set out on page 168 in the **Annual Report on Remuneration**.

	2020 AIP		2018 LTIP	
	Outcome (% of max)	Outcome (£'000)	Number of shares vesting	Value on vesting (£'000)
Tim Steiner	94.2%	£1,865	175,477	£4,299
Mark Richardson	95.6%	£904	81,313	£1,992
Neill Abrams	94.6%	£791	54,592	£1,338
Luke Jensen	93.6%	£886	77,989	£1,911
Duncan Tatton-Brown	94.7%	£879	80,792	£1,979

2020 VCP Outturn

The first Measurement Date under the 5-year VCP was 12 March 2020. No nil-cost options were banked by Executive Directors on the first Measurement Date.

			Value of nil-cost options banked (£m)				
Measurement Date	Hurdle Price/ Threshold TSR	Measurement Price	Tim Steiner	Mark Richardson	Neill Abrams	Luke Jensen	Duncan Tatton-Brown
12 March 2020	£15.16	£11.23	£0	£0	£0	£0	£0

→ Further details are set out on page 165.

Directors' Remuneration Report
Continued

2019 Remuneration Policy Summary

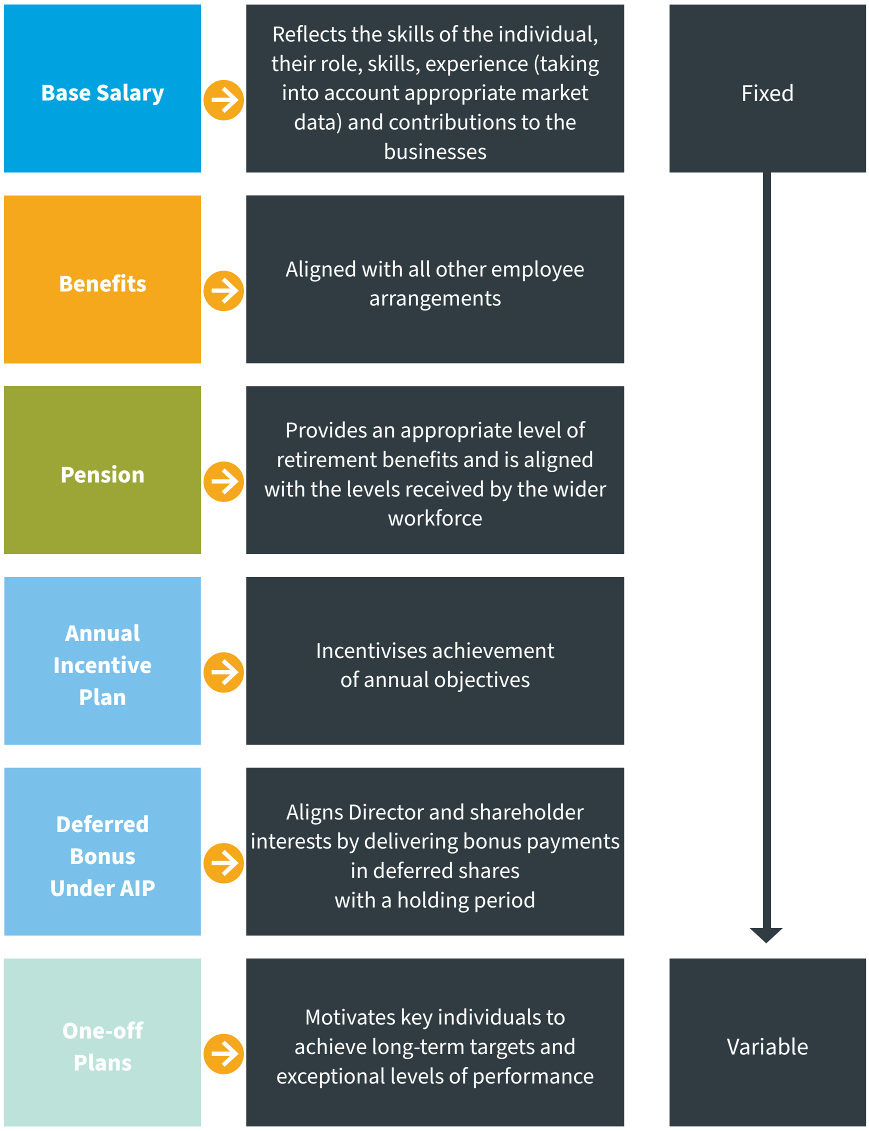
Reward philosophy

Our remuneration principles, which we also 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 pay-outs 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.

The Remuneration Policy for 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 balance of short and long-term awards and has 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 deferral and holding periods and the minimum shareholding requirements all help to ensure a longer term focus for the business from the Executive Directors.

The Remuneration Committee is committed to ensuring that the wider workforce is part of its considerations during the year. See pages 157 to 162 for a discussion of how the Committee considered these issues during the year.



Summary Policy table for Executive Directors

In this section we provide a summary of the key elements of the 2019 Remuneration Policy for Executive Directors approved by shareholders at our 2019 annual general meeting on 1 May 2019. In addition, we have set out how the Policy was operated in 2019/20 and how it is intended to be operated in 2020/21.

→ You can find the full **Remuneration Policy** on the Corporate Website, www.ocadogroup.com.

Base Salary

To attract and retain the right calibre of senior executives globally required to support the long-term interests of the business.

Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
Base Salary	→						Paid monthly in cash. Reviewed annually or when there is a change in position or responsibility. The review takes into account: • 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 locations to the Company. • Economic conditions or governance. • An individual's contribution to the Group.	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.	As at 1 April 2020: • Tim Steiner (CEO): £720,000 • Mark Richardson (COO): £440,000 • Neill Abrams (Group GC & CoSec): £440,000 • Luke Jensen (CEO Ocado Solutions): £440,000 • Duncan Tatton-Brown (CFO): £440,000	As at 1 April 2021 salaries will increase as follows: • Tim Steiner (CEO): £738,000 • Mark Richardson (COO): £451,000 • Neill Abrams (Group GC & CoSec): £451,000 • Luke Jensen (CEO Ocado Solutions): £451,000 These increases are in line with the budgeted increases for all employees.

Benefits

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
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.	Includes car allowance, driver, private medical insurance and other benefits.	No planned change.

Directors' Remuneration Report

Continued

Pension

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
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.	Maximum contribution of 7% of salary from April 2020.	In order to ensure continued alignment between Executive Director and wider workforce pension contributions, the Remuneration Committee reduced the contribution rate for Executive Directors from 8% to 7% of salary from April 2020 onwards.	No planned change.

Annual Incentive Plan (AIP)

To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance.

Bonus deferral provides alignment with shareholder interests.

Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
Annual Incentive Plan (AIP)							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.	Maximum opportunity of 275% of salary.	Maximum potential for the year of (as % of salary): • CEO: 275% • Group GC & CoSec: 190% • Other Executive Directors: 215% AIP was measured against the following performance measures: • New International Solutions commitments (30%) • Retail segment EBITDA (20%) • Erith Capacity (20%) • OSP Features (10%) • Individual objectives (20%) Executive Directors to be paid bonuses in February 2021 of: • Tim Steiner (CEO): 259% of salary • Mark Richardson (COO): 206% of salary • Neill Abrams (Group GC & CoSec): 180% of salary • Luke Jensen (CEO Ocado Solutions): 201% of salary • Duncan Tatton-Brown (CFO): 200% of salary	To bring the remuneration of the Group GC & CoSec in line with the other Executive Directors, the maximum potential for that role will increase to 215% of salary. AIP will be measured against the following performance measures: • Retail segment EBITDA (20%) • New Solutions commitments (25%) • OSP capacity (15%) • Technology capabilities (10%) • Engineering cost per order (10%) • Individual objectives (20%) (further details on page 152) Percentage of maximum bonus earned for levels of performance: • Threshold: 25% • Maximum: 100%

Link to Strategy: The AIP measures for 2021 provide a good balance of rewarding performance based on both the Retail and Solutions businesses, as well as focusing on individual performance.

The specific performance targets for the AIP are not disclosed for the 2021 financial year on the basis the Remuneration Committee considers that these targets are commercially sensitive to the Company and if disclosed could damage the Company’s commercial interests at this stage. These targets will be disclosed at the end of the 2021 financial year.

Directors' Remuneration Report
Continued

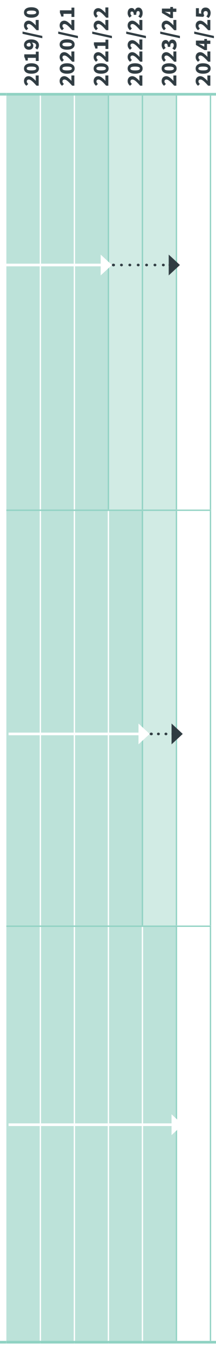
Individual Objectives for 2021 AIP

The following table sets out the categories of individual objectives that will be assessed over 2021. More detail on the objectives and assessment against these will be disclosed in next year's report.

Tim Steiner	• Improve the client business to ensure we maintain or improve our relationships with current and prospective clients • Ensure Ocado Group prioritises future innovation • Successfully Chairman the ORL Board, with business performing to expectations • Ensure that Ocado Group engages with its shareholders • Listen to and engage with employees and ensure successful transition of key roles
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 locations in the UK • Oversee supply chain for bots and peripherals, improving manufacture and on site delay rates • Engage with employees and improve rostering for hourly paid employees
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.
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
Stephen Daintith	• Develop a high-performing, highly capable and engaged finance team, focussing 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

One-off Plan: Value Creation Plan (VCP)

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	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
One-Off Plan: Value Creation Plan (VCP)	A one-off award that grants Executive Directors 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. Additional holding periods apply such that vested shares become unrestricted no earlier than five years from the start of the plan. Vesting of awards is also subject to a minimum return of 10% TSR p.a. Executive Directors may choose to receive their share awards by acquiring jointly owned equity awards at the time that they are invited to join the VCP.	The maximum number of share awards that may vest under the VCP is 2.75% of the issued share capital. Awards are subject to an annual cap on the value on vesting of: • CEO: £20 million; • Other Executive Directors: £5 million.	For Executive Directors, the following maximum limits apply: • CEO: 1% of the total value created above the hurdle; • Other Executive Directors: 0.25% of the value created.	No planned change.

Link to Strategy: The single total shareholder return measure is well aligned to our strategy of delivering substantial and sustained returns to shareholders by driving innovation and growth in our platform business.

Directors' Remuneration Report
Continued

Shareholding Requirement

Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ending 28 November 2021
Shareholding Requirement							Shareholding requirement for Executive Directors: • CEO: 400% of salary. • Other Executive Directors: 300% of salary. Shareholding requirement for Non-Executive Directors: • Hold shares equivalent to one year's annual fee. Post-cessation shareholding requirement of 100% of pre-cessation shareholding requirement for 12 months from leaving the Company.		Current Executive Director minimum shareholding requirements are: • CEO: 400% of salary • CFO: 300% of salary • COO: 300% of salary • Group GC & CoSec: 300% of salary • CEO Ocado Solutions: 300% of salary See page 173 for Non-Executive Director Shareholding requirements.	No planned change.

(1) The assessment for the Executive Directors' shareholdings as a percentage of salary was based on the Directors' shareholdings at the end of the period, and the share price as at 26 January 2021 (being the last practicable date prior to the publication of this Annual Report).

Summary Policy Table for Non-Executive Directors

The table below summarises the key elements of the 2019 Remuneration Policy for the Chairman and Non-Executive Directors.

Element	Operation	Opportunity	Operation in the year ended 29 November 2020	Operation in the year ended 28 November 2021
Chairman Fee To attract and retain an individual with the appropriate degree of expertise and experience.	Paid monthly in cash. Reviewed annually by the Remuneration Committee. The review takes into account: • The Group's annual review process. • Business performance. • Appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors or locations to the Company.	Normally, any increases will be within the normal percentage range applied to the UK-based monthly paid employees of the Company in that year.	As at 1 April 2020: • Lord Rose (Chairman): £300,000.	Upon his appointment as Chairman at the AGM in May 2021, Rick Haythornthwaite will receive an annual fee of £375,000.
Non-Executive Director Fee To attract and retain expert people with the appropriate degree of expertise and experience.	Paid monthly in cash. Fee structure includes an annual base fee and may include additional fees for being the Senior Independent Director (SID), a Board Committee Chairman or other additional responsibility. Reviewed annually by the Executive Directors and Chairman. The review takes into account: • The Group's annual review process. • Business performance. • Appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors/locations to the Company.	Normally, any increases will be within the normal percentage range applied to the UK-based monthly paid employees of the Company in that year.	As at 1 April 2020: • Base fee: £68,000. • SID fee: £17,000. • Committee Chairman fee: £18,000. • Audit Committee membership fee: £5,000. • Remuneration Committee membership fee: £5,000.	As at 1 April 2021 salaries will increase as follows: • Base fee: £74,000. • SID fee: £20,000. • Committee Chairman fee: £20,000. • Audit Committee membership fee: £7,500. • Remuneration Committee membership fee: £7,500.

Directors' Remuneration Report

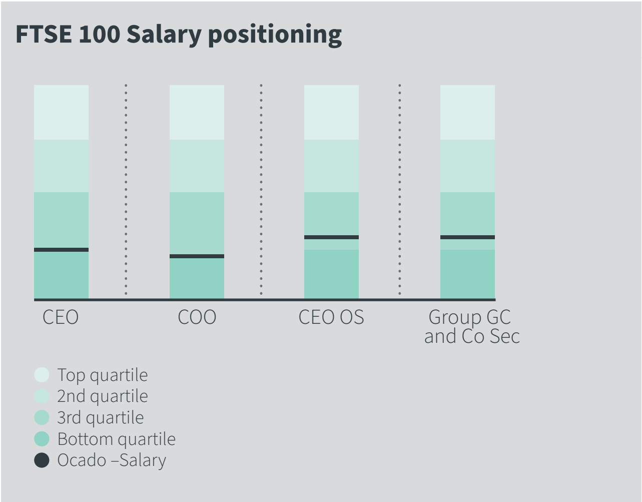
Continued

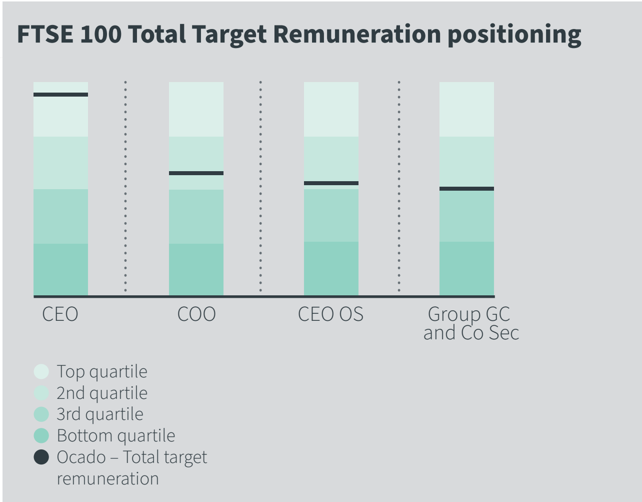
Other Remuneration

During the period, the Executive Directors continued their participation in the all-employee Sharesave and SIP schemes. It is expected that in 2021, the Executive Directors will carry on their participation in the schemes.

How does our salary/target total remuneration compare to our peers?

The following tables show the Company's comparative positioning of both salary and total remuneration against the FTSE 100 (data as at September 2020). This demonstrates the Remuneration Committee's positioning of salaries below the market with competitive levels of remuneration only earned by the Executive Directors if strong performance is delivered.





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 to reflect a five-year term.

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 2019/20, 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.

	2019/20 single figure (£'000)	Shares held at start of year	Shares held at end of year	Value of shares at start of year (£'000)	Value of shares at end of year (£'000)	Difference (£'000)
Tim Steiner	6,970	23,597,672	21,573,254	312,669	478,495	+165,826
Mark Richardson	3,397	1,547,739	1,607,151	20,508	35,647	+15,139
Neill Abrams	2,631	3,602,071	3,641,224	47,727	80,762	+33,035
Luke Jensen	3,303	194,524	245,149	2,577	5,437	+2,860

The closing market price of the Company's shares as at 27 November 2020, being the last trading day in the period ended 29 November 2020, was 2,218 pence per ordinary share (2019: 1,325 pence), and the share price range applicable during the period was 1,064 pence to 2,895 pence per ordinary share.

Annual Report on Remuneration – 2020

Introduction

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of the 2020 Financial Year. It details the payments to Directors and the link between Company performance and remuneration of the Chief Executive Officer.

Alignment of the Directors' Remuneration Policy with the UK Corporate Governance Code

The Remuneration Committee has a strong focus on setting remuneration policy and practices that are designed to support strategy and promote the long-term success of Ocado. When determining the application of the Directors' Remuneration Policy, the Committee considered the following, as set out in the 2018 Code:

- Clarity – remuneration arrangements are transparent and set out in the 2019 Policy. Details of how the 2019 Policy has been applied are set out in this Report. The VCP has a single total shareholder return performance measure which is fully transparent, while the AIP has meaningful and robust one-year performance targets which are fully disclosed;
- Simplicity – the VCP has a simple payment mechanism whereby the Executive Directors receive 2.75% of the value above the hurdle calculated on an annual basis with the shares received at the end of three, four and five years from the start of the VCP period, with a simple performance condition that rewards absolute returns to shareholders;
- Risk – the combination of reward for short-term strategic decisions and long-term sustainable shareholder returns drives the right behaviours for the Company and shareholders, while the VCP has caps which mitigate against excessive reward. The Committee can apply judgement and discretion, while malus and clawback provisions are included in both the AIP and VCP;
- Predictability – the range of possible values under our remuneration structure for Executive Directors are identified and explained at the time of approving the policy. 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 VCP;
- Proportionality – there is a clear and direct link between Company performance and individual rewards under the VCP, with the sole performance measure of total shareholder return. The underpin in the VCP operates such that share awards will only vest if Total Shareholder Return is 10% Compound Annual Growth Rate 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; and
- Alignment to culture – the Remuneration Committee is satisfied that the VCP incentivises and retains the highly entrepreneurial Chief Executive Officers and Executive Directors in Ocado. 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 while also rewarding appropriate short-term strategic decisions.

These principles are explained in more detail on page 112 of the 2018 annual report.

Wider Workforce Considerations and Our Approach to Fairness

→ For more information about **How We Engaged With Our Stakeholders**, read pages 72 to 81.

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 Remuneration Policy is designed in line with the remuneration principles outlined on page 148, 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 a global pandemic, Ocado has seen demand for our product and services matched only by our employees' commitment to deliver. During the year, the Company made a number of decisions in respect of the wider workforce in relation to Covid-19:

- The Company did not make any redundancies nor were any employees furloughed as a result of Covid-19;
- Our frontline employees were paid bonuses for working during the Covid-19 pandemic. The first payment was a 10% bonus on basic pay for all hours worked from 23 March to 5 July 2020 and a second further lump sum was paid in January 2021 in relation to the nine months from March 2020 to the end of the period; and
- Employee wellbeing and safety has long been a priority of the Company, and this year's "Mind Yourself" wellbeing programme has been made available to all colleagues to provide information and support for mental, physical, social and financial health.

The UK Corporate Governance Code 2018 ("2018 Code") widened the remit of the Committee to include determining and agreeing the framework or broad policy for the remuneration of senior management. During the year, the Committee approved a new remuneration framework for senior management remuneration arrangements.

Directors' Remuneration Report
Continued

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 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 2020, see page 97. The Remuneration Committee carefully considers the relevant parts of these reports when making decisions on executive remuneration.

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 UK employees are eligible to participate in the Group Share Incentive Plan and Sharesave plan and employees located outside the UK are eligible to participate in the international equivalent share schemes.

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 2019 Remuneration Policy ensures that pension contributions for existing and any future Executive Directors will be 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 with the aim that they will be aligned to one framework in the future.

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, reflecting our commitment to creating 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 2020, this metric remains balanced as it has done in previous years, although now marginally favours women, with a difference of 0.2%. We are committed to paying fairly and we are focused on providing an equal opportunity for all employees. We are proud of the work we have done in Diversity and Inclusion to date and want to improve how we attract and retain the best female talent as well as other under-represented groups. 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 previous year's 2019 pay ratio, both with and without the one-off GIP payment; and
- This year's 2020 pay ratio.

The CEO pay ratio, when calculated in line with the Regulations, is higher than in 2019 when compared to the figure without the GIP payment, which is a more comparable figure. This has mainly been driven by the exceptionally strong share price growth, which resulted in a higher achievement under the LTIP than in the prior year.

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.

Year	CEO Remuneration (£'000)	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20 – reported figures	**6,970**	**318:1**	**312:1**	**244:1**
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 return at each of the 25th, 50th and 75th percentiles twenty employees were identified as comparators and their remuneration calculated. The median remuneration for each group of twenty 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.

	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
2019/20	6,970	708	21.9	22.4	28.5	19.7	21.3	24.5

Directors' Remuneration Report
Continued

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 incentives as a percentage of maximum opportunity for the current period and the previous nine 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)
2020	6,970	94.2	1,865	79.9
2019	59,038	57.0	1,074	94.5
2018	3,996	70.5	539	50.0
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	0
2012	483	29.7	104	0
2011	987	0	0	100

(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 last year, 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 2020 period see note 1 of the total remuneration table on page 163.

(4) The 2017 LTIP vested at 46.1% of maximum and the GIP vested at 100% of maximum. The 2019 period 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.

Director Percentage Change Versus Employee Group

The table below shows how the percentage increase in each Director's salary/fees, taxable benefits and annual incentive plan between 2019 and 2020 compares with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole. Disclosure for all Directors in addition to the CEO has been added this year in line with the new requirements under the EU Shareholder Rights Directive II and 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 compares to the average employee increase:

	2019 to 2020		
Director	**Salary/Fees**	**Taxable benefits**	**AIP**
Tim Steiner	7%	(33%)	74%
Mark Richardson	7%	–	82%
Neill Abrams	12%	–	72%
Luke Jensen	7%	(29%)	68%
Lord Stuart Rose	12%	–	–
Jörn Rausing	10%	–	–
Andrew Harrison	21%	–	–
Emma Lloyd	15%	–	–
Julie Southern	6%	–	–
John Martin	12%	–	–
Michael Sherman	N/A	–	–
Claudia Arney	12%	–	–
Average percentage increase for UK employees	3%	5%	100%

(1) Most of the Group's employees are not entitled to earn an annual bonus payment as part of their remuneration.

(2) The change in salary data for the Group's employees is on a per capita basis.

(3) The change in salary for the Executive Directors is based on the base salary review set out on page 164.

(4) The change in taxable benefits for the Executive Directors is as set out on page 163.

(5) UK employees have been chosen as the majority of our workforce is UK-based.

(6) John Martin and Claudia Arney were appointed on 1 June 2019 and 1 September 2019 respectively and therefore were paid a partial fee in the prior year. The percentage change applied to their fee in year has therefore been shown.

(7) Michael Sherman was appointed as a Non-Executive Director on 5 October 2020 so no fee was payable in the prior year.

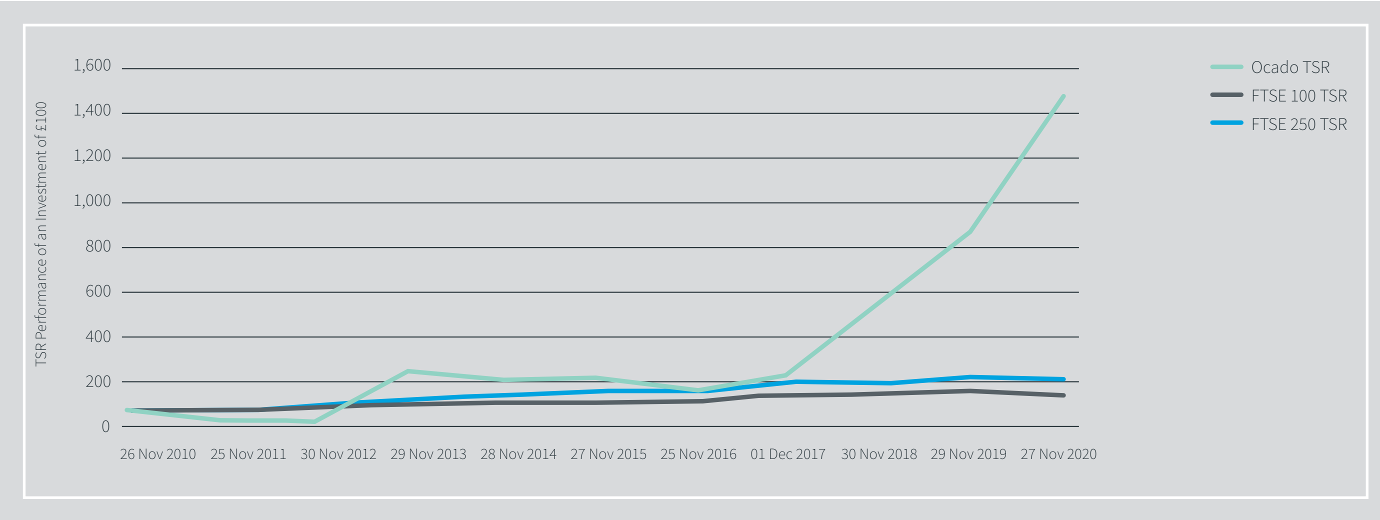
The Committee monitors the changes year-on-year between our Director pay and the average employee increase, shown in the table. There is a difference between the percentage increases for Directors and employees, the explanation for which is set out on page 164 for Executive Directors and page 169 for Non-Executive Directors.

Directors' Remuneration Report

Continued

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.



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 199.
- 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.

	29 November 2020 (£m)	1 December 2019 (£m)
Loss before tax	**(44.0)**	(214.5)
Total gross employee pay	**622.0**	476.8

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		Mark Richardson		Neill Abrams		Luke Jensen		Duncan Tatton-Brown		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Salary	**708**	661	**433**	406	**433**	386	**433**	406	**421**	406	**2,428**	2,265
Taxable Benefits	**12**	18	**1**	1	**1**	1	**12**	17	**1**	1	**27**	38
Pensions	**50**	49	**36**	33	**32**	31	**25**	19	**36**	33	**179**	165
Total Fixed Pay	**770**	728	**470**	440	**466**	418	**470**	442	**458**	440	**2,634**	2,468
Variable Pay												
AIP	**1,865**	1,074	**904**	497	**791**	461	**886**	528	**879**	510	**5,325**	3,070
LTIP	**4,299**	2,992	**1,992**	1,387	**1,338**	932	**1,911**	1,367	**1,979**	1,387	**11,519**	8,065
GIP	**–**	54,120	**–**	13,530	**–**	–	**–**	6,359	**–**	13,530	**–**	87,539
ESOS and 2014 ESOS	**–**	–	**–**	–	**–**	–	**–**	–	**126**	–	**126**	–
SIP	**36**	19	**36**	19	**31**	16	**36**	–	**36**	19	**175**	73
Sharesave	**–**	105	**–**	105	**–**	105	**–**	–	**–**	105	**–**	420
VCP	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total Variable Pay	**6,200**	58,310	**2,932**	15,538	**2,160**	1,514	**2,833**	8,254	**3,020**	15,551	**17,145**	99,167
Recovery of Sums Paid	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total Remuneration	**6,970**	59,038	**3,402**	15,978	**2,626**	1,932	**3,303**	8,696	**3,478**	15,991	**19,779**	101,635

(1) The value of LTIP awards for 2017 included in the column for the 2019 financial year has been restated to show the actual vested amount (based on the vesting of the award on 15 March 2020 at a price of 1433 pence per share). The actual vested amount is £838,000 higher than the estimated vested amount stated in the 2019 annual report of £7,227,000 due to growth in the share price. The estimated vested amount was based on the three-month average share price from 2 September 2019 to 29 November 2019 of 1283.92 pence per share. No dividends were paid.

(2) The value of LTIP awards for 2018 included in the column for the 2020 financial year has been based on 79.9% vesting and estimated using the three-month average share price from 31 August 2020 to 27 November 2020 of 2450 pence per share, as these awards are not capable of vesting until after the end of the period, on 18 March 2021. This value assumes no dividends will be payable and that the Executive Director will not be required to pay an amount to acquire the conditional shares, being the nominal price of 2 pence per share. These estimated figures will be restated in next year's annual report.

(3) 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.

(4) Taxable benefits includes one or more of: private healthcare; life assurance; private use of a company driver; or a car allowance.

(5) The value of the GIP included in the column for the 2019 financial year displays the face value of the nil-cost options at the time of vesting on 8 May 2019, at a price of 1,353 pence per share.

(6) 50% of the AIP payment is 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.

(7) No figures are stated for the VCP to show that there is no expected value for the 2020 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.

(8) Due to an administrative error, an over-payment of pension benefits was made to Luke Jensen in the 2018 financial year, therefore there was a downward adjustment in the 2019 financial year to rectify the error.

(9) Duncan Tatton-Brown retired from the Board with effect from 22 November 2020.

Directors' Remuneration Report

Continued

An explanation of each element of Total Remuneration paid in the table on page 163 is set out in the following section.

Base Salary (Audited)

Executive Director salaries were reviewed in FY19 following the significant growth of the Company and its entry into the FTSE 100 Index in June 2018 to ensure that they accurately reflected the enhanced scale and complexity of the Executive Directors' roles. The review focused on many factors including business performance, total remuneration, market data for comparable organisations and roles as well as individual performance. The Committee concluded that the significant growth in scale and complexity of the business warranted increases to the Executive Directors' salaries. Furthermore, it was determined that the increases would be awarded in two steps, with the second increase subject to continued strong individual performance and the Company remaining in the FTSE 100. The resulting salaries (after both increases) position the Executive Directors around the lower quartile of FTSE 100 equivalent roles. The second increase was awarded on 1 April 2020.

Director	**Salary 2020 (£)**	Salary 2019 (£)	Effective from
Tim Steiner	**720,000**	685,000	01/04/2020
Mark Richardson	**440,000**	420,000	01/04/2020
Neill Abrams	**440,000**	420,000	01/04/2020
Luke Jensen	**440,000**	420,000	01/04/2020
Duncan Tatton-Brown	**440,000**	420,000	01/04/2020

(1) Duncan Tatton-Brown retired from the Board with effect from 22 November 2020.

The changes to base salary were made in line with the Directors' Remuneration Policy. The increase in base pay received by the Executive Directors in April 2020 was 5% (rounded accordingly) to reflect the significant growth in the Company over the past two years.

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 163 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 received a contribution rate of 7% of salary from April 2020. Previously, the contributions made on behalf of the Executive Directors were up to 8% of base salary. These contributions were made in line with the Directors' Remuneration Policy and the wider workforce.

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 and Neill Abrams have elected to receive part of their pension contributions as an equivalent cash allowance. Duncan Tatton-Brown elected to receive all of his pension contribution as cash in line with the Company policy.

Value Creation Plan (VCP) (Audited)

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.

The initial price for the VCP is £13.97 (the average price over the 30-day period prior to the 2019 annual general meeting). 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; and
- the Initial Price (£13.97) 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.

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 are 12 March 2020 and 11 March 2021, 30 days after the publication of the FY19 and FY20 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).

VCP participants will be entitled to the same share of the new equity as the initial equity, above a Threshold Total Shareholder Return. Performance will be tested for Tranche 2 at the same dates as Tranche 1. This approach ensures that any vesting under the VCP is fully attributable to management's performance in growing the value of shareholder funds provided and for delivering value to existing shareholders.

The Remuneration Committee reviewed an estimate of the outcome under the second Measurement Date, which will occur on 11 March 2021. The following information has not been audited. The following table sets out the number of nil-cost options that may be granted to Executive Directors at the first and second Measurement Dates under the VCP. At the time of writing the second Measurement Date has not yet occurred and therefore the Year 2 figures are estimates based on a 30-day average share price for the 30 days up to and including 26 January 2021.

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 (estimated)		Cumulative
Unaudited	**Year 1**	**Tranche 1**	**Tranche 2**	**total**
Measurement Date	12 March 2020	11 March 2021		–
Threshold TSR (per share)	£10.6 billion (£15.16)	£11.94 billion (£16.69)	£0.71 billion (£21.06)	–
Measurement TSR (Measurement Price)	£7.9 billion (£11.23)	£17.95 billion (£25.10)	£0.84 billion (£25.10)	–
Aggregate number of Nil-Cost Options (NCOs) granted to Executive Directors	0	4,199,951	94,614	4,294,565
Tim Steiner (NCOs granted)	0	2,399,972	54,066	2,454,038
Mark Richardson (NCOs granted)	0	599,993	13,516	613,509
Neill Abrams (NCOs granted)	0	599,993	13,516	613,509
Luke Jensen (NCOs granted)	0	599,993	13,516	613,509
Duncan Tatton-Brown (NCOs granted)	0	-	-	-

(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. For the purpose of providing a VCP performance update for the second Measurement Date, we have used the 30 day average closing share price for 30 days up to 26 January 2021, which is £25.10.

(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) Duncan Tatton-Brown retired from the Board with effect from 22 November 2020. His awards lapsed on his retirement from the Company.

Directors' Remuneration Report
Continued

Annual Incentive Plan (AIP) (Audited)

The 2020 AIP was based on performance against the targets and weightings set out below at the end of the financial year. The Chief Executive Officer had a maximum bonus opportunity of 275% of salary, the Group General Counsel and Company Secretary had a maximum bonus opportunity of 190% 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**	**Mark Richardson**	**Neill Abrams**	**Luke Jensen**	**Duncan Tatton-Brown**
New International Solutions commitments	30%	Threshold	30 modules	47.7 modules	27.4%	542.5	259.2	229.1	259.2	254.2
		Maximum	50 modules							
Retail segment EBITDA	20%	Threshold	£66m	£125.7m	20%	396.0	189.2	167.2	189.2	185.5
		Maximum	£109m							
Erith Capacity	20%	Threshold	4.032m eaches per week	5.670m eaches per week	20%	396.0	189.2	167.2	189.2	185.5
		Maximum	4.928m eaches per week							
OSP Features	10%	Threshold	70% growth	306% growth	10%	198.0	94.6	83.6	94.6	92.8
		Maximum	85% growth							
Individual Objectives	20%	See next page			16.2%–18.2%	332.6	172.2	143.8	153.3	160.5
Total	100%					1865.1	904.4	790.9	885.5	878.5

(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.

(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 2020 AIP is the applicable base salary on the date of payment.

(4) Duncan Tatton-Brown retired from the Board with effect from 22 November 2020. He was treated as a good leaver and his award granted under the 2020 AIP has been pro-rated to his retirement date. At least 50% of the AIP achieved will be deferred into shares for three years with a further two-year holding period on vesting, in line with the Executive Directors.

The performance under the 2020 AIP was measured against five performance targets over the 2020 financial year. In approving a bonus payment to the Executive Directors based on 93.6 to 95.6% 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, as noted on page 157. The Committee took into account, when forming its judgement about whether the performance outcomes had been met, a number of relevant changes during the period including the impact of Covid-19 and the decision taken by the Board to support Kroger with the roll out of the in-store fulfilment solution for its stores. The in-store fulfilment capacity was appropriately measured and factored into the calculation used in determining the achievement against the measure for new international solutions commitments. The Committee considered it appropriate to consider commitments by international Solutions clients for both in-store fulfilment and CFC modules, to reflect the broadening of the Solutions platform offering to meet expectations of Solutions clients during the period. The Committee considers that this replicates the original intention of the CFC modules measure. Performance achieved for the international Solutions commitments target was 27.4%.

Through the course of the pandemic, the Committee had been informed on the progress made by the business against Retail segment EBITDA, and the impact was apparent. The Committee felt it appropriate to adjust the targets upwards to reflect the change in consumer behaviour so as to ensure the performance measure remained stretching for management. The final outcome still exceeded the maximum level set and resulted in a 20% achievement. The Retail EBITDA performance target excludes IFRS16 and is therefore not consistent with Retail EBITDA as reported elsewhere in the Annual Report. This measure is used by the Remuneration Committee to assess performance for the 2020 AIP only and is not considered an Alternative Performance Measure.

Covid-19 materially impacted the customer demand profile for the Retail business for much of the period, which meant that it was most appropriate for the Committee to look at the delivery of eaches from Erith when judging the achievement of the Erith capacity performance measure. The eaches numbers were considered by the Committee to more fairly reflect the huge growth in volumes of throughput in the Erith customer fulfilment centre than measuring capacity using orders per week, given that customer basket sizes had increased markedly during the pandemic. The Committee considers the substitute capacity measure to be equivalent in challenge to the original measure. The actual eaches volumes achieved at the Erith customer fulfilment centre exceeded the maximum performance target resulting in 20% achievement.

The OSP Features performance target refers to the development of OSP technology capabilities required for providing the platform to Solutions clients during the period. It is the required percentage increase in capabilities delivered relative to the 2019 financial year. The period saw a 306% increase in capabilities, exceeding the maximum performance target.

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.

Individual Objectives for 2020 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 Chairman. In reviewing the outcomes of the objectives, the impact of Covid-19 was taken into consideration by the CEO and the Chairman, and by the Committee.

Objective	Achievement	% achievement
Tim Steiner		
• Grow the international Ocado Solutions client base and build the foundations for future revenue growth	• Continued discussions with multiple retailers globally, impacted by travel restrictions due to Covid-19.	
• Launch Sobeys and Casino CFCs in set timeframe	• Both launches successful.	
• Deliver Ocado Retail sales and EBITDA	• Strong sales and EBITDA results.	
• Successful delivery against the technology and innovation strategy	• Strategic focus on scale due to Covid-19 pandemic.	
• Deliver the organisational transformation	• Organisational transformation underway.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		84%
Mark Richardson		
• Launch of Sobeys and Casino CFCs in set timeframe	• Both launches successful.	
• Grow Erith order capacity	• Demand and capacity grew very strongly this year, due to Covid-19.	
• Create Implementation team capable of meeting OSP roll-out challenge	• Team appointed and strong performance delivered this year.	
• Create Client Services team capable of supporting live and future OSP clients	• Client Services team appointed and successfully supporting client operations globally.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		91%
Neill Abrams		
• Support the execution of signed international Ocado Solutions deals	• Solutions contracts supported effectively.	
• Support CEO in continued transformation of Ocado Group into a technology business	• Multinational legal team in place and growth of IP portfolio.	
• Continue transformation of Legal, Governance and IP function	• Transformation continued with strengthening of team.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		86%
Luke Jensen		
• Grow the international Ocado Solutions client base	• Continued discussions with multiple retailers globally, impacted by travel restrictions due to Covid-19.	
• Build the foundations for future revenue growth of Ocado Solutions	• Strong growth in commitments from Solutions Partners.	
• Develop Ocado Solutions/International infrastructure to support future growth	• Product and Commercial teams functioning effectively.	
• Build profile and reputation of Ocado Solutions	• Discussions held with multiple retailers globally, interviewed by several high profile publications and spoke at 2 major congresses.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		81%
Duncan Tatton-Brown		
• Review and enhance operation of the broader Finance team including the Transformation team	• Team strengthened, significant improvements in controls.	
• Identify and complete suitable new venture investments and ensure optimal outcome for existing investments with limited support from the core business	• Good performance of ORL and partnership with M&S maintained. New investments in Haddington Dynamics Inc. and Kindred Systems Inc.	
• Reduce the long term ownership cost of the solution	• Strategic focus on scale due to Covid-19 pandemic.	
• Ensure suitable funding structure remains in place to allow the Group to achieve its strategic objectives	• Well executed and significant successful fundraisings.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		86.5%

Directors' Remuneration Report
Continued

Long-Term Incentive Plan (LTIP) (Audited)

The three-year performance period for the 2018 LTIP awards expired at the end of the financial year. The Remuneration Committee reviewed the performance against the five performance conditions for the 2020 Financial Year and has recommended overall vesting of 79.9%.

The value of the 2018 LTIP awards in the total remuneration table and below is estimated based on the average Company share price for the final three months of the period, being 2450 pence per share. The 2018 LTIP award was made on 1 March 2018 at a price of £5.4093 per share. The expected vesting date of the 2018 LTIP award is 18 March 2021. Subject to the continued satisfaction of the award conditions, final vesting will be determined.

						Estimated LTIP value (£'000)				
Performance conditions	**Weighting of each condition**	**Performance targets required**		**Actual Performance**	**Percentage of maximum performance achieved**	**Tim Steiner**	**Mark Richardson**	**Neill Abrams**	**Luke Jensen**	**Duncan Tatton-Brown**
Retail Revenue	25%	Threshold	£1,755m	£2,189m	25%	1,345	624	419	598	619
		Maximum	£2,012m							
Retail EBIT	25%	Threshold	£42.1m	£71.1m	24.2%	1,302	603	405	579	600
		Maximum	£72.4m							
Platform Operational Efficiency (i)	12.5%	Threshold	160 UPH	171 UPH	6.3%	339	157	106	150	156
		Maximum	192 UPH							
Platform Capital Efficiency (ii)	12.5%	Threshold	See below	See below	0%	–	–	–	–	–
		Maximum	See below							
Solutions Revenue	25%	Threshold	£25m	£60.8m	24.4%	1,313	608	408	584	604
		Maximum	£62m							
Total	100%				79.9%	4,299	1,992	1,338	1,911	1,979

(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. At "threshold" performance for a financial performance measure, 5% of the total award will vest and 25% vesting will occur for achieving or exceeding "maximum" performance for a condition. A straight-line sliding scale applies in relation to the intermediate points between the "threshold" and "maximum".

(2) Details of the number of conditional shares awarded to each Director for the 2018 LTIP awards are shown in the table on page 174.

(3) Duncan Tatton-Brown retired from the Board with effect from 22 November 2020. He was treated as a good leaver and his award has been prorated to his retirement date. The shares are expected to vest in March 2021 and will be subject to a two-year holding period from the vesting date, in line with the Executive Directors.

The Committee carefully considered and discussed the formulaic outcome of each of the LTIP measures, assessing the extent to which the measures reflected the underlying performance of the business for the 2020 financial year. The Committee considered both business factors and broader considerations, as noted on page 157. In judging performance against the Retail EBIT measure, the Committee was mindful of the changes that occurred to the financial reporting segments for the Group since the setting of the 2018 LTIP targets three years ago. These new reporting segments came about because of the change to the structure in the business brought about by the Retail joint venture with M&S. The Committee carefully examined the financial information presented and the reconciliation between the financial data for the Retail business segment as it was defined in 2018 (and used for calculating the original measure) and the current financial information for the business post the creation of the Retail joint venture (and used for determining the final performance outcome under the LTIP award).

As noted on page 215, revenue for the Retail business was £2,189 million for the financial yea which exceeded the maximum performance target.

The Platform Efficiency target for the 2020 financial year is made up of two separate targets, each comprising 12.5 per cent, namely the Platform Operational Efficiency target and the Platform Capital Efficiency target. The Platform Operational Efficiency target was based on performance of the Erith CFC and exceeded the threshold of 160 UPH. The actual performance of the Erith customer fulfilment centre in the 2020 financial year was 171 UPH resulting in 6.3% achievement. The Platform Capital Efficiency target for the 2020 financial year did not exceed the threshold which resulted in no achievement against this target. The Platform Capital Efficiency target is a measure of the equipment costs required to achieve a certain level of throughput at CFCs measured in millions of pound per module. The specific performance target showing the pound amount for Platform Capital Efficiency has not been disclosed for the 2020 financial year on the basis that the Remuneration Committee considers that these targets are commercially sensitive to the Company and if disclosed could damage the Company's commercial interests, in particular, commercial discussions with current and potential Solutions clients. The actual performance achieved for Platform Capital Efficiency fell short of the threshold. The Committee believes however, that incentivising management to achieve improved capital efficiency is in the interests of the business and shareholders and accordingly supports such performance targets for the Group's management incentives.

The Ocado Solutions Revenue target for the 2020 financial year of £60.8m almost met the maximum performance target. The Solutions revenue concerns the value of sales of the platform during the period. The target and actual performance numbers ignore the impact of the IFRS 15 assumptions regarding fee recognition.

Share Incentive Plan (SIP)

The 2017 award of Free Shares made under the Share Incentive Plan (the "SIP") became unrestricted during the period on 21 September 2020. 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 Chairman during the period are set out in the remuneration table below. The Non-Executive Directors received no remuneration from the Group other than their annual fee.

	Fees		Taxable Benefits		Pension Entitlements		Annual Bonus		Long-term Incentives		Recovery of Sums Paid		Total Remuneration	
Non-Executive Director	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Lord Rose	**300**	267	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**300**	267
Jörn Rausing	**67**	61	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**67**	61
Andrew Harrison	**104**	86	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	86
Emma Lloyd	**70**	61	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**70**	61
Julie Southern	**75**	71	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	71
John Martin	**70**	33	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**70**	33
Michael Sherman	**11**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11**	–
Claudia Arney	**70**	16	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**70**	16
Ruth Anderson	**–**	54	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	54
Doug McCallum	**–**	28	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	28
Total	**767**	677	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**767**	677

(1) Michael Sherman joined the Board with effect from 5 October 2020.

(2) Rick Haythornthwaite joined the Board with effect from 1 January 2021 and therefore did not receive any fees in the period.

(3) Claudia Arney retired from the Board with effect from 25 December 2020.

(4) Due to an administrative error, a Non-Executive Director was overpaid £12,583 in the prior period. This amount was repaid during the period.

The remuneration arrangements for the Non-Executive Directors (except the Chairman) were reviewed by the Executive Directors and the Chairman during the period. The base fees for Non-Executive Directors were increased to £68,000 (2019: £65,000); whilst the fee for chairing a Committee was increased to £18,000 (2019: £16,000). The fee for the role of Senior Independent Director fee of £15,000 was increased to £17,000 during the period. A fee of £5,000 was introduced for being a member of the Audit Committee or Remuneration Committee. The Chairman does not receive a fee for his role as Nomination Committee Chairman.

The Chairman's fee was reviewed by the Remuneration Committee and was unchanged from £300,000 (2019: £300,000). Upon his appointment as Chairman at the AGM in May 2021, Rick Haythornthwaite will receive an annual fee of £375,000.

Similar in approach to the increases applied to Executive Director salaries, the Executive Directors and the Chairman identified the need for a staged approach to increasing fees for the Non-Executive Directors. Changes to Non-Executive Director fees were therefore agreed to take effect from 1 April 2021. The base fees for Non-Executive Directors will increase to £74,000; the fee for chairing a Committee will increase to £20,000; the fee for the role of Senior Independent Director fee will increase to £20,000 and the fee for being a member of the Audit Committee or Remuneration Committee will increase to £7,500. The Chairman will continue to not receive a fee for his role as Nomination Committee Chairman. Fee adjustments were made in 2020 and 2021 in line with the 2019 Policy and recognise the significantly greater size and complexity of the Non-Executive Director role and to position fees around the market median.

Directors' Remuneration Report
Continued

Other Remuneration for the Non-Executive Directors (Audited)

In addition to the 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:

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Tim Steiner	Chief Executive Officer	23 June 2010	12 months	6 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).

The appointment of Stephen Daintith was announced on 27 August 2020. Mr Daintith's service contract will have a notice period of 12 months from both the Company and Mr Daintith.

Non-Executive Directors' Letters of Appointment

The Chairman 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
Lord Rose	11 March 2013	1 May 2019	6 Months	March 2022
Andrew Harrison	1 March 2016	1 May 2019	1 Month	March 2025
Emma Lloyd	1 December 2016	1 May 2019	1 Month	December 2025
Jörn Rausing	13 March 2003	1 May 2019	1 Month	N/A
Julie Southern	1 September 2018	1 May 2019	1 Month	September 2027
John Martin	1 June 2019	N/A	1 Month	June 2028
Michael Sherman	5 October 2020	N/A	1 Month	October 2029
Claudia Arney	1 September 2019	N/A	1 Month	September 2028

(1) Claudia Arney retired from the Board with effect from 25 December 2020.

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 on retirement of Duncan Tatton-Brown and Claudia Arney.

Duncan Tatton-Brown retired from the Board with effect from 22 November 2020. Following his retirement as a Director of Ocado Group plc, Mr Tatton-Brown remains as a non-executive director on the boards of Ocado Retail Limited, Jones Food Company Limited and Karakuri Ltd, for which he will receive compensation.

Element of Remuneration	Treatment	
Duncan Tatton-Brown		
Remuneration Payments	All outstanding salary, benefits and pension entitlements were paid to Duncan Tatton-Brown up to 22 November 2020, in accordance with the terms of his service contract. No payments are expected after the date of retirement for Duncan Tatton-Brown.	
Payment for Loss of Office	No payment for loss of office or other remuneration payment was made or is expected to be made to Duncan Tatton-Brown.	
Incentive Schemes	In line with Ocado's policy for loss of office in force at that time, and the rules of the Annual Incentive Plan, the LTIP and the VCP, the Remuneration Committee determined that Duncan Tatton-Brown is a good leaver. Therefore, the following arrangements should apply in relation to Duncan Tatton-Brown's outstanding incentive awards:	
	2019 Annual Incentive Plan	Mr Tatton-Brown was awarded a payment of £510,000 pursuant to the 2019 Annual Incentive Plan, as set out on pages 121-122 of the Company's 2019 Annual Report. 50% of the AIP achieved was deferred into shares for three years with a further two-year holding period on vesting. Mr Tatton-Brown retains his 17,632 deferred 2019 AIP shares, which will vest in line with the original vesting schedule.
	2020 Annual Incentive Plan	As a good leaver the award granted under the 2020 Annual Incentive Plan will be prorated to his retirement date. The performance period for the AIP will end on 1 December 2020. At least 50% of the AIP achieved will be deferred into shares for three years with a further two-year holding period on vesting.
	2018 Long Term Incentive Plan	As a good leaver the award will be prorated to his retirement date. The performance period for the LTIP will end on 1 December 2020 and the shares are expected to vest in March 2021. There is a two-year holding period from the vesting date.
	2019 Value Creation Plan	Mr Tatton-Brown's VCP awards lapsed on retirement from the Company.
	Share Incentive Plan Free Shares	Free Share awards are subject to a three-year forfeiture period from date of grant and therefore those that are yet to meet that three-year forfeiture period lapsed on retirement from the Company.
	Share Incentive Plan Partnership and Matching Shares	Matching Shares are subject to a three-year forfeiture period from date of grant and therefore those that are yet to meet that three-year forfeiture period lapsed on retirement from the Company. Partnership Shares are purchased from salary rather than granted as an element of remuneration and are not subject to forfeiture.
Post-cessation Shareholding Requirement	Duncan Tatton-Brown has a post-cessation shareholding requirement of 300% of salary for 12 months from leaving the Company.	
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 are expected 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 or is expected to be made to Claudia Arney.	
Share Schemes	At the time of her retirement, Claudia Arney did not participate in a Company share scheme.	

Directors' Remuneration Report
Continued

Director Appointment Arrangements (Audited)

As announced on 8 September 2020, Michael Sherman was appointed to the Board as a Non-Executive Director with effect from 5 October 2020. Michael Sherman's remuneration is in line with the Directors' Remuneration Policy. On appointment, Michael Sherman's basic annual fee was £68,000, which was in line with the other Non-Executive Directors. Michael Sherman will not receive any other benefits or payments, in line with the Directors' Remuneration Policy.

As announced on 18 December 2020, Rick Haythornthwaite was appointed to the Board as a Non-Executive Director and Chairman-elect with effect from 1 January 2021. Rick Haythornthwaite's remuneration is in line with the Directors' Remuneration Policy. On appointment as a Non-Executive Director, Rick Haythornthwaite's basic annual fee was £68,000. Mr Haythornthwaite will assume the role of Chairman of the Company following the AGM in May 2021. Upon his appointment as Chairman, Rick Haythornthwaite will receive an annual fee of £375,000 in place of his Non-Executive Director fee.

The appointment of Stephen Daintith as Group CFO was announced on 27 August 2020. In line with the Directors' Remuneration Policy, Mr Daintith will receive an annual salary of £550,000 and a pension allowance of 7% of salary, in line with the wider workforce in the UK. He will be eligible to participate in Ocado's existing annual incentive plan up to a maximum of 215% of salary and the Ocado Value Creation Plan.

Payments to Past Directors (Audited)

None.

External Remuneration for Executive Directors

As at the date of this Annual Report:

- In addition to his role as Executive Director of the Company, Neill Abrams is an alternate non-executive director of Mr Price Group Limited, a JSE Top 40 company listed on the Johannesburg Stock Exchange. Neill does not receive any remuneration for carrying out that role.
- In addition to his role as Executive Director of the Company, Mark Richardson is a non-executive director of Paneltex Limited. This role does not involve any remuneration paid or payable to Mark.
- In addition to his role as Executive Director of the Company, Luke Jensen is a Non-Executive director of Hana Group SAS, registered in France, and ASOS plc, an AIM listed company. During the financial year, he received Board attendance fees of €30,000 for his role in Hana Group and £50,000 for his role at ASOS.

Director Shareholdings (Audited)

The table below shows the beneficial interests in the Company's shares of Directors serving at the end of the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts. The table also shows current compliance with the Director shareholding requirements in the Directors' Remuneration Policy as at the date of this Annual Report. All Directors comply with the Director shareholding requirements.

	Ordinary Shares of 2 pence each held at 29 November 2020		Ordinary Shares of 2 pence each held at 1 December 2019		**Minimum shareholding requirement (% of Base Salary or Fee)**	**Met minimum shareholding requirement?**	**Basis for compliance**
Name	**Direct Holding**	**Indirect Holding**	Direct Holding	Indirect Holding			
Executive Directors							
Tim Steiner	**21,564,826**	**8,428**	23,589,652	8,020	400	Yes	Indirect and direct shareholdings
Mark Richardson	**1,584,813**	**22,338**	1,534,755	12,984	300	Yes	Indirect and direct shareholdings
Neill Abrams	**2,073,426**	**1,567,798**	2,336,180	1,265,891	300	Yes	Indirect and direct shareholdings
Luke Jensen	**164,150**	**80,999**	117,314	77,210	300	Yes	Indirect and direct shareholdings
Non-Executive Directors							
Lord Rose	**452,284**	**–**	602,284	–	100	Yes	Indirect and direct shareholdings
Jörn Rausing	**–**	**69,015,602**	–	69,015,602	100	Yes	Indirect shareholdings
Andrew Harrison	**18,166**	**–**	18,166	–	100	Yes	Direct shareholdings
Emma Lloyd	**17,300**	**–**	17,300	–	100	Yes	Direct shareholdings
Julie Southern	**3,779**	**–**	3,779	–	100	N/A	N/A
John Martin	**–**	**–**	–	–	100	N/A	N/A
Michael Sherman	**–**	**–**	–	–	100	N/A	N/A
Claudia Arney	**5,230**	**–**	5,230	–	100	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 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 175.

(3) On 13 May 2016, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Tim Steiner delayed the date on which completion under the contracts for transfer would take place to 30 June 2019, or such later date as the parties may agree. On 2 June 2019, Tim Steiner agreed again to extend the completion dates for the contracts to future dates. The first contract completed on 30 June 2020.

(4) Julie Southern, John Martin and Michael Sherman were appointed on 1 September 2018, 1 June 2019 and 5 October 2020 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 Julie Southern, John Martin, and Michael Sherman do not hold the requisite number of shares to comply with the shareholding requirement currently, they are compliant with the policy.

(5) Rick Haythornthwaite joined the Board on 1 January 2021 after the period end and therefore is not included in the table.

(6) 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 26 January 2021 (being the last practicable date prior to the publication of this Annual Report) and the higher of the original purchase price(s) or the current market price (being 2787 pence per share on 26 January 2021), of the relevant shareholdings.

(7) Where applicable, the above indirect holdings include SIP Partnership and Free Shares held under the SIP, which are held in trust.

(8) The indirect holding for Neill Abrams includes holdings by Caryn Abrams (wife of Neill Abrams), who holds 79,609 (2019: 78,109) ordinary shares, is a discretionary beneficiary of a trust holding 74,100 (2019:74,100) ordinary shares, and is the trustee of three trusts each holding 100,000 ordinary shares for the benefit of each of their three children. In addition, Daniella Abrams (daughter of Neill Abrams) holds 1,363 (2019: 1,363) ordinary shares, Mia Abrams (daughter of Neill Abrams) holds 2,143 (2019: 2,143) ordinary shares and Joshua Abrams (son of Neill Abrams) holds 2,143 (2019: 2,143) ordinary shares.

(9) The indirect holding for Luke Jensen includes a holding by Sandrine Jensen (wife of Luke Jensen) who holds 77,329 (2019: 74,670) ordinary shares.

(10) 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.

Directors' Remuneration Report
Continued

Director Interests in Share Schemes (Audited)

Long-term Incentive Plan (LTIP) (Audited)

At the end of the period, the Executive Directors' total LTIP awards were as follows:

Director	Type of Interest	Date of Grant	Basis on which Award is made (% of Salary)	Number of Shares	Face Value of Award (£)	End of Performance Period	Expected Vesting Date
Tim Steiner	Conditional shares	01/03/18	200	219,621	1,187,996	03/12/20	18/03/21
Mark Richardson	Conditional shares	01/03/18	150	101,769	550,499	03/12/20	18/03/21
Neill Abrams	Conditional shares	01/03/18	120	68,326	369,596	03/12/20	18/03/21
Luke Jensen	Conditional shares	01/03/18	150	97,609	527,999	03/12/20	18/03/21

(1) The 2018 LTIP award was awarded based on a price of 540.93 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 1 March 2018.

Vested: The 2017 LTIP awards had a vesting date of 19 March 2020 for a three-year performance period that ended with the 2018/19 Financial Year. As explained in the 2019 Annual Report, the Remuneration Committee reviewed the performance against the award's four equally weighted performance conditions, which were Retail Revenue, Adjusted Retail EBT*, Platform Operational Efficiency and Solutions Revenue for the 2018/19 Financial Year. Achievement against the performance targets was 46.1%.

The performance period for the 2018 LTIP awards finished in the year, although these awards are not capable of vesting until 18 March 2021. More detail can be found on page 168.

* This measure is used by the Remuneration Committee to assess management performance for the LTIP only. It is not considered an Alternative Performance Measure.

Value Creation Plan (VCP) (Audited)

The 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 number of the nil-cost options that accrue at the second Measurement Date in March 2021 will be disclosed in our 2021 Annual Report. Please see page 153 of the Summary Policy table for Executive Directors 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 29/11/2020	SIP Shares that Became Unrestricted in the Period	Total Unrestricted SIP Shares Held at 29/11/2020
Tim Steiner	107	15	126	2,040	8,428	1,335	6,997
Mark Richardson	107	15	126	2,033	8,421	1,335	6,991
Neill Abrams	107	15	126	2,033	7,640	1,156	6,258
Luke Jensen	107	15	126	2,036	2,756	1,242	1,451

(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 closing share price on the trading day immediately preceding the date of grant.

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 2020 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 169.

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 26 January 2021, 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 Award	Total Face Value of Free Shares and Matching Shares (£)	Total SIP Shares Held at 29/01/2021
Tim Steiner	13	2	–	363	8,443
Mark Richardson	13	2	–	363	8,436
Neill Abrams	13	2	–	363	7,655
Luke Jensen	13	2	–	363	2,771

(1) The value of the share awards made under the SIP is based on the closing share price 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 above.

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

Directors' Remuneration Report
Continued

Dilution

Dilution Limits

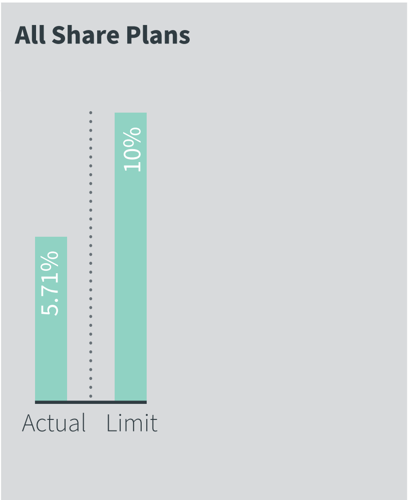
Awards granted under the Company's Sharesave and SIP schemes are met by the issue of new shares when the options are exercised or shares granted. Awards granted under the VCP may be met by the issue of new shares, the transfer of shares from treasury, or the purchase or transfer of existing shares by 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.

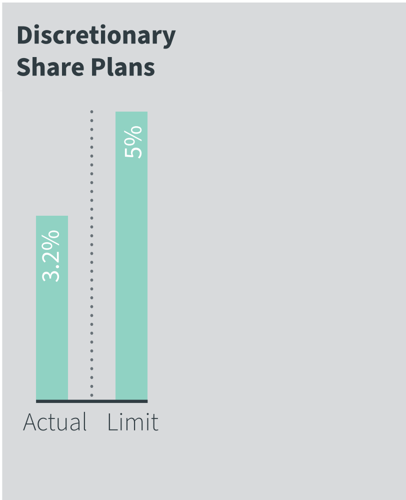
There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Remuneration Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

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 26 January 2021, 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.





Shareholder Approval and Votes at AGM

The 2020 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 resolutions regarding remuneration at previous annual general meetings.

Resolution Text	Votes For	% For	Votes Against	% Against	Total Votes	Votes Withheld
2020 Annual General Meeting						
Approve the 2019 Directors' Remuneration Report	407,632,068	70.2	172,726,518	29.8	580,358,586	25,108,206
Approve the Ocado 2019 Executive Share Option Scheme	599,781,833	99.03	5,863,273	0.97	605,645,106	34,381
Approve the Ocado Employee Share Purchase Plan	605,269,126	99.73	182,039	0.03	605,451,165	15,628
Approve the Ocado Restricted Share Plan	588,683,007	97.23	16,761,407	2.77	605,444,414	22,379

(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 2020 Annual General Meeting Voting

The Committee notes that at our 2020 annual general meeting all resolutions were successfully passed with the requisite majority, although there were significant minority votes against two resolutions: Resolution 2 (Directors' Remuneration Report) and Resolution 10 (Re-appointment of Andrew Harrison).

Resolutions 2 and 10 – Directors' Remuneration Report and Re-appointment of Andrew Harrison

Ocado's 2019 Remuneration Report (the "2019 Report") was approved at the 2020 annual general meeting with 70.24% of votes in support of the resolution. The Company understands that this outcome was broadly attributable to concerns around the performance of the Growth Incentive Plan ("GIP"), the implementation of a Value Creation Plan ("VCP"), and the approach to Executive Directors' salary progression.

The Remuneration Committee seeks to ensure that the quantum of remuneration provided to Executive Directors is both fair and competitive, in order to support the long-term success of the business and sustainable long-term shareholder value. We are also committed to regular engagement with shareholders on this topic, and aim to maintain open dialogue on such decisions. We have sought to provide additional clarity on the three areas of concern below.

The GIP was a one-off incentive plan granted in 2014 and subsequently vested in May 2019. The outcome of the GIP was subject to discussion with shareholders in November 2019, and was raised as one of the main reasons why some shareholders voted against this resolution. The Committee discussed this outcome and feels the value of this award, earned over a five year period, reflects the outstanding returns received by shareholders. The Committee notes that it also took into consideration the structure of the GIP (which enabled such values to be paid in a single year) when designing the VCP. In contrast to the GIP, the VCP is designed to ensure any payments to management would be spread over a longer time period going forward.

In terms of the salary progression, the Committee awarded salary increases above the average employee due to a set of unique circumstances. The salary increases reflect the rapid growth and resulting increase in complexity and scale of the Executive Directors' roles. Following the increases, the Executive Directors' salaries are positioned broadly around the lower quartile of the FTSE 100. This is in line with our remuneration philosophy which aims to set fixed pay at the lower quartile of the market, and only offer substantial comparative reward, via the VCP, for transformational performance.

Ocado's new long-term incentive plan, the Value Creation Plan ("VCP") was approved at our annual general meeting in May 2019 with shareholder support of 75.72% of votes in favour of the VCP. At that time, the Company understood that that outcome was attributable, in large part, to concerns regarding the implementation of the VCP and the potential level of quantum available to Executive Directors under this Plan.

Ocado's 2019 Policy was subject to an extensive consultation with all major shareholders and investor bodies prior to the annual general meeting in 2019 and we would again like to thank those investors who gave their time and input during this process. It was apparent at the time of the consultation that there were differing views amongst shareholders on the suitability of the Policy, which were ultimately reflected in the voting outcome at the annual general meeting in 2019. We note that at the time, all shareholder feedback received was carefully considered and as a result, multiple changes were made to the operation of the VCP to reflect suggestions made by shareholders. These changes were in turn explained in the annual report. In November 2019, I wrote to the Company's largest shareholders and held further consultations regarding the implementation of the Policy for FY19 and FY20. Further details on the consultation process and discussions can be found in the Company's 2018 annual report on pages 110 to 111. Given the extensive consultation process we undertook regarding the Company's remuneration, we feel we understand why shareholders voted as they did at the 2020 annual general meeting.

The Company understands that the 19.65% of votes cast against Resolution 10 (Andrew Harrison's re-appointment) at the 2020 annual general meeting this year were linked to the above outcomes.

The Remuneration Committee reviewed the voting outcomes and believes that the current Policy continues to be aligned with Ocado's strategy and business needs and hence remains the right vehicle to remunerate and retain our Executives. In conclusion, the Committee understands the main areas of concern for shareholders, and the response at the 2020 annual general meeting was in line with expectations from the consultation exercise in 2019.

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.

Basis of Preparation and Audit

This report is a Directors' Remuneration Report for the 52 weeks ended 29 November 2020, 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 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 Chairman
9 February 2021

Directors' Report

Introduction

This Directors' Report should be read in conjunction with the Strategic Report (pages 14 to 99), which includes Corporate Responsibility (pages 82 to 89), and the Corporate Governance Statement (page 108), which are incorporated by reference into this Directors' Report.

Directors' Report Disclosures

The Company has chosen in accordance with S414C (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	14-177
Principal risks and uncertainties	Management Report, as defined in the Directors' Report	60-71
Strategy	Strategic Report	40-46
Business Model	Strategic Report	30-33
Gender breakdown	Our People	93-94
Important events impacting the business	Strategic Report	14-59
Likely future developments	Strategic Report	14-59
Financial key performance indicators	Key Performance Indicators	47-48
Non-financial key performance indicators	Key Performance Indicators	48-49
Financial instruments	Note 4.7 of the Consolidated Financial Statements	243-246
Environmental matters	Corporate Responsibility	82-89
Employees with disabilities	Our People	92-93
Company's employees	Our People Stakeholder Engagement	90-98 72-81
Social, community and human rights issues	Corporate Responsibility	82-88
s172 and relationships with customers, suppliers and others	Stakeholder Engagement	72-81
Natural Resources	Corporate Responsibility	84
Directors' induction and training	Composition, Succession and Evaluation	121

Information Required by Listing Rules 9.8.4 (R)

Topic	Section of the Report	Page
Directors' Interests in Shares	Directors' Remuneration Report	173-175
Going Concern and Viability Statements	Strategic Report	68-71
Long-term incentive schemes	Directors' Remuneration Report	165-168

Information Required by DTR 7.2

Topic	Section of the Report	Page
Corporate Governance Statement	Corporate Governance Report	108

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	68-71

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 the 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 14 to 99. The Non-Financial Information Statement on page 185 forms part of the Strategic Report.

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.

→ For an explanation of how the Board satisfies itself that this Annual Report meets the disclosure requirements, refer to the **Corporate Governance Statement** on page 108 and the **Statement of Directors' Responsibility** on page 184

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 104 to 107. During the period Duncan Tatton-Brown resigned as Chief Financial Officer and Executive Director, on 22 November 2020, and Michael Sherman was appointed as an Independent Non-Executive Director, on 5 October 2020. Following the end of the period Claudia Arney resigned as Non-Executive Director, on 25 December 2020, and Richard Haythornthwaite was appointed as an Independent Non-Executive Director, on 1 January 2021.

Details of directors' beneficial and non-beneficial interests in the shares of the Company are shown on pages 173 and 175. Options granted to directors under the Save As You Earn (SAYE) and Executive Share Option Schemes are shown on pages 174 and 175.

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.

→ For a description of changes of the Company's Directors during the period see the **Corporate Governance Report** on pages 104 to 107

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. At the Company's 2020 annual general meeting shareholders approved amendments to the Articles to amend the language in the Articles to be gender neutral, to allow general meetings of the Company to be held electronically as well as physically, to increase the borrowing powers of the Board to allow net borrowings to the amount of £1,500 million, to clarify that the Company may send strategic reports with supplementary materials instead of the summary financial statement previously provided, and to remove the obligation for the Company to ascertain as to whether a proxy or representative of a corporation has voted in accordance with the member's instructions.

Share Capital

The Company's authorised and issued ordinary share capital as at 29 November 2020 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 26 January 2021, being the last practicable date prior to publication of this report, the Company's issued share capital consisted of 748,802,273 issued ordinary shares, compared with 711,072,430 issued ordinary shares per the 2019 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, 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
Continued

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 him or her if any call or sum then payable by him or her 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 29 November 2020, 625,750 (2019: 869,358) were held by Wealth Nominees Limited and 9,890,719 (2019: 9,981,158) were held by Numis Nominees (Client) Ltd, both on behalf of 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 9,890,719 of these ordinary shares, although it may at the request of a participant vote in respect of 625,750 ordinary shares which have vested under the JSOS and remain in the trust at period end. The total of 9,890,719 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 ten 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 his or her 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 pages 171 to 173 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 6 May 2020, at the 2020 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 2020 annual general meeting on 6 May 2020, 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 6 August 2021).

The Directors were also granted authority at the 2020 annual general meeting on 6 May 2020 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 2019 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 2020 annual general meeting. The Company believes such approach is appropriate given that it follows the guidance set by the Pre-Emption Group and Investment Association 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	Nature of Holding
The London & Amsterdam Trust Company Limited	90,421,714	12.09%	Direct/Indirect
The Capital Group Companies	76,974,615	10.78%	Indirect
Baillie Gifford & Co Limited	35,829,016	5.02%	Indirect

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 29 November 2020 and 26 January 2021.

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

The Company has Senior Secured Notes due 2024 (the "Notes") listed on the Irish Stock Exchange and trade on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes is XS163400189. Interest on the notes is payable semi-annually in arrear. The Notes will mature on 15 June 2024.

The Company may 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. Prior to 15 June 2020, the Company was 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 15 June 2020, the Company was able to, at its option, and on one or more occasions, also redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings. Prior to 15 June 2020, the Company was able to redeem during each 12-month period commencing on the issue date up to 10% of the aggregate principal amount of the Notes originally issued (including the aggregate principal amount of any additional Notes) at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest to the applicable redemption date. 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.

On 17 June 2019 the Company redeemed £25,000,000 of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest.

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 arrear 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 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.

Directors' Report
Continued

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

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, 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. 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).

Senior Secured Notes due 2024: 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 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.

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 ("GHG") Methodology

To calculate our greenhouse gas emissions, 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 Institute's (WBCSD/WRI). The following sources of information have been considered, government conversion factors published by BEIS (2020), IPCC fourth assessment report: climate change 2007, IPCC guidelines for national greenhouse gas inventories: reference manual (2006), EPA emissions & generation resource integrated database (eGRID) (2020), guidelines and statistics published by IEA (2019) and the Association of Issuing Bodies (AIB) (2020) European residual mixes 2019.

Details regarding the Group's carbon emissions, energy consumption and energy efficiency are included in the Strategic Report on page 84.

Future Developments of the Business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 14 to 99.

Statement of engagement with employees

Details on engagement with employees by the Board and the Group and the mechanisms employed to consult and communicate with employees and take into account the interests of employees in decision-making can be found in the Engaging With Our Stakeholders section on pages 72 to 81, Our People section on pages 90 to 97 and the Corporate Governance Report on pages 112 to 113.

Employees with Disabilities

Applications for employment by people with disability 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

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 72 to 81 and the Corporate Governance Report on page 112.

Profit/Loss and Dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 199. The Group's loss before tax for the period amounted to £44 million (2019: £214.5 million). The Directors do not propose to pay a dividend for the period (2019: £nil).

Branches

There are no branches of the Company.

Post Balance Sheet Events

There have been no material events after the Balance Sheet date of 29 November 2020 to the date of this Annual Report except for the below.

On 2 November 2020, the Group announced that it had acquired the entire share capital of two companies, Kindred Systems, Inc. and Haddington Dynamics, Inc. for the consideration of $260.3 million and $25.1 million respectively (subject to closing adjustments). The acquisition of Kindred Systems and Haddington Dynamics completed on 15 December 2020 and 21 December 2021 respectively.

On 1 October 2020, AutoStore Technology AS (a Norweigan company owned by the US private equity firm TH Lee) 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 Eastern Virginia. The Group has subsequently filed its own claim against AutoStore for infringement of Ocado patents in the US District Court for New Hampshire and a separate antitrust claim against AutoStore in the US District Court for Eastern Virginia. Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claim. Recovery of costs will be sought where permitted.

On 7 January 2021, Ocado Retail Limited announced that it had agreed to sell the entire share capital of Speciality Stores Limited, its pet business trading as Fetch, to Paws Holdings Limited. The disposal was completed on 31 January 2021.

Note 5.5 to the Consolidated Financial Statements provides more information on the Group's 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).

Directors' Report
Continued

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 104 to 107) 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.

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 104 to 107) confirms, to the best of his or her 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 178) 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.

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	30-33
2 **Principal risks and impact of business activity**	Risk Management Policy	How We Manage Our Risks Audit Committee Report	60-71 130-137
3 **Non-financial KPIs**		Strategy Key Performance Indicators	40-46 47-49
4 **Employee Engagement**	Code of Conduct and Employee Handbook Whistleblowing policy Board Diversity policy Equal Opportunities Policy Peakon Fuse	Our People Stakeholder Engagement Corporate Governance Report	90-97 72-81 104-125
5 **Human rights**	Human Rights policy Modern slavery statement Code of Conduct	Our People Corporate Responsibility Ethics and Compliance	90-97 82-89 98
6 **Social matters**	Corporate Responsibility Strategy Code of Conduct	Corporate Responsibility	82-89
7 **Anti-bribery and corruption**	Anti-bribery policy Money Laundering policy	Ethics and Compliance Corporate Governance Report	98 104-125
8 **Environmental matters**	Corporate Responsibility Strategy	Corporate Responsibility	82-89

The Directors’ Report is approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary
9 February 2021

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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Independent Auditor's Report

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 Company") and its subsidiaries ("the Group"):

- Give a true and fair view of the state of the Group's and the Company's affairs as at 29 November 2020, and of the Group's loss for the period then ended;
- Have been 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; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- The Consolidated Income Statement;
- The Consolidated Statement of Comprehensive Income;
- The Consolidated and Company Balance Sheets;
- The Consolidated and Company Statements of Changes in Equity;
- The Consolidated and Company Statements of Cash Flows; and
- The related notes 1 to 5.5 to the consolidated financial statements and notes 1 to 5.2 to the Company financial statements.

The financial reporting framework that has been applied in their preparation 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.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's ("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 for the year are disclosed in note 2.4 to the consolidated financial statements. We confirm that we have not provided to the Group or the Company any non-audit services that are prohibited by the FRC's Ethical Standard.

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 period were: • Recognition of Retail revenue; • Accounting for Solutions contracts; and • Impairment of capitalised project costs. Within this Report, key audit matters are identified as follows: ↑ Increased level of risk → Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the consolidated financial statements was £10.5 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 all significant trading companies in the United Kingdom, 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.
Significant changes in our approach	We did not consider the Group's control of Ocado Retail, the joint venture with Marks and Spencer, to be a key audit matter for the period. As explained in the Audit Committee's Report on page 133, the dispute resolution procedures remained unchanged in the shareholder agreement and therefore there were no significant changes to the key judgements in relation to control as defined by IFRS 10 "Consolidated Financial Statements". There have been no other significant changes to our audit approach for the period.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the Directors' statement in note 1.2 to the consolidated financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including, where relevant, the effect of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures on pages 60 to 67 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- The Directors' confirmation on page 60 and 61 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- The Directors' explanation on page 68 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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 for the 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 thereupon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report
to the members of Ocado Group plc

5.1 Recognition of Retail revenue

Key audit matter description	The Group recognised Retail revenue of £2,188.6 million for the period (2019: £1,618.1 million). Retail revenue, including its growth year on year, is a key metric when evaluating the performance of the business, and continues to receive scrutiny externally and internally. This scrutiny has increased as a result of both the joint venture and sourcing arrangement with Marks and Spencer. There were significant changes in customer behaviour during the year, affecting basket size, basket mix and order volume. This meant that the reconciling items that bridge the gap between the master sales record generated by the Webshop system (which records raw order data) and customer credit card receipts became less predictable. Based on our risk assessment procedures, we concluded that these items exhibited the greatest potential risk of Management manipulation in the Retail revenue process. In addition, as Retail sales are high volume and low value, we devoted significant effort to developing a data-driven audit approach in order to test the occurrence of Retail revenue recognised in the year. For these reasons, we have included recognition of Retail revenue as a key audit matter. See notes 2.1 and 2.2 to the consolidated financial statements for further detail on the accounting policies for revenue recognition and segmental revenue.
How the scope of our audit responded to the key audit matter	In response to the potential risk of Management manipulation, we conducted specific procedures to test the value of items that bridge the gap between the master sales record and customer credit card receipts. For example, we selected a sample of customer and Group employee receipts and traced these back to the items in the reconciliation to assess whether they represented valid adjustments to orders, cash and revenue recorded in the ledger. To address the risk of occurrence of Retail revenue, our procedures included: • Obtaining an understanding of the general IT controls over the Webshop system; • Obtaining an understanding of Management's controls over the appropriate recognition of Retail revenue, in particular the reconciliation of the master sales record with the revenue recorded in the general ledger and customers credit card receipts; • An independent reperformance of the reconciliation control by: – Independently reproducing the master sales record with our analytics specialists using the raw data from the Webshop system; – Testing the rationale and value of items that bridge the gap between the master sales record and customer credit card receipts; – Evaluating the completeness of customer credit card receipts in the reconciliation by tracing a sample of amounts received in bank statements to payment service provider reports, and reconciling these reports with the general ledger; • Tracing an independent sample of orders from origination to the raw order data in the Webshop system.
Key observations	We are satisfied that Retail revenue has been appropriately recognised.

5.2 Accounting for Solutions contracts

Key audit matter description	The Solutions business has agreed contracts with nine (2019: nine) customers. As discussed on page 21, the first international CFCs for Sobeys and Groupe Casino "went live" during the period. At the reporting date, the Group had contract liabilities of £299.3 million (2019: £191.8 million). Of this amount, £14.4 million (2019: £5.1 million) is expected to be recognised within the next year, with the remainder over future periods. The accounting for these arrangements is complex and requires significant judgement. For the up-front and ongoing fees, the appropriate timing and profile of revenue recognition, including with reference to the distinct performance obligations, needs to be considered under IFRS 15 "Revenue from Contracts with Customers". Given the considerable external focus on the development of the Solutions business, we consider there to be a potential risk for fraud in relation to the inappropriate timing and profile of revenue recognition. See notes 2.1 and 2.2 to the consolidated financial statements for further detail on the accounting policies for revenue recognition and segmental revenue.
How the scope of our audit responded to the key audit matter	In order to address the risk over the timing of revenue recognition, including those over the corresponding performance obligations, our audit procedures included: • Ascertaining the appropriate amount of revenue that should be allocated to each performance obligation by assessing the fees that the Group expects to receive over the duration of each contract; • Assessing the time period and profile over which revenue should be recognised as well as consideration of any material rights identified and potential contradictory evidence; • Where relationships have "gone live" during the period, specifically the arrangements with Sobeys and Groupe Casino, obtaining evidence to support transactions and performance obligations, such as invoices for services, cash receipts, or proof of delivery for software solutions; and • Independently recalculating the recognition of revenue and comparing to Management's approach.
Key observations	We are satisfied that revenue from Solutions contracts has been recognised appropriately in line with IFRS 15.

Independent Auditor's Report
to the members of Ocado Group plc

5.3 Impairment of capitalised project costs

Key audit matter description	The Group continues to invest significantly in developing the software and hardware it uses to operate the Retail business and to provide the end-to-end OSP to Solutions customers. The net book value of the Group's intangible assets and property, plant and equipment has increased further year on year to £1,024.5 million (2019: £654.4 million). Amounts that have been capitalised in the year include £89.6 million (2019: £70.2 million) of internally-generated intangible assets (see note 3.2 to the consolidated financial statements) and £351.6 million (2019: £164.0 million) fixtures, fittings, plant and machinery (see note 3.3 to the consolidated financial statements.) Expenditure is held as 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 United Kingdom and overseas CFCs as well as bot and automation development for future use. At the reporting date, capital work-in-progress amounted to £339.1 million (2019: £141.2 million). Given the nature of this expenditure, we identified the possibility of unrecorded impairment as a key audit matter. The sums being invested each year, the fast pace of development and the potential for new technology to supersede previously-capitalised assets mean there is significant judgement involved in determining whether an impairment charge or acceleration of depreciation and amortisation may be required. There is also judgement involved in assessing whether project assets will generate future economic benefits, in particular those relating to the Solutions business. As a result, there is a potential risk of Management manipulation in the judgements made over the identification and timeliness of recognition of impairment. The impairment charge recorded for the period was £5.4 million (2019: £2.4 million). See notes 3.2 and 3.3 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	To address the risk that the value of capitalised project costs are 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 its 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-focussed sample of projects and: – 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; – 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 superseding of assets; – Following the end of the period, conducting follow-up enquiries with project managers to ascertain whether there had been any significant changes to previous conclusions reached, including with reference to Management's impairment review papers; • Analysing the capital work-in-progress balance, with a focus on aged items to assess whether these remained recoverable or should be impaired. In addition to the above, to help consider and address the risk of Management manipulation further, we performed a series of analytical tests on the asset registers to identify items that appeared unusual, for example projects with limited or negative costs capitalised, and obtained explanations and supporting evidence.
Key observations	We are satisfied that the impairment charge on capitalised project costs has been appropriately determined and recorded.

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:

	Consolidated financial statements	Company financial statements
Materiality	£10.5 million (2019: £8.5 million)	£9.5 million (2019: £6.8 million)
Basis for determining materiality	We determined materiality based 0.5% (2019: 0.5%) of Group revenue as the primary benchmark. We also considered the supporting benchmark of 0.6% (2019: 0.8%) of net assets.	Company materiality is determined on the basis of net assets and capped at 90% (2019: 80%) of Group materiality, which has increased to reflect the contribution of the parent company to the Group. It equates to 0.8% (2019: 0.6%) 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 technology and in the development of CFCs, much of which is capital work-in-progress.	The 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.

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 performance materiality was set at 65% (2019: 70%) of Group materiality. In determining this, we considered the following:

- As outlined in the Report of the Chair of the Audit Committee on page 135, the Group is undergoing significant change and is implementing a more robust financial control environment; this programme was commenced during the year and is still in progress; and
- Our past experience of the audit, including the level of misstatements identified and Management's willingness to investigate and correct these.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £525,000 (2019: £423,000), 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.

Independent Auditor's Report
to the members of Ocado Group plc

7. An overview of the scope of our audit

7.1 Identification and scoping of components

The scope of our Group audit was broadly consistent with the prior period, covering all significant trading companies in the United Kingdom, including Ocado Retail (a joint venture with Marks and Spencer which is controlled and consolidated by the Group) and the joint venture with Morrisons. The results for these entities account for over 95% (2019: 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 from one central location in the United Kingdom and all audit work relevant to the Group audit is conducted by the Group audit team based in London.

7.2 Our consideration of the control environment

We tested and relied upon the key manual and automated controls in the inventory process. We involved IT specialists to test the general IT controls over key financial reporting systems, such as Oracle, Webshop and the Warehouse Management Systems.

We were able to rely on automated controls after inspecting sufficient evidence that appropriate restrictions existed over user access rights. We tested manual controls at the material warehouse locations, varying our approach in response to the restrictions for Covid-19. Senior team members visited and tested key controls at one CFC and one General Merchandise Distribution Centre ("GMDC"), and controls at other material locations were tested remotely using video call technology.

As noted on page 135 of the Report from the Chairman of the Audit Committee, the Group has commenced a finance transformation programme which included the objective of designing and implementing a more robust financial control environment. Management has taken steps to improve the breadth and expertise of the finance team, in particular with the dedicated Head of Financial Control. Continued focus is required in this area to respond to the increasing complexity and size of the Group, for example with respect to taxation, financial reporting as well as potential future regulatory changes such as those charged with governance attesting to the quality of financial reporting controls.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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 thereupon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in so doing, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

We have nothing to report in respect of these matters.

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 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 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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;
- 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 the Ocado Retail businesses, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- Any matters we identified having obtained and reviewed the Group's documentation of its policies and procedures relating to:
  – Identifying, evaluating and complying with laws and regulations and whether it was aware of any instances of non-compliance;
  – Detecting and responding to the risks of fraud and whether it has knowledge of any actual, suspected or alleged fraud;
  – The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- The matters discussed among the audit engagement team and involving relevant internal specialists, including IT and tax 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: recognition of Retail revenue, the accounting for Solutions contracts and impairment of capitalised project costs. 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 in which the Group operates, focussing 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; and
- 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. These included the Group's compliance with the Groceries Supply Code of Practice ("GSCOP").

11.2 Audit response to risks identified

As a result of performing the above, we identified recognition of Retail revenue, the accounting for Solutions contracts and impairment of capitalised project costs related to the potential risk of fraud. 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 the 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, in-house legal counsel and external legal advisors 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; and
- 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.

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 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. Matters on which we are required to report by exception

13.1 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 Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 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.

Independent Auditor's Report
to the members of Ocado Group plc

14. Other matters

14.1 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 period ending 3 December 2017 and subsequent periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the periods ended 3 December 2017 to 29 November 2020.

14.2 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).

15. 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 its 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
9 February 2021

Consolidated Income Statement
for the 52 weeks ended 29 November 2020

	Notes	52 weeks ended 29 November 2020 Results before exceptional items Ⓐ £m	Exceptional items Ⓐ (note 2.6) £m	Total £m	52 weeks ended 1 December 2019[(1)(2)] £m
Revenue	2.1	2,331.8	–	2,331.8	1,756.6
Cost of sales		(1,517.9)	–	(1,517.9)	(1,164.8)
Gross profit		813.9	–	813.9	591.8
Other income	2.3	87.6	103.9	191.5	107.7
Distribution costs		(653.4)	(1.0)	(654.4)	(549.7)
Administrative expenses		(343.0)	1.7	(341.3)	(336.3)
Operating profit/(loss) before results of joint ventures and associate		(94.9)	104.6	9.7	(186.5)
Share of results of joint ventures and associate	3.5, 3.6	(0.9)	–	(0.9)	0.7
Operating profit/(loss)		(95.8)	104.6	8.8	(185.8)
Loss on disposal of subsidiary	2.6	–	–	–	(1.1)
Finance income	4.5	5.5	–	5.5	3.3
Finance costs	4.5	(58.3)	–	(58.3)	(30.9)
Loss before tax		(148.6)	104.6	(44.0)	(214.5)
Income tax	2.7	(25.6)	–	(25.6)	2.7
Loss for the period		(174.2)	104.6	(69.6)	(211.8)
Attributable to:					
Owners of Ocado Group plc				(126.0)	(213.1)
Non-controlling interests	5.2			56.4	1.3
				(69.6)	(211.8)

Loss per share		pence	pence
Basic and diluted loss per share	2.8	(17.55)	(30.63)

(1) £22.1 million of adjustments relating to the adoption of IFRS 16 "Leases" have been reclassified from administrative expenses to distribution costs for the 52 weeks ended 1 December 2019, since the leases to which they relate are used for distribution rather than administration.

(2) The basic and diluted loss per share for the 52 weeks ended 1 December 2019 has been amended to reflect the correct weighted average number of shares at the end of the period. See note 2.8 for more information.

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)Ⓐ

	Notes	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Operating profit/(loss)		8.8	(185.8)
Adjustments for:			
Exceptional itemsⒶ	2.6	(104.6)	93.0
Amortisation of intangible assets	3.2	49.0	37.3
Impairment of intangible assets	3.2	3.3	1.8
Depreciation of property, plant and equipment	3.3	57.2	46.0
Impairment of property, plant and equipment	3.3	2.1	0.6
Depreciation of right-of-use assets	3.4	57.3	50.4
EBITDAⒶ		73.1	43.3

The notes on pages 204 to 269 form part of these financial statements.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 29 November 2020

	Notes	**52 weeks ended 29 November 2020 £m**	52 weeks ended 1 December 2019 £m
Loss for the period		**(69.6)**	(211.8)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges			
– Gain/(loss) arising on hedging contracts	4.9	**0.4**	(1.7)
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.9	**(0.9)**	(0.6)
Items that will not be reclassified to profit or loss in subsequent periods:			
Gain on equity investments designated as at fair value through other comprehensive income	4.9	**5.2**	2.8
Reclassification of equity of Jones Food Company Limited	4.9	**–**	0.1
Other comprehensive income for the period, net of income tax		**4.7**	0.6
Total comprehensive expense for the period		**(64.9)**	(211.2)
Attributable to:			
Owners of Ocado Group plc		**(121.3)**	(212.5)
Non-controlling interests	5.2	**56.4**	1.3
		(64.9)	(211.2)

The notes on pages 204 to 269 form part of these financial statements.

Consolidated Balance Sheet

as at 29 November 2020

	Notes	29 November 2020 £m	1 December 2019 (restated)[1][2] £m	2 December 2018 (restated)[1][2] £m
Non-current assets				
Goodwill	3.1	**4.7**	4.7	–
Other intangible assets	3.2	**239.5**	185.8	143.2
Property, plant and equipment	3.3	**785.0**	468.6	556.7
Right-of-use assets	3.4	**385.0**	368.8	–
Investment in joint ventures	3.5	**37.4**	45.8	52.2
Investment in associate	3.6	**4.1**	4.7	–
Other financial assets	3.7	**166.8**	177.3	4.1
Contract assets	2.1	**0.3**	0.3	–
Costs to obtain contracts	2.1	**0.7**	0.8	0.8
Deferred tax assets	2.7	**23.6**	27.2	16.6
		1,647.1	1,284.0	773.6
Current assets				
Asset held for sale	3.8	**4.2**	4.2	4.2
Inventories	3.9	**61.6**	52.3	56.5
Trade and other receivables	3.10	**200.6**	150.0	104.7
Other financial assets	3.7	**402.0**	112.8	153.5
Cash and cash equivalents	3.11	**1,706.8**	640.6	257.3
Insurance reimbursement asset	3.13	**5.5**	49.2	–
Contract assets	2.1	**0.1**	0.1	–
Costs to obtain contracts	2.1	**0.1**	–	–
Derivative financial assets	4.6	**0.2**	–	0.1
		2,381.1	1,009.2	576.3
Total assets		**4,028.2**	2,293.2	1,349.9
Current liabilities				
Contract liabilities	2.1	**(14.4)**	(5.1)	(6.6)
Trade and other payables	3.12	**(422.9)**	(350.6)	(292.0)
Provisions	3.13	**(8.4)**	(54.0)	(8.3)
Lease liabilities	4.2	**(48.1)**	(50.1)	(22.9)
Derivative financial liabilities	4.6	**(0.3)**	(0.5)	(0.5)
		(494.1)	(460.3)	(330.3)
Net current assets		**1,887.0**	548.9	246.0
Non-current liabilities				
Contract liabilities	2.1	**(284.9)**	(186.7)	(108.6)
Provisions	3.13	**(35.6)**	(14.5)	(8.8)
Borrowings	4.1	**(997.4)**	(219.7)	(244.3)
Lease liabilities	4.2	**(359.7)**	(338.4)	(93.4)
Deferred tax liabilities	2.7	**(19.3)**	(16.3)	(8.9)
		(1,696.9)	(775.6)	(464.0)
Net assets		**1,837.2**	1,057.3	555.6
Equity				
Share capital	4.9	**15.0**	14.2	14.0
Share premium	4.9	**1,361.6**	705.3	589.9
Treasury shares reserve	4.9	**(113.2)**	(113.6)	(9.2)
Other reserves	4.9	**76.9**	(112.2)	(114.8)
Retained earnings		**425.5**	554.2	75.7
Equity attributable to owners of Ocado Group plc		**1,765.8**	1,047.9	555.6
Non-controlling interests	5.2	**71.4**	9.4	–
Total equity		**1,837.2**	1,057.3	555.6

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

(2) Trade and other payables have been increased as at 2 December 2018 and 1 December 2019 by £1.0 million to correct immaterial historical errors, with a corresponding decrease of retained earnings.

The notes on pages 204 to 269 form part of these financial statements.

The consolidated financial statements on pages 199 to 203 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Neill Abrams
Group General Counsel
and Company Secretary

Ocado Group plc
Company number: 07098618 (England and Wales)
9 February 2021

Consolidated Statement of Changes in Equity

for the 52 weeks ended 29 November 2020

		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 2 December 2018(1)		14.0	589.9	(9.2)	(114.8)	75.7	555.6	–	555.6
Adjustment on adoption of IFRS 9		–	–	–	2.0	–	2.0	–	2.0
Adjusted balance at 2 December 2018		14.0	589.9	(9.2)	(112.8)	75.7	557.6	–	557.6
Loss for the period		–	–	–	–	(213.1)	(213.1)	1.3	(211.8)
Other comprehensive income:									
Cash flow hedges									
– Loss arising on hedging contracts	4.9	–	–	–	(1.7)	–	(1.7)	–	(1.7)
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.9	–	–	–	(0.6)	–	(0.6)	–	(0.6)
Gain on equity investments designated as at fair value through other comprehensive income	4.9	–	–	–	2.8	–	2.8	–	2.8
Reclassification of equity of Jones Food Company Limited	4.9	–	–	–	0.1	–	0.1	–	0.1
Total comprehensive expense for the period		–	–	–	0.6	(213.1)	(212.5)	1.3	(211.2)
Transactions with owners									
– Issue of ordinary shares	4.9	0.2	113.0	(111.1)	–	–	2.1	–	2.1
– Allotted in respect of share option schemes	4.9	–	2.4	–	–	–	2.4	–	2.4
– Disposal of treasury shares on exercise by participants	4.9	–	–	0.5	–	0.3	0.8	–	0.8
– Disposal of unallocated treasury shares	4.9	–	–	5.7	–	48.5	54.2	–	54.2
– Transfer of treasury shares to participants	4.9	–	–	0.8	–	(0.8)	–	–	–
– Reclassification between reserves	4.9	–	–	(0.3)	–	0.3	–	–	–
– Cash settlement of Growth Incentive Plan		–	–	–	–	(80.2)	(80.2)	–	(80.2)
– Share-based payments charge	4.10	–	–	–	–	12.8	12.8	–	12.8
– Part-disposal of Ocado Retail Limited		–	–	–	–	710.7	710.7	6.0	716.7
– Acquisition of Jones Food Company Limited		–	–	–	–	–	–	2.1	2.1
Total transactions with owners		0.2	115.4	(104.4)	–	691.6	702.8	8.1	710.9
Balance at 1 December 2019(1)		14.2	705.3	(113.6)	(112.2)	554.2	1,047.9	9.4	1,057.3
Loss for the period		**–**	**–**	**–**	**–**	**(126.0)**	**(126.0)**	**56.4**	**(69.6)**
Other comprehensive income:									
Cash flow hedges									
– Gain arising on hedging contracts	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		**–**	**–**	**–**	**4.7**	**(126.0)**	**(121.3)**	**56.4**	**(64.9)**
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	4.1	**–**	**–**	**–**	**184.5**	**–**	**184.5**	**–**	**184.5**
– Adjustments arising from part–disposal of Ocado Retail Limited(2)		**–**	**–**	**–**	**–**	**(24.8)**	**(24.8)**	**5.2**	**(19.6)**
– Additional investment in Jones Food Company Limited		**–**	**–**	**–**	**(0.1)**	**(0.3)**	**(0.4)**	**0.4**	**–**
Total transactions with owners		**0.8**	**656.3**	**0.4**	**184.4**	**(2.7)**	**839.2**	**5.6**	**844.8**
Balance at 29 November 2020		**15.0**	**1,361.6**	**(113.2)**	**76.9**	**425.5**	**1,765.8**	**71.4**	**1,837.2**

(1) Trade and other payables have been increased as at 2 December 2018 and 1 December 2019 by £1.0 million to correct immaterial historical errors, with a corresponding decrease of retained earnings.

(2) The completion statement relating to the part-disposal of Ocado Retail Limited in August 2019 was not finalised until February 2020, after the financial statements for the prior period had been issued. An adjustment was recognised to the gain on disposal in the current period to reflect the repayment of consideration to Marks and Spencer Holdings Limited and other completion-related adjustments.

The notes on pages 204 to 269 form part of these financial statements.

Consolidated Statement of Cash Flows

for the 52 weeks ended 29 November 2020

	Notes	**52 weeks ended 29 November 2020 £m**	52 weeks ended 1 December 2019 (restated)[1] £m
Cash flows from operating activities			
Loss before tax		**(44.0)**	(214.5)
Adjustments for			
– Revenue recognised from long-term contracts	2.1	**(6.1)**	(2.9)
– Depreciation, amortisation and impairment expenses	2.4	**168.9**	233.0
– Insurance proceeds recognised as other income	2.6	**(103.9)**	(23.8)
– Non-cash exceptional items Ⓐ	2.6	**(7.4)**	–
– Write-off of fixed assets, intangible assets and inventories	2.6	**–**	9.5
– Share of results of joint ventures and associate	3.5, 3.6	**0.9**	(0.7)
– Movement of provisions		**18.5**	(1.0)
– Net finance cost	4.5	**52.8**	27.6
– Net gain/(loss) on derivative financial instruments		**0.4**	(1.7)
– Settlement of cash flow hedges		**(2.5)**	(0.1)
– Share-based payments charge	4.10	**22.4**	12.8
Changes in working capital			
– Movement of contract liabilities		**97.5**	79.5
– Movement of inventories		**38.5**	(7.6)
– Movement of trade and other receivables		**(59.2)**	(29.4)
– Movement of trade and other payables		**52.8**	8.0
Cash generated from operations		**229.6**	88.7
Insurance proceeds relating to destroyed inventory and business interruption		**40.0**	73.8
Corporation tax paid		**(18.4)**	–
Interest paid		**(25.8)**	(30.6)
Cash settlement of Growth Incentive Plan		**–**	(80.2)
Net cash flow from operating activities		**225.4**	51.7
Cash flows from investing activities			
Insurance proceeds relating to rebuilding Andover CFC		**25.0**	–
Proceeds from disposal of Marie Claire Beauty Limited, net of cash sold		**3.0**	(0.5)
Purchase of Jones Food Company Limited, net of cash acquired		**–**	(7.6)
Purchase of intangible assets		**(107.2)**	(84.1)
Purchase of property, plant and equipment		**(344.6)**	(175.5)
Dividend received from joint venture	3.5	**7.7**	15.6
Purchase of investments in joint venture and associate	3.5, 3.6	**–**	(13.6)
Purchase of other treasury deposits		**(355.0)**	(70.0)
Proceeds from other treasury deposits		**95.0**	113.5
Purchase of unlisted equity investments		**(0.7)**	(1.6)
Loans to joint venture and associate		**(11.2)**	–
Interest received		**5.2**	3.3
Net cash flow used in investing activities		**(682.8)**	(220.5)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital, net of transaction costs		**646.2**	0.8
Proceeds from allotment of share options		**10.8**	2.4
Proceeds from disposal of treasury shares on exercise by participants		**0.5**	0.8
Proceeds from disposal of unallocated treasury shares, net of transaction costs		**–**	54.2
Proceeds from Value Creation Plan – jointly-owned equity awards		**–**	1.3
Proceeds from issue of convertible bonds, net of issue costs	4.1	**935.5**	–
Repayment of borrowings	4.1	**–**	(25.0)
Repayment of lease liabilities		**(53.4)**	(40.2)
Payment of financing fees		**(0.5)**	(0.5)
Proceeds from part-disposal of Ocado Retail Limited, net of transaction costs		**(13.1)**	558.3
Net cash flow from financing activities		**1,526.0**	552.1
Net increase in cash and cash equivalents		**1,068.6**	383.3
Cash and cash equivalents at beginning of period		**640.6**	257.3
Effect of changes in foreign exchange rates		**(2.4)**	–
Cash and cash equivalents at end of period	3.11	**1,706.8**	640.6

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

The notes on pages 204 to 269 form part of these financial statements.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Notes to the Consolidated Financial Statements

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 29 November 2020. The prior financial period represents the 52 weeks ended 1 December 2019. The principal activities of the Group are described in the Strategic Report on pages 14 to 99.

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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 1 December 2019 of the Group.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The financial statements 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

In the current period, the Group has not adopted any new standards, but in the prior period, IFRS 9 "Financial Instruments" and IFRS 16 "Leases" were adopted for the first time.

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 2 December 2019, 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
IAS 19	Employee Benefits (amendments)	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019

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 2 December 2019, and have not been adopted early:

		Effective date
IFRS 3	Business Combinations (amendments)	1 January 2020
IFRS 7, IFRS 9, IAS 39	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
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 Standards 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.

Ocado Bulgaria EOOD, Ocado Solutions (US) ProCo LLC and Ocado Spain S.L.U. have a reporting date of 31 December, Jones Food Company Limited of 30 April, and JFC Hydroponics Limited of 31 March. All these companies have prepared additional financial information for the 52 weeks ended 29 November 2020 to enable consolidation.

All other subsidiaries have a reporting date of 29 November 2020.

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.

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expenses are translated at the average exchange rates for the period or at the date of the transaction. Exchange differences arising are recognised in other comprehensive income and accumulated in a separate component of equity.

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.

Notes to the Consolidated Financial Statements
Continued

1.3 Basis of consolidation continued
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); and
c. All resulting exchange differences are recognised as a separate component of equity.

1.4 Significant accounting policies and critical 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.

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 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.

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 policies

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.	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 £173.6 million. The majority of this relates to the payment of up to £187.5 million plus interest by Marks and Spencer Holdings Limited agreed on the sale of 50.0% of Ocado Retail Limited, which is contingent on specific performance targets being hit. The fair value reflects the full, discounted £187.5 million plus interest, since it is expected that the agreed performance targets will be hit. Should some or all of these targets be missed, less 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

1.4 Significant accounting policies and critical estimates, judgements and assumptions continued

Significant judgements

Area	Judgement	Note
Consolidation of Ocado Retail	Management has concluded that the Group controls Ocado Retail Limited ("Ocado Retail"), 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 Ocado Retail's business plan and budget and the appointment and removal of Ocado Retail'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 which must be made. The identification of performance obligations in a contract is a significant judgement, since it determines from when revenue is recognised. Management has adjudged 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 up-front 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
Amortisation and depreciation charges	At the reporting date, intangible assets (excluding goodwill) and plant, property and equipment totalled £1,024.5 million (2019: £654.4 million). For the period, the amortisation charge on intangible assets and depreciation charge on plant, property and equipment totalled £106.2 million (2019: £83.3 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, but are not limited to, those relating to identifying exceptional items, recognising deferred tax assets for historical losses, calculating impairment charges on intangible assets and plant, property and equipment, and calculating the 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 Changes in significant accounting policies

The accounting policies adopted are consistent with those of the prior period; there have been no changes in significant accounting policies.

Notes to the Consolidated Financial Statements

Continued

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 which 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 £1,706.8 million (2019 (restated): £640.6 million), other treasury deposits of £370.0 million (2019 (restated): £110.0 million), external gross debtⒶ of £1,355.5 million (2019: £544.2 million) (excluding lease liabilities payable to MHE JVCo Limited of £49.7 million (2019: £64.0 million)) and net current assets of £1,887.0 million (2019: £548.9 million). The Group has a mixture of short- and medium-term financing arrangements, including £225.0 million of senior secured notes due in 2024, £600.0 million of senior unsecured convertible bonds due in 2025, 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. The financial position of the Group, including information on cash flows, can be found in Group Financials on pages 188 to 287. 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 14 to 99) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 60 to 67.)

Unlike its effect on many other businesses, Covid-19 has increased customers' demand for the Group's services, and this demand looks set to continue both in the short term and through the longer-term trend towards online retail.

Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 71.

1.7 Restatement of cash and cash equivalents

IAS 7 "Statement of Cash Flows" defines cash equivalents as being "held for the purpose of meeting short-term cash commitments". It suggests that "an investment normally qualifies as a cash and cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition".

At the end of the prior period, the Group disclosed £110.0 million (2018: £153.5 million) of treasury deposits with maturities of more than three months (but no more than six months) from the date of acquisition as cash and cash equivalents. Subsequently, the comparative figures have been restated to reflect the reclassification of these balances from cash and cash equivalents to other current financial assets.

Only the Consolidated Balance Sheet and Consolidated Statement of Cash Flows are affected as detailed below:

Restatement of Consolidated Balance Sheet as at 1 December 2019

	1 December 2019 (previously reported) £m	Reclassification £m	1 December 2019 (restated) £m
Non-current assets	1,284.0	–	1,284.0
Current assets			
Other financial assets	2.8	110.0	112.8
Cash and cash equivalents	750.6	(110.0)	640.6
Other current assets	255.8	–	255.8
	1,009.2	–	1,009.2
Total assets	2,293.2	–	2,293.2
Current liabilities	(460.3)	–	(460.3)
Net current assets	548.9	–	548.9
Non-current liabilities	(775.6)	–	(775.6)
Net assets	1,057.3	–	1,057.3
Total equity	1,057.3	–	1,057.3

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

1.7 Restatement of cash and cash equivalents continued

Restatement of Consolidated Balance Sheet as at 2 December 2018

	2 December 2018 (previously reported) £m	Reclassification £m	2 December 2018 (restated) £m
Non-current assets	773.6	–	773.6
Current assets			
Other financial assets	–	153.5	153.5
Cash and cash equivalents	410.8	(153.5)	257.3
Other current assets	165.5	–	165.5
	576.3	–	576.3
Total assets	1,349.9	–	1,349.9
Current liabilities	(330.3)	–	(330.3)
Net current assets	246.0	–	246.0
Non-current liabilities	(464.0)	–	(464.0)
Net assets	555.6	–	555.6
Total equity	555.6	–	555.6

Restatement of Consolidated Statement of Cash Flows for the 52 weeks ended 1 December 2019

	52 weeks ended 1 December 2019 (previously reported) £m	Reclassification £m	52 weeks ended 1 December 2019 (restated) £m
Net cash flow from operating activities	51.7	–	51.7
Cash flows from investing activities			
Purchase of other treasury deposits	–	(70.0)	(70.0)
Proceeds from other treasury deposits	–	113.5	113.5
Other cash flows used in investing activities	(264.0)	–	(264.0)
Net cash flow used in investing activities	(264.0)	43.5	(220.5)
Net cash flow from financing activities	552.1	–	552.1
Net increase in cash and cash equivalents	339.8	43.5	383.3
Cash and cash equivalents at beginning of period	410.8	(153.5)	257.3
Cash and cash equivalents at end of period	750.6	(110.0)	640.6

Restatement of Consolidated Statement of Cash Flows for the 52 weeks ended 2 December 2018

	52 weeks ended 2 December 2018 (previously reported) £m	Reclassification £m	52 weeks ended 2 December 2018 (restated) £m
Net cash flow from operating activities	128.4	–	128.4
Cash flows from investing activities			
Purchase of other treasury deposits	–	(153.5)	(153.5)
Other cash flows used in investing activities	(167.9)	–	(167.9)
Net cash flow used in investing activities	(167.9)	(153.5)	(321.4)
Net cash flow from financing activities	300.3	–	300.3
Net increase in cash and cash equivalents	260.8	(153.5)	107.3
Cash and cash equivalents at beginning of period	150.0	–	150.0
Cash and cash equivalents at end of period	410.8	(153.5)	257.3

Notes to the Consolidated Financial Statements
Continued

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 which 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 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 which 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.

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.

2.1 Revenue continued

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 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.

Notes to the Consolidated Financial Statements
Continued

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 but are not limited to:

- 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.

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 property, plant and equipment, intangible assets, 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.

Disaggregation of revenue

Set out below is a disaggregation of the Group's revenue:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019[1] £m
Retail	**2,188.6**	1,618.1
UK Solutions & Logistics	**654.3**	576.0
International Solutions	**16.6**	0.5
Other	**–**	9.8
Group eliminations	**(527.7)**	(447.8)
	2,331.8	1,756.6
Timing of revenue recognition		
At a point in time	**2,188.5**	1,626.4
Over time	**143.3**	130.2
	2,331.8	1,756.6

(1) The figures for the 52 weeks ended 1 December 2019 have been re-presented to reflect changes to the basis of allocating revenue to segments. The total revenue is the same, but the figure attributed to each segment has changed.

Contract balances

	29 November 2020 £m	1 December 2019 £m	2 December 2018 £m
Trade receivables	**33.8**	12.3	8.6
Contract assets	**0.4**	0.4	–
Contract liabilities	**(299.3)**	(191.8)	(115.2)

Contract assets

	29 November 2020 £m	1 December 2019 £m	2 December 2018 £m
Current	**0.1**	0.1	–
Non–current	**0.3**	0.3	–
	0.4	0.4	–

The contract assets represent Solutions revenue recognised in the Consolidated Income Statement, but not yet invoiced.

Significant changes in the contract assets balance during the period are as follows:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Balance at beginning of period	**0.4**	–
Amount recognised as revenue	**–**	0.4
Balance at end of period	**0.4**	0.4

Notes to the Consolidated Financial Statements
Continued

2.1 Revenue continued
Contract liabilities

	29 November 2020 £m	1 December 2019 £m	2 December 2018 £m
Current	**(14.4)**	(5.1)	(6.6)
Non-current	**(284.9)**	(186.7)	(108.6)
	(299.3)	(191.8)	(115.2)

The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied.

Significant changes in the contract liabilities balance during the period are as follows:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Balance at beginning of period	**(191.8)**	(115.2)
Amount invoiced	**(113.6)**	(79.5)
Amount recognised as revenue	**6.1**	2.9
Balance at end of period	**(299.3)**	(191.8)

Set out below is the amount of revenue recognised from:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Amount included in contract liabilities at beginning of period	**6.1**	2.9

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) are expected to be recognised as revenue as follows:

	29 November 2020 £m	1 December 2019 £m
Within one year	**195.3**	114.5
In between one and five years	**1,407.2**	1,004.9
In more than five years	**3,554.4**	3,308.8
Total transaction price	**5,156.9**	4,428.2

The total transaction price includes £2,154.5 million (2019: £1,824.0 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

	29 November 2020 £m	1 December 2019 £m
Current	**0.1**	–
Non-current	**0.7**	0.8
	0.8	0.8

2.1 Revenue continued

Significant changes in the costs to obtain contracts balance during the period are as follows:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £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 10.0% 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 the Ocado Retail joint venture. 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 which 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 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**
52 weeks ended 1 December 2019[1]						
Segmental revenueⒶ	1,618.1	576.0	0.5	9.8	(447.8)	1,756.6
Segmental EBITDAⒶ	40.6	72.1	(54.9)	(14.2)	(0.3)	43.3

(1) The figures for the 52 weeks ended 1 December 2019 have been re-presented to reflect changes to the basis of allocating revenue and expenses to segments. The total revenue and EBITDAⒶ are the same, but the figures attributed to each segment have changed.

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.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Notes to the Consolidated Financial Statements
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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.

Other income comprises:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Media and other income	**74.4**	70.6
Rental income	**13.2**	13.3
Exceptional insurance income	**103.9**	23.8
Other income	**191.5**	107.7

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 which are driven by the volume of sales of specific products or product groups, including the branding and sourcing fees payable to Marks and Spencer and Waitrose (2019: Waitrose), 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% (2019: 84%) of commercial income, with volume-related rebates representing 18% (2019: 16%).

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 which 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 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.

2.4 Operating expenses continued

Operating expenses include:

	Notes	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Cost of inventories recognised as an expense		**1,496.3**	1,145.8
Employment costs	2.5	**502.0**	383.0
Amortisation of intangible assets	3.2	**49.0**	37.3
Impairment of intangible assets	3.2	**3.3**	1.8
Depreciation of property, plant and equipment	3.3	**57.2**	46.0
Impairment of property, plant and equipment	3.3	**2.1**	0.6
Depreciation of right-of-use assets	3.4	**57.3**	50.4
Increase in provision for impairment of receivables	3.10	**0.4**	0.7
Research and development costs		**0.1**	0.1
Operating lease rentals on short-term leases and low-value items			
– Land and buildings	4.2	**0.2**	0.7
– Plant, machinery, fixtures, fittings and motor vehicles	4.2	**0.1**	–
Net foreign exchange loss		**4.4**	0.4

During the period, the Group paid the following to its auditor:

	52 weeks ended 29 November 2020 £000	52 weeks ended 1 December 2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**90**	80
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**724**	718
Other fees payable for statutory audit services	**103**	70
Total audit fees	**917**	868
Audit-related assurance services		
– ISRE 2410 services	**154**	50
Other assurance services		
– Transaction support services required by regulation	**–**	70
– Other transaction support services	**–**	265
– Agreed-upon assurance services	**36**	30
Total non-audit fees	**190**	415
Total fees	**1,107**	1,283

The Audit Committee considered that certain non-audit services relating to the part-disposal of Ocado Retail Limited in 2019 should be provided by the external auditor because its existing knowledge of the business made this the most efficient and effective way for these services to be performed.

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.

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2.5 Employee information continued
Employment costs for the period were as follows:

	Notes	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Wages and salaries		**514.1**	403.2
Social security costs		**46.9**	37.3
Other pension costs		**16.0**	12.1
Share-based payment expense[1]		**45.5**	24.2
Total gross employment costs		**622.5**	476.8
Staff costs capitalised as intangible assets	3.2	**(89.6)**	(70.2)
Staff costs capitalised as property, plant and equipment	3.3	**(30.9)**	(23.6)
Total employment costs		**502.0**	383.0
Average monthly number of employees (including Executive Directors) by function			
Operational staff		**13,747**	12,406
Support staff		**3,374**	2,738
		17,121	15,144

(1) Included in the share-based payment expense is an IFRS 2 "Share-based Payment" equity-settled charge of £22.4 million (2019: £12.8 million) and an additional provision of £23.1 million (2019: £11.4 million) for the payment of amounts due to participants in the Cash LTIP and 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 reader of the financial statements and to avoid distortion of underlying performance. This 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.

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.

The Group believes this format is useful as it highlights non-recurring items, such as the costs relating to a warehouse fire, corporate reorganisation and restructuring costs, profit or loss on disposal of operations, impairment of assets and any other material costs outside the normal course of business.

	Notes	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Andover CFC			
– Write-off of property, plant and equipment	3.3	**–**	96.9
– Write-off of inventory		**–**	5.5
– Write-off of intangible assets	3.2	**–**	2.1
– Other exceptional costs		**4.0**	7.3
– Insurance reimbursement	2.3	**(103.9)**	(23.8)
Loss on disposal of Marie Claire Beauty Limited		**–**	1.1
Costs on creation of joint venture with Marks and Spencer Holdings Limited		**–**	3.4
Litigation costs		**2.7**	1.3
Change of fair value of contingent consideration receivable		**(7.4)**	–
Other exceptional costs		**–**	0.3
Net exceptional (income)/expense		**(104.6)**	94.1

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

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.

Other exceptional costs

These include, but are not limited to, 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.

Insurance reimbursement

This mainly comprises reimbursement for the costs of rebuilding the CFC, and business interruption losses. Reimbursement has been recognised as other income. A portion of reimbursement has been received and recognised as deferred income. This will be released to profit or loss in the future as the costs of rebuilding the CFC are incurred. Another portion has not yet been received but has been recognised as accrued income. This relates to incurred business interruption losses and will be received in the 2021 financial year.

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 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.

Litigation costs

Litigation costs relate to legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited in relation to the theft and unlawful use of the Group's Intellectual Property, and patent infringement claims made against the Group by AutoStore Technology AS ("AutoStore") and two subsequent claims made by the Group against AutoStore.

Change of fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited to Next Holdings Limited, and 50.0% of Ocado Retail Limited to Marks and Spencer Holdings Limited. 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. See note 3.7 for more information.

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 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.

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. Recognition, therefore, involves judgement regarding the prudent risk-adjusted forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor. The final outcome of some of these items may give rise to material profit and loss and/or cash-flow variances. At the reporting date, Management forecasted that the Group would generate future taxable profits against which existing tax losses could be relieved. 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.

Research and development expenditure credit

The Group takes advantage of the incentives offered under the United Kingdom's Research and Development Expenditure Credit ("RDEC") regime to claim a credit for the Group's significant expenditure on qualifying research and development. As enacted in the Finance Act 2020, the credit due to the Group is equal to 13.0% (2019: 12.0%) of the Group's qualifying expenditure. The Group continues to utilise the additional benefits from the scheme in light of the Group's commitment to its innovative technology and software.

During the period, the Group claimed a credit of £4.7 million for the 52 weeks ended 1 December 2019 (2019: £4.1 million for the 52 weeks ended 2 December 2018).

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Notes to the Consolidated Financial Statements
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2.7 Income tax continued

Future changes to tax legislation

The Group undertakes regular reviews in order to ensure its ongoing compliance with current and future proposed changes to United Kingdom tax legislation. The Group has undertaken a review of the Group's activities in light of the OECD's Base Erosion and Profit Shifting ("BEPS") publications and does not foresee any significant effect on the Group's effective tax rate resulting from the proposed changes in the short- to medium-term.

The Group's future tax charge, and effective tax rate, could be affected by several factors including tax reform in countries around the world, including any arising from the OECD's or European Commission's work on the taxation of the digital economy and European Commission initiatives such as the anti-tax avoidance directive.

Management does not anticipate that Brexit will have a significant effect on the Group's future tax charge, liabilities or assets, but this may change. It continues to monitor developments in this area.

Income tax – Consolidated Income Statement

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Current tax		
United Kingdom Corporation Tax on profits for period	**18.3**	–
Overseas corporation tax on profits for period	**0.7**	0.5
Total current tax	**19.0**	0.5
Deferred tax		
Origination and reversal of temporary differences	**7.7**	(3.2)
Effect of change in rate of United Kingdom Corporation Tax	**(1.2)**	–
Overseas deferred tax on profits for period	**0.1**	–
Total deferred tax	**6.6**	(3.2)
Income tax charge/(credit)	**25.6**	(2.7)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the effective tax rate applicable to profits of the Group as follows:

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Loss before tax	**(44.0)**	(214.5)
Effective tax credit at United Kingdom tax rate of 19.0% (2019: 19.0%)	**(8.4)**	(40.8)
Effect of:		
Losses arising in period on which no deferred tax is recognised	**36.6**	10.7
Permanent differences	**(5.8)**	(15.0)
Differences in overseas tax rates	**(0.8)**	(0.1)
Temporary differences on which no deferred tax is recognised	**4.0**	42.5
Income tax charge/(credit)	**25.6**	(2.7)

2.7 Income tax continued

Income tax – Consolidated Balance Sheet

The movement of deferred tax assets is as follows:

	Tax losses carried forward £m	Accelerated capital allowances £m	Share-based payments £m	Other short-term timing differences £m	Total £m
Balance at 2 December 2018	9.5	7.1	–	–	16.6
Amount credited/(charged) to Consolidated Income Statement	13.0	(2.4)	–	–	10.6
Balance at 1 December 2019	22.5	4.7	–	–	27.2
Effect of change in rate of United Kingdom Corporation Tax	**2.6**	**0.5**	**–**	**–**	**3.1**
Amount credited/(charged) to Consolidated Income Statement	**(23.0)**	**7.3**	**7.9**	**1.1**	**(6.7)**
Balance at 29 November 2020	**2.1**	**12.5**	**7.9**	**1.1**	**23.6**

The Finance Act 2020 reversed the previously-enacted reduction in the rate of United Kingdom Corporation Tax to 17.0% as provided for in Finance (No.2) Act 2015 and Finance Act 2016. The rate of Corporation Tax will now remain 19.0%. Deferred tax has been provided for at the rate at which the deferred tax assets are expected to be realised.

The movement of unrecognised deferred tax assets is set out below:

	Tax losses carried forward £m	Accelerated capital allowances £m	Share-based payments £m	Other short-term timing differences £m	Total £m
Balance at 2 December 2018	34.6	20.4	–	1.0	56.0
Potential movement in period not credited/(charged) to Consolidated Income Statement	(8.7)	18.6	–	–	9.9
Balance at 1 December 2019	25.9	39.0	–	1.0	65.9
Effect of change in rate of United Kingdom Corporation Tax	**2.6**	**4.8**	**–**	**0.1**	**7.5**
Potential movement in period not credited/(charged) to Consolidated Income Statement	**48.4**	**(18.7)**	**11.9**	**3.8**	**45.4**
Balance at 29 November 2020	**76.9**	**25.1**	**11.9**	**4.9**	**118.8**

At the reporting date, the Group had approximately £407.4 million of unutilised tax losses (2019: approximately £284.7 million) available to offset against future profits. Deferred tax assets of £2.1 million (2019: £22.5 million) have been recognised in respect of £11.0 million (2019: £132.4 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.

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. 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 £23.6 million (2019: £27.2 million).

The movement of deferred tax liabilities is set out below:

	Accelerated capital allowances £m
Balance at 2 December 2018	(8.9)
Amount charged to Consolidated Income Statement	(7.4)
Balance at 1 December 2019	(16.3)
Effect of change in rate of United Kingdom Corporation Tax	**(1.9)**
Amount credited to Consolidated Income Statement	**(1.1)**
Balance at 29 November 2020	**(19.3)**

At the reporting date, the Group has recognised deferred tax liabilities of £19.3 million (2019: £16.3 million). Of this amount, £19.3 million (2019: £16.3 million) is in respect of intangible assets that Management assessed as qualifying for research and development Corporation Tax relief. The timing of the tax deductions in respect of expenditure incurred on these assets differs from the amortisation profile of the assets giving rise to the deferred tax liabilities. The liabilities will be unwound over the useful lives of the assets.

Notes to the Consolidated Financial Statements
Continued

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 four 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 employee incentive plans.

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 have been calculated as follows:

	52 weeks ended 29 November 2020 million	52 weeks ended 1 December 2019[1] million
Weighted average number of shares at end of period	**718.0**	695.8
	£m	£m
Loss attributable to owners of the Company	**(126.0)**	(213.1)
	pence	pence
Basic and diluted loss per share	**(17.55)**	(30.63)

(1) The basic and diluted loss per share for the 52 weeks ended 1 December 2019 has been amended to reflect the correct weighted average number of shares at the end of the period.

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.

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

Goodwill is the excess of consideration transferred over the fair value of identifiable net assets acquired. The movement of goodwill is as follows:

	Goodwill £m
Cost	
At 2 December 2018	–
Recognised on acquisition of Jones Food Company Limited	4.7
At 1 December 2019 and 29 November 2020	**4.7**
Accumulated impairment	
At 2 December 2018 and 1 December 2019	–
Impairment charge	–
At 29 November 2020	**–**
Net book value	
At 1 December 2019	4.7
At 29 November 2020	**4.7**

The whole goodwill balance relates to the acquisition of Jones Food Company Limited ("Jones Food Company"), which was completed in June 2019. For the purpose of annual impairment testing, it has been allocated to the Other segment. Management has calculated the recoverable amount of the Group's holding of Jones Food Company as its fair value 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. See note 3.2 for more information on impairment reviews of non-financial assets.

Business combinations

The acquisition of Jones Food Company was the only significant investment made in a subsidiary during the prior period.
No significant investments were made during the current period.

3.2 Other intangible assets

Accounting policies

Intangible assets, other than goodwill, comprise internally-generated intangible assets relating mainly to computer software, and other intangible assets relating mainly to externally-acquired computer software and assets and the right to use land. These are held at cost, less accumulated amortisation and any recognised impairment charge. Other intangible assets, such as externally-acquired computer software and software licences, are capitalised and amortised on a straight-line basis over their useful lives of three to 15 years. Costs relating to the development of computer software for internal use are capitalised once all the development phase recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software. Amortisation and impairment of computer software or licences are charged to administrative expenses in the period in which they arise.

Amortisation of intangible assets is calculated on a straight-line basis from the date on which the assets are brought into use, is charged to administrative expenses, and is calculated based on the useful lives indicated below:

Internally-generated intangible assets	3 – 15 years
Other intangible assets	3 – 15 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Notes to the Consolidated Financial Statements
Continued

3.2 Other intangible assets continued

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. 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 property, plant and equipment. 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, the 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 goodwill (note 3.1) and 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.

3.2 Other intangible assets continued

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.

	Internally-generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 2 December 2018	211.4	34.7	246.1
Additions	–	13.6	13.6
Internal development costs capitalised	70.2	–	70.2
Impairment of Andover CFC (see note 2.6)	(3.3)	–	(3.3)
At 1 December 2019	278.3	48.3	326.6
Additions	**–**	**17.4**	**17.4**
Internal development costs capitalised	**89.6**	**–**	**89.6**
Disposals	**(2.1)**	**(1.8)**	**(3.9)**
At 29 November 2020	**365.8**	**63.9**	**429.7**
Accumulated amortisation			
At 2 December 2018	(92.4)	(10.5)	(102.9)
Charge for the period	(32.6)	(4.7)	(37.3)
Impairment charge	(0.6)	(1.2)	(1.8)
Impairment of Andover CFC (see note 2.6)	1.2	–	1.2
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	**(165.6)**	**(24.6)**	**(190.2)**
Net book value			
At 1 December 2019	153.9	31.9	185.8
At 29 November 2020	**200.2**	**39.3**	**239.5**

Included within intangible assets is capital work-in-progress for internally-generated intangible assets of £31.2 million (2019: £17.7 million) and £3.9 million (2019: £8.3 million) for other intangible assets.

Notes to the Consolidated Financial Statements
Continued

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 19.5% (2019: 20.4%) 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 2 December 2018	130.5	697.0	82.5	910.0
Reclassified to right-of-use assets at 3 December 2018	(32.4)	(211.1)	(69.8)	(313.3)
Additions	0.9	140.4	1.0	142.3
Internal development costs capitalised	–	23.6	–	23.6
Acquired on purchase of Jones Food Company Limited	0.6	4.8	–	5.4
Impairment of Andover CFC (see note 2.6)	(32.3)	(82.8)	–	(115.1)
Disposals	–	(2.6)	(2.7)	(5.3)
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**
Accumulated depreciation				
At 2 December 2018	(27.8)	(283.3)	(42.2)	(353.3)
Reclassified to right-of-use assets at 3 December 2018	23.2	143.2	32.8	199.2
Charge for the period	(2.8)	(41.6)	(1.6)	(46.0)
Impairment charge	–	(0.6)	–	(0.6)
Impairment of Andover CFC (see note 2.6)	2.6	15.6	–	18.2
Disposals	–	0.8	2.7	3.5
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)**
Net book value				
At 1 December 2019	62.5	403.4	2.7	468.6
At 29 November 2020	**82.5**	**700.6**	**1.9**	**785.0**

Included within property, plant and equipment is capital work-in-progress for land and buildings of £28.0 million (2019: £0.1 million) and £276.1 million (2019: £115.1 million) for fixtures, fittings, plant and machinery.

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.

Notes to the Consolidated Financial Statements
Continued

3.4 Right–of–use assets continued

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 2 December 2018	–	–	–	–
Reclassified from property, plant and equipment	32.4	211.1	69.8	313.3
Recognised on adoption of IFRS 16	268.5	3.0	4.4	275.9
At 3 December 2018	300.9	214.1	74.2	589.2
Additions	8.9	–	20.4	29.3
Disposals	–	(0.2)	(3.8)	(4.0)
At 1 December 2019	309.8	213.9	90.8	614.5
Additions	**53.2**	**0.2**	**20.1**	**73.5**
Disposals	**(0.2)**	**(0.3)**	**(3.4)**	**(3.9)**
At 29 November 2020	**362.8**	**213.8**	**107.5**	**684.1**
Accumulated depreciation				
At 2 December 2018	–	–	–	–
Reclassified from property, plant and equipment at 3 December 2018	(23.2)	(143.2)	(32.8)	(199.2)
Charge for the period	(19.4)	(15.6)	(15.4)	(50.4)
Disposals	–	0.2	3.7	3.9
At 1 December 2019	(42.6)	(158.6)	(44.5)	(245.7)
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	**(66.9)**	**(173.5)**	**(58.7)**	**(299.1)**
Net book value				
At 1 December 2019	267.2	55.3	46.3	368.8
At 29 November 2020	**295.9**	**40.3**	**48.8**	**385.0**

3.5 Investment in joint ventures

Accounting policies

The Group has assessed the nature of its joint arrangements with MHE JVCo Limited and Infinite Acres Holding B.V. under IFRS 11 "Joint Arrangements" and determined both to be joint ventures.

The Group's share of the results of joint ventures 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, 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 in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity.

Investment in joint ventures

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.

The Group also holds a 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.

3.5 Investment in joint ventures continued

The carrying amounts of the investments at the beginning and end of the period can be reconciled as follows:

	MHE JVCo Limited		Infinite Acres Holding B.V.		Total	
	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m	**52 weeks ended 29 November 2020 £m**	52 weeks ended 1 December 2019 £m	**52 weeks ended 29 November 2020 £m**	52 weeks ended 1 December 2019 £m
Investment at beginning of period	**37.6**	52.2	**8.2**	–	**45.8**	52.2
Acquisition during period	**–**	–	**–**	8.8	**–**	8.8
Share of total comprehensive income/(expense) attributable to Group	**0.5**	1.0	**(0.9)**	(0.1)	**(0.4)**	0.9
Foreign exchange difference recognised in other comprehensive income	**–**	–	**(0.3)**	(0.5)	**(0.3)**	(0.5)
Dividends received from joint ventures	**(7.7)**	(15.6)	**–**	–	**(7.7)**	(15.6)
Investment at end of period	**30.4**	37.6	**7.0**	8.2	**37.4**	45.8

The tables below provide summarised financial information of the Group's joint ventures. The information disclosed reconciles the amounts presented in the financial statements of the relevant joint ventures with the Group's share of those amounts.

	MHE JVCo Limited		Infinite Acres Holding B.V.		Total	
	29 November 2020 £m	1 December 2019 £m	**29 November 2020 £m**	1 December 2019 £m	**29 November 2020 £m**	1 December 2019 £m
Non-current assets	**43.3**	57.6	**2.9**	3.1	**46.2**	60.7
Current assets						
– Cash and cash equivalents	**1.6**	1.5	**3.3**	1.1	**4.9**	2.6
– Other current assets	**17.0**	17.0	**9.8**	0.2	**26.8**	17.2
Current liabilities						
– Current financial liabilities (excluding trade and other payables)	**–**	–	**–**	–	**–**	–
– Other current liabilities	**(0.7)**	(0.3)	**(6.2)**	(1.1)	**(6.9)**	(1.4)
Non-current liabilities						
– Non-current financial liabilities (excluding trade and other payables)	**–**	–	**(9.0)**	–	**(9.0)**	–
– Other non-current liabilities	**–**	–	**(0.1)**	–	**(0.1)**	–
Net assets	**61.2**	75.8	**0.7**	3.3	**61.9**	79.1
Share of net assets attributable to Group	**30.6**	37.9	**0.2**	1.1	**30.8**	39.0
Adjustment for specific allocation of assets to investors	**(0.2)**	(0.3)	**–**	–	**(0.2)**	(0.3)
Legal costs capitalised on acquisition	**–**	–	**0.5**	0.5	**0.5**	0.5
Implicit goodwill	**–**	–	**6.3**	6.6	**6.3**	6.6
Investment at end of period	**30.4**	37.6	**7.0**	8.2	**37.4**	45.8

Notes to the Consolidated Financial Statements
Continued

3.5 Investment in joint ventures continued

	MHE JVCo Limited		Infinite Acres Holding B.V.		Total	
	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m	**52 weeks ended 29 November 2020 £m**	10 weeks ended 1 December 2019 £m	**52 weeks ended 29 November 2020 £m**	52 weeks ended 1 December 2019 £m
Revenue	**–**	–	**10.2**	–	**10.2**	–
Cost of sales	**–**	–	**(10.0)**	–	**(10.0)**	–
Gross profit	**–**	–	**0.2**	–	**0.2**	–
Administrative expenses	**0.7**	–	**(2.7)**	(0.3)	**(2.0)**	(0.3)
Depreciation, amortisation and impairment charges	**(1.8)**	(1.6)	**(0.4)**	(0.1)	**(2.2)**	(1.7)
Interest income	**3.0**	3.7	**0.5**	–	**3.5**	3.7
Interest expense	**–**	–	**(0.3)**	–	**(0.3)**	–
Income tax expense	**(0.8)**	–	**–**	–	**(0.8)**	–
Profit/(loss) and total comprehensive income/(expense) for the period	**1.1**	2.1	**(2.7)**	(0.4)	**(1.6)**	1.7
Share of total comprehensive income/(expense) attributable to Group	**0.5**	1.0	**(0.9)**	(0.1)	**(0.4)**	0.9
Foreign exchange loss recognised in other comprehensive income	**–**	–	**(0.3)**	(0.5)	**(0.3)**	(0.5)
Dividends received from joint ventures	**7.7**	15.6	**–**	–	**7.7**	15.6

3.6 Investment in associate

Accounting policies

The Group's share of the results of associates is included in the Consolidated Income Statement, and is accounted for using the equity method of accounting. Investments in associates are carried 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 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 in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

Investment in associate

The investment in associate is a 20.8% 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 amount of the investment is £4.1 million (2019: £4.7 million). For the period, Karakuri made a loss after tax of £2.5 million (2019: £0.7 million from the date of acquisition), of which £0.5 million (2019: £0.2 million) is attributable to the Group.

3.7 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 to a joint venture and associate, 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.

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 measured 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.

The loan to the joint venture was initially recognised at the fair value of the cash lent. Accrued interest is added to the carrying amount. It is held at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts.

The convertible loan to the associate was initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. It is held at fair value through profit or loss ("FVTPL") and is revalued at each reporting date.

3.7 Other financial assets continued

Prepaid fees in relation to financing activities are recognised when incurred. The prepaid fees are amortised in proportion to the utilisation of the underlying facility. Amortisation commenced when the underlying facility was first utilised through to the earlier of the expected refinancing date or end of the term. Any of the prepaid fee which has not been amortised when the facility is refinanced or repaid will be charged immediately to the Consolidated Income Statement.

	Note	29 November 2020 £m	1 December 2019 (restated)[1] £m
Other treasury deposits		**370.0**	110.0
Contingent consideration receivable		**173.6**	169.1
Unlisted equity investments		**12.7**	6.8
Loan to joint venture	5.4	**9.3**	–
Convertible loan to associate	5.4	**1.7**	–
Contributions towards dilapidations costs receivable		**1.5**	1.4
Prepaid financing fees		**–**	2.8
Other financial assets		**568.8**	290.1
Disclosed as:			
Current		**402.0**	112.8
Non-current		**166.8**	177.3
		568.8	290.1

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

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: £170.7 million (2019: £163.5 million) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited in August 2019, and £2.9 million (2019: £5.6 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 three separate amounts totalling £224.5 million in cash, which will become payable if three separate financial and operational targets are met. Both the Group and M&S fully expect all three amounts to become payable: £33.8 million in the 2021 financial year, and £190.7 million in the 2024 financial year.

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 £4.1 million, payable in tranches in March and September each year.

Unlisted equity investments

Unlisted equity investments comprise a 25.0% interest in Paneltex Limited ("Paneltex"), a private company incorporated in England and Wales, with its registered address at Paneltex House, Somerden Road, Hull, HU9 5PE. Paneltex designs and modifies refrigerated vehicles. It 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. The fair value of the investment is £10.4 million (2019: £5.2 million).

Unlisted equity investments also comprise a 5.9% interest in Inkbit Corporation and a 6.7% interest in Myrmex Inc. ("Myrmex"), both private companies incorporated in the United States of America. The interest in Myrmex was acquired in October 2020. The fair value of these investments are £1.6 million and £0.7 million respectively (2019: £1.6 million and £nil).

Loan to joint venture

Loan to joint venture is a loan to Infinite Acres Holding B.V. ("Infinite Acres"), a company incorporated in the Netherlands in which the Group holds a 33.3% interest.

It comprises two amounts of $6.0 million each, drawn down in January and June 2020. Interest is chargeable on the total $12.0 million at 5.0% per annum for two years from the date of the first drawdown, and 7.0% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Convertible loan to associate

Loan to associate is a loan to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 20.8% interest, 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 accrued interest.

Notes to the Consolidated Financial Statements
Continued

3.7 Other financial assets continued

Contributions towards dilapidations costs receivable

Contributions towards dilapidations 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.

Prepaid financing fees

The prepaid financing fees related to the £100.0 million revolving credit facility ("RCF"). The RCF was terminated in October 2020, and the fees were recognised as finance costs.

3.8 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 12 months from the date of classification.

Asset held for sale

The asset held for sale of £4.2 million (2019: £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 completion of the sale has been delayed by circumstances beyond the Group's control. The Group remains committed to the 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.

3.9 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 mix 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.

	29 November 2020 £m	1 December 2019 £m
Goods for resale	**58.7**	50.6
Consumables	**2.9**	1.7
Inventories	**61.6**	52.3

The provision for slow-moving, obsolete and defective stock has decreased by £0.6 million from the prior period (2019: £0.6 million) and the corresponding gain has been recognised in the Consolidated Income Statement.

3.10 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.

3.10 Trade and other receivables continued

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	29 November 2020 £m	1 December 2019 £m
Gross trade receivables		**107.1**	69.7
Less: Provision for impairment of trade receivables	4.8	**(2.6)**	(2.2)
Trade receivables		**104.5**	67.5
Other receivables		**31.4**	32.9
Prepayments		**34.1**	26.0
Accrued income		**30.6**	23.6
Trade and other receivables		**200.6**	150.0

Included within trade receivables is a balance of £0.6 million (2019: £0.3 million) owed by MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest. £33.8 million (2019: £12.3 million) of trade receivables relates to contract balances outstanding for Solutions contracts. See note 2.1 for more detail.

Included in trade receivables is £56.3 million (2019: £43.1 million) due from suppliers in relation to commercial and media income. At 3 January 2021, £47.1 million had been received. Included in accrued income is £7.0 million (2019: £8.0 million) to be invoiced to suppliers in relation to supplier-funded promotional activity and £10.5 million (2019: £10.8 million) to be invoiced to suppliers in relation to volume-related rebates. At 9 January 2021, £14.9 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 £3.8 million (2019: £1.1 million) relating to the Group's right to consideration for work completed but not billed at the reporting date on Solutions contracts.

3.11 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.

	29 November 2020 £m	1 December 2019 (restated)[(1)] £m
Cash at bank and in hand	**247.7**	69.7
Money market funds	**1,249.1**	280.0
Short-term treasury deposits	**210.0**	290.9
Cash and cash equivalents	**1,706.8**	640.6

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

£2.5 million (2019: £2.9 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 £28.9 million (2019: £27.6 million) received within five working days of the reporting date. A further £2.8 million (2019: £2.4 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.

Notes to the Consolidated Financial Statements
Continued

3.12 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.

	29 November 2020 £m	1 December 2019[(1)] £m
Trade payables	**139.4**	122.4
Taxation and social security	**13.7**	10.2
Accruals and other payables	**238.7**	132.1
Deferred insurance income	**16.3**	71.3
Other deferred income	**14.8**	14.6
Trade and other payables	**422.9**	350.6

(1) Trade payables has been increased as at 1 December 2019 by £1.5 million and accruals and other payables decreased by £0.5 million to correct immaterial historical errors, with a corresponding net decrease of retained earnings.

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. It also includes a portion of insurance reimbursement received relating to the Andover CFC (see note 2.6.)

3.13 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.

Employee incentive schemes

Provisions for employee incentive schemes relate to HMRC-unapproved equity-settled schemes, the cash-based Long-Term Incentive Plan ("Cash LTIP"), and the Ocado Retail Value Creation Plan ("Retail VCP"). For all unapproved schemes and the Cash LTIP 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 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.

In 2014, the Group established the Cash LTIP in order to incentivise selected high-performing employees of the Group. At the end of the three-year vesting period, employees will be paid a cash amount equal to the notional number of awards at the prevailing share price, adjusted for the achievement of the performance conditions. The Cash LTIP ended during the current period.

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 has recognised the future insurance reimbursement as an asset on the face of the Consolidated Balance Sheet, and a corresponding provision representing the obligation to reinstate the building.

3.13 Provisions continued

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Insurance reimburse-ment £m	Total £m
Balance at 2 December 2018	0.3	6.9	9.9	–	17.1
Recognised on adoption of IFRS 16 at 3 December 2018	–	3.2	–	–	3.2
Charged/(credited) to Consolidated Income Statement					
– Additional provision	0.5	3.4	11.8	–	15.7
– Unused amounts reversed	(0.2)	(0.2)	(0.5)	–	(0.9)
– Unwinding of discounting	–	0.3	–	–	0.3
Recognition of insurance reimbursement asset	–	–	–	49.2	49.2
Used during period	–	(0.1)	(16.0)	–	(16.1)
Balance at 1 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**

The provisions at 29 November 2020 can be analysed as follows:

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Insurance reimburse-ment £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**

The provisions at 1 December 2019 can be analysed as follows:

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Insurance reimburse-ment £m	Total £m
Current	0.2	–	4.6	49.2	54.0
Non-current	0.4	13.5	0.6	–	14.5
	0.6	13.5	5.2	49.2	68.5

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 £0.3 million of claims will be settled within 12 months of the reporting date, the exact timing of utilisation of the provision is uncertain.

Dilapidations

The dilapidations 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.

The Hatfield CFC lease expires in 2032, the Dordon CFC lease in 2038, the Andover CFC lease in 2092, the Erith CFC lease in 2046, the GMDC leases between 2027 and 2033, and the head office leases between 2022 and 2029, with leases for the spokes expiring up to 2068. 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.

Notes to the Consolidated Financial Statements
Continued

3.13 Provisions continued
Employee incentive schemes
The provision consists of the Cash LTIP, Retail VCP and employer's NIC on HMRC unapproved equity-settled schemes.

The Cash LTIP ended during the period. The provision relates to an award which has already vested which will be settled in cash in 2021. In the prior period, the provision represented the expected cash payments to participants upon vesting of the awards.

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 2021 and 2024, and allotment will take place between 2021 and 2029.

Ocado Retail Value Creation Plan
During the period, 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 Company. 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 3.50% 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.

3.14 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 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.

AutoStore subsequently 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 Group 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.

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.

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

Given the early stage of this litigation, the outcome is uncertain and unquantifiable, and so the Group has not recognised a contingent asset or 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 insurances or will not have a material effect on the Group's financial statements.

Notes to the Consolidated Financial Statements
Continued

Section 4 – Capital structure and financing costs

4.1 Borrowings and lease liabilities

Accounting policies

Borrowings

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.

Leases

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.

	Notes	**29 November 2020 £m**	1 December 2019 £m
Current liabilities			
Lease liabilities	4.2	**48.1**	50.1
Non-current liabilities			
Borrowings		**997.4**	219.7
Lease liabilities	4.2	**359.7**	338.4
		1,357.1	558.1
Total borrowings and lease liabilities		**1,405.2**	608.2

Borrowings

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**
Total borrowings	**–**	**–**	**221.0**	**776.4**	**997.4**

1 December 2019	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	–	–	219.5	–	219.5
Chattel mortgages	–	–	0.2	–	0.2
Total borrowings	–	–	219.7	–	219.7

4.1 Borrowings and lease liabilities continued

Borrowings at 29 November 2020 can be analysed as follows:

Principal amount £m	Inception	Security held	Coupon rate	Instalment frequency	Final payment due	Carrying amount at 29 November 2020 £m
225.0	June 2017	Collateral	4.000%	Biannual	June 2024	**220.8**
0.3	January 2019	Collateral	8.800%	Monthly	January 2023	**0.2**
600.0	December 2019	None	0.875%	Biannual	December 2025	**504.2**
350.0	June 2020	None	0.750%	Biannual	January 2027	**272.2**

Borrowings at 1 December 2019 can be analysed as follows:

Principal amount £m	Inception	Security held	Coupon rate	Instalment frequency	Final payment due	Carrying amount at 1 December 2019 £m
225.0	June 2017	Collateral	4.000%	Biannual	June 2024	219.5
0.3	January 2019	Collateral	8.800%	Monthly	January 2023	0.2

The £100.0 million revolving credit facility was terminated in October 2020; it was not used in the current or prior period.

The senior secured notes were issued in June 2017, raising £250.0 million, and are carried net of transaction fees. The senior secured notes are secured by charges over the issued share capital of the Company's subsidiaries which acted as guarantors for the notes. In the prior period £25.0 million was repaid, incurring early repayment fees of £0.8 million.

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.

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 Group reviews its financing arrangements regularly. The senior secured notes and senior unsecured convertible bonds contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 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.

	29 November 2020 £m	1 December 2019 £m
Discounted lease payments due:		
Within one year	**48.1**	50.1
In between one and two years	**46.9**	42.9
In between two and five years	**93.9**	90.1
In more than five years	**218.9**	205.4
Lease liabilities	**407.8**	388.5

External obligations under lease liabilities are £358.1 million (2019: £320.4 million), excluding £49.7 million (2019: £64.0 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest.

Notes to the Consolidated Financial Statements
Continued

4.2 Lease liabilities continued

	29 November 2020 £m	1 December 2019[1] £m
Undiscounted lease payments due:		
Within one year	**67.1**	62.0
In between one and two years	**63.8**	58.3
In between two and five years	**134.2**	134.0
In more than five years	**324.9**	320.8
	590.0	575.1
Less: Future finance charges	**(182.2)**	(186.6)
Lease liabilities	**407.8**	388.5
Disclosed as:		
Current	**48.1**	50.1
Non-current	**359.7**	338.4
	407.8	388.5

(1) The minimum lease payments and future finance charges as at 1 December 2019 have been corrected.

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.

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 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Short-term leases	**0.2**	0.6
Leases of low-value items	**0.1**	0.1
	0.3	0.7

At the reporting date, the Group was committed to £0.2 million (2019: £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 £68.4 million (2019: £61.2 million).

4.3 Reconciliation of liabilities arising from financing activities

	Notes	1 December 2019 £m	Cash flows £m	Non-cash movements: Additions £m	Non-cash movements: 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**

	Notes	2 December 2018 £m	Cash flows £m	Non-cash movements: Remeasurement for IFRS 16 £m	Non-cash movements: Additions £m	Non-cash movements: Unwinding of interest £m	1 December 2019[1] £m
Borrowings	4.1	244.3	(34.9)	–	–	10.3	219.7
Lease liabilities	4.2	116.3	(60.5)	283.1	29.3	20.3	388.5
		360.6	(95.4)	283.1	29.3	30.6	608.2

(1) The unwinding of interest and cash flows for the 52 weeks ended 1 December 2019 have been corrected.

4.4 Analysis of net cashⒶ

Net cashⒶ

	Notes	29 November 2020 £m	1 December 2019 (restated)[1] £m
Current assets			
Other treasury deposits	3.7	**370.0**	110.0
Cash and cash equivalents	3.11	**1,706.8**	640.6
		2,076.8	750.6
Current liabilities			
Lease liabilities	4.2	**(48.1)**	(50.1)
Non-current liabilities			
Borrowings	4.1	**(997.4)**	(219.7)
Lease liabilities	4.2	**(359.7)**	(338.4)
		(1,357.1)	(558.1)
Net cashⒶ		**671.6**	142.4

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

At the reporting date, the Group had net cashⒶ of £721.3 million (2019: £206.4 million), excluding lease liabilities of £49.7 million (2019: £64.0 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50.0% interest. £5.3 million (2019: £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 3.11.

Reconciliation of net cash flow with movement of net cashⒶ

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 (restated)[1] £m
Net increase/(decrease) in other treasury deposits	**260.0**	(43.5)
Net increase in cash and cash equivalents	**1,066.2**	383.3
Net (increase)/decrease in borrowings and lease liabilities	**(724.3)**	57.6
Non-cash movements		
– Assets acquired under leases	**(72.7)**	(305.2)
Movement of net cashⒶ in period	**529.2**	92.2
Net cashⒶ at beginning of period	**142.4**	50.2
Net cashⒶ at end of period	**671.6**	142.4

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

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 £0.5 million (2019: £0.1 million). The rate used to determine the amount of finance costs capitalised during the period was 1.1% (2019: 1.0%).

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.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Notes to the Consolidated Financial Statements
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4.5 Finance income and costs continued

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Interest income on cash balances	**5.2**	3.3
Interest income on loans to joint venture and associate	**0.3**	–
Finance income	**5.5**	3.3
Interest expense on borrowings	**(40.9)**	(10.3)
Interest expense on lease liabilities	**(14.7)**	(20.6)
Interest expense on provisions	**(0.3)**	–
Foreign exchange loss	**(2.4)**	–
Finance costs	**(58.3)**	(30.9)
Net finance cost	**(52.8)**	(27.6)

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 29 November 2020 and 1 December 2019, the Group's derivative financial instruments consisted of 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 50.0% to 80.0% 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.

Commodity swap contracts

The notional principal amounts of the outstanding commodity swap contracts at the reporting date were £5.6 million (2019: £13.0 million). The weighted average strike price of the outstanding commodity swap contracts at the reporting date was 27.2 pence per litre (2019: 39.9 pence per litre). 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 (2019: £1.7 million net loss) 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.

	29 November 2020 £m	1 December 2019 £m
Derivative assets	**0.2**	–
Derivative liabilities	**(0.3)**	(0.5)
Net derivative liability	**(0.1)**	(0.5)

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 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 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:

29 November 2020	Notes	**Amortised cost £m**	**FVTOCI £m**	**FVTPL £m**	**Total £m**
Financial assets					
Other financial assets	3.7	**380.8**	**12.0**	**176.0**	**568.8**
Trade receivables	3.10	**104.5**	**–**	**–**	**104.5**
Other receivables and accrued income	3.10	**62.0**	**–**	**–**	**62.0**
Cash and cash equivalents	3.11	**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		**2,254.5**	**12.0**	**176.2**	**2,442.7**
Financial liabilities					
Trade payables	3.12	**(139.4)**	**–**	**–**	**(139.4)**
Accruals and other payables	3.12	**(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)**

1 December 2019 (restated)[(1)(2)]	Notes	Amortised cost £m	FVTOCI £m	FVTPL £m	Total £m
Financial assets					
Other financial assets	3.7	114.2	6.8	169.1	290.1
Trade receivables	3.10	67.5	–	–	67.5
Other receivables and accrued income	3.10	56.5	–	–	56.5
Cash and cash equivalents	3.11	640.6	–	–	640.6
Contract assets	2.1	0.4	–	–	0.4
Total financial assets		879.2	6.8	169.1	1,055.1
Financial liabilities					
Trade payables	3.12	(122.4)	–	–	(122.4)
Accruals and other payables	3.12	(142.3)	–	–	(142.3)
Senior secured notes	4.1	(219.5)	–	–	(219.5)
Other borrowings	4.1	(0.2)	–	–	(0.2)
Lease liabilities	4.2	(388.5)	–	–	(388.5)
Derivative liabilities	4.6	–	–	(0.5)	(0.5)
Total financial liabilities		(872.9)	–	(0.5)	(873.4)

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

(2) Trade payables has been increased as at 1 December 2019 by £1.5 million and accruals and other payables decreased by £0.5 million to correct immaterial historical errors, with a corresponding net decrease of retained earnings.

Notes to the Consolidated Financial Statements
Continued

4.7 Financial instruments continued

The derivative assets and liabilities are forward commodity swap contracts. 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 3.10.)

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).

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:

		29 November 2020		1 December 2019 (restated)(1)(2)	
	Notes	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Other financial assets	3.7	**568.8**	**568.8**	290.1	290.1
Trade receivables	3.10	**104.5**	**104.5**	67.5	67.5
Other receivables and accrued income	3.10	**62.0**	**62.0**	56.5	56.5
Cash and cash equivalents	3.11	**1,706.8**	**1,706.8**	640.6	640.6
Contract assets	2.1	**0.4**	**0.4**	0.4	0.4
Derivative assets	4.6	**0.2**	**0.2**	–	–
Total financial assets		**2,442.7**	**2,442.7**	1,055.1	1,055.1
Financial liabilities					
Trade payables	3.12	**(139.4)**	**(139.4)**	(122.4)	(122.4)
Accruals and other payables	3.12	**(252.4)**	**(252.4)**	(142.3)	(142.3)
Senior secured notes	4.1	**(220.8)**	**(230.1)**	(219.5)	(231.3)
Senior unsecured convertible bonds	4.1	**(776.4)**	**(776.4)**	–	–
Other borrowings	4.1	**(0.2)**	**(0.2)**	(0.2)	(0.2)
Lease liabilities	4.2	**(407.8)**	**(407.8)**	(388.5)	(388.5)
Derivative liabilities	4.6	**(0.3)**	**(0.3)**	(0.5)	(0.5)
Total financial liabilities		**(1,797.3)**	**(1,806.6)**	(873.4)	(885.2)

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

(2) Trade payables has been increased as at 1 December 2019 by £1.5 million and accruals and other payables decreased by £0.5 million to correct immaterial historical errors, with a corresponding net decrease of retained earnings.

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 secured 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 £4.2 million (2019: £5.5 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:

29 November 2020	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	**–**	**–**	**173.6**	**173.6**
Unlisted equity investments	3.7	**–**	**–**	**12.7**	**12.7**
Convertible loan to associate	3.7	**–**	**–**	**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)**

1 December 2019	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	–	–	169.1	169.1
Unlisted equity investments	3.7			6.8	6.8
Total financial assets held at fair value		–	–	175.9	175.9
Financial liabilities held at fair value					
Derivative liabilities	4.6	–	(0.5)	–	(0.5)
Total financial liabilities held at fair value		–	(0.5)	–	(0.5)

Changes in the fair values of financial instruments categorised in level 3 are as follows:

	Note	Contingent consideration receivable £m	Unlisted equity investments £m	Convertible loan to associate £m	Total £m
Balance at 2 December 2018		–	0.4	–	0.4
Adjustment on adoption of IFRS 9		–	2.0	–	2.0
Adjusted balance at 2 December 2018		–	2.4	–	2.4
Recognised during period	3.7	169.1	1.6	–	170.7
Gains recognised in other comprehensive income	4.9	–	2.8	–	2.8
Balance at 1 December 2019		169.1	6.8	–	175.9
Recognised during period	3.7	**–**	**0.7**	**1.7**	**2.4**
Cash received		**(2.9)**	**–**	**–**	**(2.9)**
Gains recognised in exceptional administrative expenses	2.6	**7.4**	**–**	**–**	**7.4**
Gains recognised in other comprehensive income	4.9	**–**	**5.2**	**–**	**5.2**
Interest recognised in finance income	4.5	**–**	**–**	**–**	**–**
Balance at 29 November 2020		**173.6**	**12.7**	**1.7**	**188.0**

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 8.9% Expected cash inflows of £228.6 million	An increase in the discount rate of 1.0% would decrease the fair value by £5.0 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 – Paneltex Limited	Discounted cash flow Expected cash in-flows are estimated based on forecast performance.	Discount rate of 14.8% Expected terminal growth rate of EBITDA of 2.0%	An increase in the discount rate of 1.0% would decrease the fair value by £0.8 million. A decrease in the expected terminal growth rate of EBITDA of 0.2% would decrease the fair value by £0.1 million.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Notes to the Consolidated Financial Statements
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4.7 Financial instruments continued

The consideration due from Marks and Spencer Holdings Limited relating to the part-disposal of Ocado Retail Limited, valued at £170.7 million (2019: £163.5 million), comprises three separate amounts, with three separate targets. Management considers it highly likely that these targets will be hit, 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 £2.9 million (2019: £5.6 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.

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 30.0% of amounts due from suppliers which are between 61 and 360 days overdue, and 100.0% of amounts more than 360 days overdue. It provides for 100.0% 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.

4.8 Financial risk management continued

Movements in the provision for the impairment of trade and other receivables are as follows:

	Note	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Balance at beginning of period		**(2.2)**	(1.5)
Provision for impairment of receivables		**(2.6)**	(2.1)
Uncollectable amounts written off		**0.8**	0.7
Recovery of amounts previously provided for		**1.4**	0.7
Balance at end of period	3.10	**(2.6)**	(2.2)

Liquidity risk

The Group has adequate cash resources to manage the short-term working capital needs of the business. In December 2019, it issued £600.0 million of senior unsecured convertible bonds. In June 2020 it issued another £350.0 million of senior unsecured convertible bonds, alongside £657.1 million of ordinary shares. The £100.0 million revolving credit facility was terminated in October 2020; it was not utilised in the current or prior period. The Group regularly reviews its financing arrangements. For further details of the review see the Viability Statement on page 71.

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 table are the carrying amounts and undiscounted net contractual cash flows.

29 November 2020	Notes	**Carrying amount £m**	**Contractual cash flows £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	3.12	**(139.4)**	**(139.4)**	**(139.4)**	**–**	**–**	**–**
Accruals and other payables	3.12	**(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)**

1 December 2019[(1)]	Notes	Carrying amount £m	Contractual cash flows £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	3.12	(122.4)	(122.4)	(122.4)	–	–	–
Accruals and other payables	3.12	(142.3)	(142.3)	(142.3)	–	–	–
Senior secured notes	4.1	(219.5)	(270.0)	(9.0)	(9.0)	(252.0)	–
Other borrowings	4.1	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)	–
Lease liabilities	4.2	(388.5)	(575.1)	(62.0)	(58.3)	(134.0)	(320.8)
Derivative liabilities	4.6	(0.5)	(0.5)	(0.5)	–	–	–
		(873.4)	(934.8)	(329.1)	(55.1)	(345.2)	(205.4)

(1) Trade payables has been increased as at 1 December 2019 by £1.5 million and accruals and other payables decreased by £0.5 million to correct immaterial historical errors, with a corresponding net decrease of retained earnings. The contractual cash flows for lease liabilities as at 1 December 2019 have also been corrected.

Notes to the Consolidated Financial Statements
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4.8 Financial risk management continued
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.

The Group's exposure to currency risk is based on the following amounts:

	29 November 2020 £m	1 December 2019 £m
Trade receivables – EUR	0.2	–
Trade receivables – JPY	0.2	–
Trade receivables – SEK	3.0	–
Trade receivables – USD	12.7	–
Cash and cash equivalents – AUD	0.6	–
Cash and cash equivalents – CAD	0.8	–
Cash and cash equivalents – EUR	7.3	2.7
Cash and cash equivalents – JPY	1.3	–
Cash and cash equivalents – PLN	4.1	5.1
Cash and cash equivalents – SEK	0.2	–
Cash and cash equivalents – USD	232.7	3.3
Trade payables – AUD	(1.1)	–
Trade payables – CAD	(0.8)	(2.7)
Trade payables – EUR	(0.9)	(2.0)
Trade payables – JPY	(0.1)	–
Trade payables – PLN	–	(0.1)
Trade payables – SEK	(0.5)	–
Trade payables – USD	(1.5)	(1.3)
Lease liabilities – EUR	(11.5)	–
Lease liabilities – USD	(5.1)	–
	241.6	5.0

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies:

	29 November 2020		1 December 2019	
	Increase/ (decrease) in income £m	Increase/ (decrease) in equity £m	Increase/ (decrease) in income £m	Increase/ (decrease) in equity £m
10.0% appreciation of above foreign currencies against sterling	24.2	–	0.5	–
10.0% depreciation of above foreign currencies against sterling	(24.2)	–	(0.5)	–

During the period, the currencies to which the Group is exposed appreciated and depreciated against sterling by between 0.1% and 6.9%. 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.

4.8 Financial risk management continued

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	29 November 2020 £m	1 December 2019 £m
Fixed rate instruments		
Financial assets	**591.0**	380.6
Financial liabilities	**(1,405.2)**	(608.2)
Variable rate instruments		
Financial assets	**1,496.8**	370.0
Financial liabilities	**–**	–

Sensitivity analysis

An increase of 1.0% 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 recovers from the effects of Covid-19, 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.

	29 November 2020 £m	1 December 2019 £m
Increase in income	**15.0**	1.4
Increase in equity	**–**	–

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 9,278,146 (2019: 13,657,551). 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 2 December 2018	698.3	14.0	589.9
Issue of ordinary shares	10.0	0.2	113.0
Allotted in respect of share option schemes	0.9	–	2.4
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**

Included in the total number of ordinary shares outstanding above are 10,587,150 (2019: 10,850,516) 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.

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Continued

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	Translation reserve £m	Fair value reserve £m	Hedging reserve £m
Balance at 2 December 2018	(9.2)	(116.2)	–	0.2	–	1.2
Adjustment on adoption of IFRS 9	–	–	–	–	2.0	–
Adjusted balance at 2 December 2018	(9.2)	(116.2)	–	0.2	2.0	1.2
Loss arising on hedging contracts	–	–	–	–	–	(1.7)
Foreign exchange loss on translation of foreign subsidiaries and joint venture	–	–	–	(0.6)	–	–
Gain on equity investments designated as at fair value through other comprehensive income	–	–	–	–	2.8	–
Reclassification of equity of Jones Food Company Limited	–	–	–	–	0.1	–
Issue of ordinary shares	(111.1)	–	–	–	–	–
Disposal of treasury shares on exercise by participants	0.5	–	–	–	–	–
Disposal of unallocated treasury shares	5.7	–	–	–	–	–
Transfer of treasury shares to participants	0.8	–	–	–	–	–
Reclassification of reserves	(0.3)	–	–	–	–	–
Balance at 1 December 2019	(113.6)	(116.2)	–	(0.4)	4.9	(0.5)
Gain arising on hedging contracts	**–**	**–**	**–**	**–**	**–**	**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)**

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 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 2020 has been presented as if the Company had always been the parent company of the Group.

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.

4.9 Share capital and reserves continued

Translation reserve

The translation reserve comprises cumulative foreign exchange differences on the translation of foreign subsidiaries and the foreign joint venture.

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 3.13.

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 Cash LTIP, and the Ocado Retail Value Creation Plan ("Retail VCP") (see note 3.13.) 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.

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 two cash-settled incentive schemes, the Cash LTIP and the Retail VCP.

The total expense for the period relating to employee share-based payment plans was £45.5 million (2019: £24.2 million), of which £22.4 million (2019: £12.8 million) related to equity-settled share-based payment transactions and £23.1 million (2019: £11.4 million) to the provision for the payment of employer's NIC upon allotment of HMRC-unapproved equity-settled share schemes and the Cash LTIP (see note 3.13).

(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. 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.

Notes to the Consolidated Financial Statements
Continued

4.10 Share options and other equity instruments continued

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 which are subject to performance targets that have not yet been met. 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).

At the reporting date, the outstanding options were as follows:

	Year of issue	29 November 2020	Exercise price (£)	1 December 2019	Exercise price (£)	Exercise period
Approved options						
	2010	–	–	75,439	1.65	30/06/13 – 29/06/20
	2011	20,768	2.55	45,066	2.55	14/02/14 – 13/02/21
	2011	3,835	1.89	5,317	1.89	19/07/14 – 18/07/21
	2012	33,548	1.03	49,031	1.03	21/02/15 – 13/02/22
	2012	92,769	1.05	147,451	1.05	09/03/15 – 08/03/22
	2012	9,353	0.85	11,003	0.85	27/06/15 – 26/06/22
	2013	47,380	1.28	68,782	1.28	05/03/16 – 04/03/23
	2013	20,071	3.02	38,898	3.02	08/07/16 – 07/07/23
	2013	–	–	288	3.02	08/07/16 – 05/08/20
	2014	2,883	5.10	4,998	5.10	05/02/17 – 04/02/24
	2014	59,966	4.84	94,073	4.84	17/03/17 – 16/03/24
	2014	–	–	2,890	4.84	17/03/17 – 05/08/20
	2015	57,962	3.77	88,583	3.77	13/03/18 – 12/03/25
	2015	–	–	1,835	3.77	13/03/18 – 05/08/20
	2015	5,284	4.46	7,457	4.46	01/07/18 – 30/06/25
	2015	5,231	4.39	9,098	4.39	10/07/18 – 09/07/25
	2016	111,860	2.70	184,394	2.70	16/03/19 – 15/03/26
	2016	–	–	4,341	2.70	16/03/19 – 05/08/20
	2016	2,609	2.59	6,297	2.59	15/07/19 – 14/07/26
	2017	392,384	2.56	860,706	2.56	14/03/20 – 13/03/27
	2017	–	–	46,562	2.56	05/08/19 – 13/09/20
	2017	6,174	2.92	14,749	2.92	15/08/20 – 14/08/27
	2018	267,165	5.68	285,479	5.68	21/03/21 – 20/03/28
	2018	7,561	5.68	15,691	5.68	05/08/19 – 19/09/21
	2018	–	5.68	1,700	5.68	21/03/21 – 19/09/21
	2018	13,764	10.45	17,820	10.45	13/08/21 – 12/08/28
	2018	–	10.45	2,871	10.45	05/08/19 – 11/02/22
	2019	189,064	12.40	196,133	12.40	29/07/22 – 28/07/29
	2019	–	12.40	241	12.40	29/07/22 – 28/01/23
	2020	182,011	14.47	–	–	20/03/23 – 19/03/30
	2020	4,147	25.08	–	–	27/08/23 – 26/08/30
Total approved options		**1,535,789**		2,287,193		
Unapproved options						
	2012	6,159	1.05	45,800	1.05	09/03/15 – 08/03/22
	2014	9,313	4.84	14,997	4.84	17/03/17 – 16/03/24
	2014	4,128	3.36	5,328	3.36	01/08/17 – 31/07/24
	2014	1,543	3.27	1,975	3.27	08/08/17 – 07/08/24
	2015	2,783	3.77	4,858	3.77	13/03/18 – 12/03/25
	2015	6,625	4.46	7,877	4.46	01/07/18 – 30/06/25
	2015	–	–	1,638	4.46	01/07/18 – 05/08/20
	2015	3,065	4.39	4,638	4.39	10/07/18 – 09/07/25
	2016	48,189	2.70	71,014	2.70	16/03/19 – 15/03/26
	2016	19,128	2.59	29,314	2.59	15/07/19 – 14/07/26
	2017	79,158	2.56	175,390	2.56	14/03/20 – 13/03/27
	2017	49,122	2.92	80,966	2.92	15/08/20 – 14/08/27
	2018	66,141	5.68	68,546	5.68	21/03/21 – 20/08/28
	2018	25,283	10.45	26,589	10.45	13/08/21 – 14/08/28
	2019	34,990	11.37	36,667	11.37	16/08/22 – 14/08/29
	2019	32,978	12.40	35,321	12.40	29/07/22 – 27/07/29
	2020	36,685	14.47	–	–	20/03/23 – 19/03/30
	2020	3,960	20.72	–	–	10/06/23 – 09/03/30
Total unapproved options		**429,250**		610,918		
Total options		**1,965,039**		2,898,111		

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 29 November 2020		52 weeks ended 1 December 2019	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**2,898,111**	**3.98**	3,679,280	3.01
Granted during period	**232,176**	**14.78**	273,385	12.26
Forfeited during period	**(54,887)**	**7.54**	(139,042)	3.65
Exercised during period	**(1,110,361)**	**2.56**	(915,512)	2.58
Outstanding at end of period	**1,965,039**	**5.96**	2,898,111	3.98
Exercisable at end of period	**1,101,290**	**2.61**	1,107,336	2.59

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 £18.19 (2019: £11.88).

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:

	29 November 2020	1 December 2019
Weighted average share price	**£14.67**	£12.26
Weighted average exercise price	**£14.78**	£12.26
Expected volatility	**0.34**	0.34
Weighted expected life – years	**3.00**	3.00
Weighted average risk-free interest rate	**0.0%**	0.4%
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's 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.

Notes to the Consolidated Financial Statements
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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:

	29 November 2020			1 December 2019		
	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	**9,353**	**1.6**	0.85	11,003	2.6
	1.03	**33,548**	**1.2**	1.03	49,031	2.2
	1.05	**98,928**	**1.3**	1.05	193,251	2.3
	1.28	**47,380**	**2.3**	1.28	68,782	3.3
	1.65	**–**	**–**	1.65	75,439	0.6
	1.89	**3,835**	**0.6**	1.89	5,317	1.6
	2.55	**20,768**	**0.2**	2.55	45,066	1.2
	2.56	**471,542**	**6.3**	2.56	1,082,658	7.1
	2.59	**21,737**	**5.6**	2.59	35,611	6.6
	2.70	**160,049**	**5.3**	2.70	259,749	6.2
	2.92	**55,296**	**6.7**	2.92	95,715	7.7
	3.02	**20,071**	**2.6**	3.02	39,186	3.6
	3.27	**1,543**	**3.7**	3.27	1,975	4.7
	3.36	**4,128**	**3.7**	3.36	5,328	4.7
	3.77	**60,745**	**4.3**	3.77	95,276	5.2
	4.39	**8,296**	**4.6**	4.39	13,736	5.6
	4.46	**11,909**	**4.6**	4.46	16,972	5.1
	4.84	**69,279**	**3.3**	4.84	111,960	4.2
	5.10	**2,883**	**3.2**	5.10	4,998	4.2
	5.68	**340,867**	**7.3**	5.68	371,416	8.2
	10.45	**39,047**	**7.7**	10.45	47,280	8.7
	11.37	**34,990**	**8.7**	11.37	36,667	9.7
	12.40	**222,042**	**8.7**	12.40	231,695	9.7
	14.47	**218,696**	**9.3**	–	–	–
	20.72	**3,960**	**9.7**	–	–	–
	25.08	**4,147**	**9.5**	–	–	–
Total options		**1,965,039**	**6.3**		2,898,111	6.4

(b) JSOS
The JSOS is an executive incentive scheme which was introduced to incentivise and retain the Executive Directors and senior managers of the Group ("the Participants"). It is a share ownership scheme under which the Participants and Estera Trust (Jersey) Limited, Trustee of the Employee Benefit Trust ("the Trustee"), held at the reporting date separate beneficial interests in 1,341,549 (2019: 1,604,915) ordinary shares, which represents 0.2% (2019: 0.2%) of the issued share capital of the Company. Of these shares, 695,210 (2019: 735,557) are held by the Employee Benefit Trust on an unallocated basis.

Nature of interests
Interests take the form of a restricted interest in ordinary shares of the Company ("an 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 ("the 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 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.

Notes to the Consolidated Financial Statements
Continued

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 29 November 2020		52 weeks ended 1 December 2019	
	Number of interests in shares	**Weighted average exercise price (£)**	Number of interests in shares	Weighted average exercise price (£)
Outstanding at beginning of period	**869,358**	**2.25**	1,922,414	2.25
Exercised during period	**(223,019)**	**2.22**	(1,053,056)	2.24
Outstanding at end of period	**646,339**	**2.26**	869,358	2.25
Exercisable at end of period	**646,339**	**2.26**	869,358	2.25

(c) Sharesave Scheme

In 2010, the Group launched the Sharesave Scheme ("SAYE"). This is an 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 90.0% of the market value at launch date.

At the reporting date, employees of the Company's subsidiaries held 3,787 (2019: 2,610) contracts in respect of options over 3,049,851 (2019: 6,723,223) shares. Details of the movement of the number of Sharesave options outstanding during the current and prior periods are as follows:

	52 weeks ended 29 November 2020		52 weeks ended 1 December 2019	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**6,723,223**	**4.97**	5,396,601	3.09
Granted during period	–	–	1,629,893	11.17
Forfeited during period	**(225,751)**	**8.23**	(272,599)	5.04
Exercised during period	**(3,447,621)**	**2.31**	(30,672)	2.81
Outstanding at end of period	**3,049,851**	**7.73**	6,723,223	4.97
Exercisable at end of period	**2,130**	**2.28**	3,248,787	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 which will vest depends on achievement of certain performance conditions. For the 2016 LTIP, which vested in the prior period, there were four equally-weighted performance conditions, which were operational efficiency and capital efficiency metrics relating to the retail business and the platform business, the Group's retail business revenue and the Group's retail business earnings before tax for the financial year ended 2 December 2018. For both the 2017 LTIP (which vested in the current period) and the 2018 LTIP, there are four equally-weighted performance conditions based on performance in the 2019 and 2020 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, will vest during 2021 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. Full vesting will only, therefore, occur where exceptional performance levels have been achieved, and significant shareholder value created. An award will lapse if a participant ceases to be employed within the Group before the vesting date.

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 29 November 2020	52 weeks ended 1 December 2019
Outstanding at beginning of period	**2,470,271**	4,247,037
Forfeited during period	**(896,002)**	(1,067,195)
Vested during period	**(760,334)**	(709,571)
Outstanding at end of period	**813,935**	2,470,271
Exercisable at end of period	**–**	–

The Group recognised an expense of £3.5 million (2019: £2.7 million) in the Consolidated Income Statement during the period relating to these awards. The expectation of meeting the performance criteria, based upon internal budgets and forecasts, was taken into account when calculating this expense.

(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 the Yorkshire Building Society.

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 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**

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 2 December 2018	403,253	57,311	1,637,458	2,098,022
Awarded during period	65,222	9,142	208,597	282,961
Forfeited during period	–	(5,624)	(143,175)	(148,799)
Released during period	(77,926)	(5,365)	(335,194)	(418,485)
Outstanding at 1 December 2019	390,549	55,464	1,367,686	1,813,699
Unrestricted at 1 December 2019	390,549	23,537	457,688	871,774

During the period, the Group recognised an expense of £1.5 million (2019: £1.4 million) relating to these awards. The expectation of meeting the holding period was taken into account when calculating this expense.

Notes to the Consolidated Financial Statements
Continued

4.10 Share options and other equity instruments continued

(f) Value Creation Plan

Following the approval of shareholders on 1 May 2019, the Group launched the Value Creation Plan ("VCP").

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. 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.

4.10 Share options and other equity instruments continued

Valuation of awards

During the prior period, 2.55% of a possible 2.75% was awarded in total to participants, of which 0.25% lapsed during the period. In the current period, a further 0.10% was awarded to participants, and Tranche 2 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 £55.6 million (2019: £46.9 million) spread over the five-year period. The Group recognised an expense of £12.7 million (2019: £5.7 million) in the Consolidated Income Statement during the period relating to these awards. A further expense of £6.6 million (2019: £nil) 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:

	Tranche 1	**Tranche 1**	**Tranche 1**	**Tranche 1**	**Tranche 2**
Date of grant	31 May 2019	23 October 2019	8 November 2019	9 September 2020	9 September 2020
Portion of VCP granted	1.95%(1)	0.05%	0.30%	0.10%	2.40%
Share price at grant	£11.95	£12.84	£11.90	£23.02	£23.02
Initial price	£13.97	£13.97	£13.97	£13.97	£19.60
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	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
Risk-free interest rate	0.61%	0.44%	0.50%	(0.03%)	(0.03%)
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

(1) The original grant was 2.20%, of which 0.25% lapsed in the 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

During the prior period, 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 current 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 29 November 2020	52 weeks ended 1 December 2020
Outstanding at beginning of period	**205,475**	–
Granted during period	**–**	235,475
Forfeited during period	**(165,475)**	
Vested during period	**(40,000)**	(30,000)
Outstanding at end of period	**–**	205,475
Exercisable at end of period	**–**	–

The Group did not recognise an expense (2019: £1.0 million) in the Consolidated Income Statement during the period relating to this award.

Notes to the Consolidated Financial Statements
Continued

4.10 Share options and other equity instruments continued

(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.

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 29 November 2020	52 weeks ended 1 December 2020
Outstanding at beginning of period	**166,856**	–
Granted during period	**12,959**	166,856
Vested during period	**(55,619)**	–
Outstanding at end of period	**124,196**	166,856
Exercisable at end of period	**–**	–

The Group recognised an expense of £1.3 million (2019: £0.4 million) in the Consolidated Income Statement during the period in relation to this award.

(i) Annual Incentive Plan

During the period, the Group granted awards under the Annual Incentive Plan ("AIP") in the form of nil-cost options over shares of the Company to the Executive Directors and selected members of senior management. The award was based on the following four performance conditions and weightings: Retail revenue (20%), Retail EBITDA (20%), number of International Solutions commitments (40%) and individual objectives (20%). Actual performance was assessed over a 12-month performance period ended on 1 December 2019 against threshold and maximum conditions. The maximum opportunity was based on a participant-specific percentage of salary on the date of payment.

The AIP shares will vest after three years (i.e. in 2023), but are subject to a further two-year holding period for the Executive Directors only, during which time they cannot be sold, and so will be released in 2025.

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 29 November 2020
Outstanding at beginning of period	**–**
Granted during period	**150,035**
Outstanding at end of period	**150,035**
Exercisable at end of period	**–**

The Group recognised an expense of £1.7 million (2019: £nil) in the Consolidated Income Statement during the period relating to this award.

The expense for AIP awards is recognised at the start of the relevant performance period. The expense recognised in the current period relates to the above 2019 AIP awards, and the 2020 AIP awards which will be granted in the next period. The performance period for the 2020 AIP is the 52 weeks ended 29 November 2020. The expectation of hitting the 2020 AIP performance targets was taken into account when calculating this expense.

4.10 Share options and other equity instruments continued

(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 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 entitled to use these savings to buy shares of the Company at 90.0% of the market value on the date of grant or at the end of the offering period, whichever is lower.

At the reporting date, employees of the Group held 531 (2019: nil) contracts in respect of granted SPP Options.

There were no SPP Options exercisable as at 29 November 2020.

(k) Restricted Share Plan

During the period, the Group established the Restricted Share Plan ("RSP"). Under the plan, participants will either be granted nil-cost options over shares of the Company, or a conditional award of shares. It is proposed that the RSP be used for two 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 awards may be made subject to performance conditions and may be subject to an additional holding period following vesting. As a general rule, an unvested RSP award will lapse immediately upon a participant ceasing to hold office or employment within the Group.

During the period, the Group granted a conditional RSP award to a senior employee. The vesting of the award is split into two tranches, one which vested in the period, and the other which will vest in 2022.

Outstanding share awards under the RSP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 29 November 2020
Outstanding at beginning of period	–
Granted during period	65,000
Vested during period	(50,000)
Outstanding at end of period	15,000
Exercisable at end of period	–

The Group recognised an expense of £1.4 million (2019: £nil) in the Consolidated Income Statement during the period relating to this award.

Other RSP awards granted during the period are deemed immaterial, so have not been disclosed separately.

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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 £1,837.2 million (2019: £1,057.3 million) ,and it had net cashⒶ of £671.6 million (2019: £142.4 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 £600.0 million of senior unsecured convertible bonds in December 2019 and a further £350.0 million in June 2020 to fund growth. The £100.0 million revolving credit facility was terminated in October 2020; it was not utilised in the current or prior period.

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	**29 November 2020 £m**	1 December 2019 (restated)[1] £m
Total facilities available		**1,656.6**	741.7
Facilities drawn down		**(1,583.1)**	(608.2)
Undrawn facilities		**73.5**	133.5
Other treasury deposits	3.7	**370.0**	110.0
Cash and cash equivalents	3.11	**1,706.8**	640.6
Undrawn facilities, cash and cash equivalents and other treasury deposits		**2,150.3**	884.1

(1) £110.0 million (2018: £153.5 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.7 for more information.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

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
Infinite Acres Holding B.V.	Netherlands(1)	Holding company	C shares	33.3%
JFC Hydroponics Ltd	United Kingdom(2)	Non-trading company	Ordinary shares	68.4%
Jones Food Company Limited	United Kingdom(2)	Vertical farming	Ordinary shares	68.4%
Karakuri Limited	United Kingdom(3)	Robotics	Preference shares	20.8%
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 Canada Holdings Inc.†	Canada(6)	Holding company	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 Information Technology Limited	Ireland(7)	Non-trading 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(8)	Technology	Ordinary shares	100.0%
Ocado Retail Limited	United Kingdom(9)	Retail	Ordinary shares	50.0%
Ocado Solutions Australia Pty Limited	Australia(10)	Business services	Ordinary shares	100.0%
Ocado Solutions Canada Inc.	Canada(11)	Business services	Ordinary shares	100.0%
Ocado Solutions France SAS	France(12)	Business services	Ordinary shares	100.0%
Ocado Solutions Japan K.K.	Japan(13)	Business services	Ordinary shares	100.0%
Ocado Solutions Limited†	United Kingdom(4)	Business services	Ordinary shares	100.0%
Ocado Solutions Sweden AB	Sweden(14)	Business services	Ordinary shares	100.0%
Ocado Solutions (US) ProCo LLC	United States of America(15)	Business services	Ordinary shares	100.0%
Ocado Solutions USA Inc.	United States of America(15)	Business services	Ordinary shares	100.0%
Ocado Spain S.L.U.	Spain(16)	Technology	Ordinary shares	100.0%
Ocado Sweden AB	Sweden(17)	Technology	Ordinary shares	100.0%
Ocado US Holdings Inc.†	United States of America(15)	Holding company	Ordinary shares	100.0%
Ocado US Holdings Sub 1 Inc.	United States of America(15)	Holding company	Ordinary shares	100.0%
Ocado US Holdings Sub 2 LLC	United States of America(15)	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 (Infinite Acres) Limited	United Kingdom(4)	Holding 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%
Oxford US LLC	United States of America(18)	Non-trading company	Ordinary shares	100.0%
Paneltex Limited	United Kingdom(19)	Manufacturing	Ordinary shares	25.0%
Paws & Purrs Limited	United Kingdom(9)	Non-trading company	Ordinary shares	100.0%
Speciality Stores Limited	United Kingdom(9)	Retail	Ordinary shares	100.0%

† Interest held directly by Ocado Group plc.

The registered offices of the above companies are as follows:

(1) Oude Delft 128, 2611 CG Delft, Netherlands
(2) Phase 2 Celsius Parc, Cupola Way, Scunthorpe, England, DN15 9YJ
(3) 14 Amherst Avenue, London, England, 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) Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, V6C 2X8, Canada
(7) 2 Grand Canal Square, Grand Canal Harbour, Dublin, Ireland
(8) High5ive Building, Pawia 21st, 31-154, Kraków, Poland
(9) Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX
(10) Level 9, 63 Exhibition Street, Melbourne, VIC 3000, Australia
(11) TMF Canada Inc, Suite 900, Purdy's Wharf Tower One, 1959 Upper Water Street, Halifax, N.S., B3J 3N2, Canada
(12) TMF Pôle, 3-5 Rue Saint-Georges, 75009 Paris, France
(13) Tokyo Club Building 11F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, Japan
(14) TMF Sweden, Sergels Torg 12, Stockholm, Sweden
(15) 251 Little Falls Drive, New Castle, Wilmington, DE, 19808, United States of America
(16) Av. Josep Tarradellas 38, Planta 8a, 08029 Barcelona, Spain
(17) Drottning Kristinas Väg 53, 114 28 Stockholm, Sweden
(18) 1209 Orange Street, Wilmington, Delaware 19801, United States of America
(19) Paneltex House, Somerden Road, Hull, HU9 5PE, United Kingdom

Notes to the Consolidated Financial Statements
Continued

5.1 Related undertakings continued
In accordance with the exemption under Section 479A of the Companies Act 2006, the standalone financial statements for a subsidiary, Paws & Purrs Limited (company number: 07538307), will not be audited for the period, but are included in the Group's consolidated financial statements for the period.

The Group owns 50.0% 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 which 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 50.0% interest in Ocado Retail Limited ("Ocado Retail") and a 31.6% interest in Jones Food Company Limited ("Jones Food Company").

In December 2019, the Group increased its stake in Jones Food Company, reducing non-controlling interests from 35.9% to 31.6%.

The completion statement relating to the part-disposal of Ocado Retail in August 2019 was not finalised until February 2020, after the financial statements for the prior period had been issued. An adjustment was recognised in the current period to increase net assets attributable to non-controlling interests at the date of disposal by £5.2 million.

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 29 November 2020		
	Ocado Retail £m	Jones Food Company £m	Total £m
Non-current assets	314.2	5.3	319.5
Current assets	518.5	0.9	519.4
Current liabilities	(460.1)	(1.5)	(461.6)
Non-current liabilities	(232.7)	(0.2)	(232.9)
Net assets at end of period	139.9	4.5	144.4
Non-controlling interests at end of period	70.0	1.4	71.4
Revenue	2,188.6	–	2,188.6
Profit/(loss) and total comprehensive income/(expense) for period	114.3	(2.4)	111.9
Share of total comprehensive income/(expense) attributable to non-controlling interests	57.1	(0.7)	56.4
Net cash flow from/(used in) operating activities	204.4	(1.8)	202.6
Net cash flow used in investing activities	(93.8)	(0.2)	(94.0)
Net cash flow from financing activities	12.8	2.8	15.6
Net increase in cash and cash equivalents	123.4	0.8	124.2

No dividends were paid to non-controlling interests during the current or prior period.

5.3 Commitments

Capital commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	29 November 2020 £m	1 December 2019 £m
Land and buildings	**6.9**	1.5
Property, plant and equipment	**321.8**	92.1
Capital commitments	**328.7**	93.6

Of the total capital expenditure committed at the end of the period, £288.5 million (2019: £72.5 million) relates to new CFCs, £2.5 million (2019: £9.5 million) to existing CFCs, £1.0 million (2019: £3.3 million) to fleet costs and £36.4 million (2019: £1.3 million) to technology projects.

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 4.1.)

At the reporting date, the ageing profile of future aggregate minimum lease payments under non-cancellable operating leases is as follows:

	29 November 2020 £m	1 December 2019 £m
Due within one year	**0.2**	0.2
Due in more than one year	**–**	–
Lease commitments	**0.2**	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 which 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 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Salaries and other short-term employee benefits	**5.7**	4.7
Share-based payments	**17.7**	14.7
Aggregate emoluments	**23.4**	19.4

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 140 to 177.

Other related party transactions with key management personnel made during the period relating to the purchase of professional services amounted to £nil (2019: £5,000). All transactions were on an arm's length basis. At the reporting date, no amounts (2019: £nil) were owed by key management personnel to the Group. 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.

Notes to the Consolidated Financial Statements
Continued

5.4 Related party transactions continued

Joint ventures

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 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Dividend received from MHE JVCo	**7.7**	15.6
Supplier invoices paid on behalf of MHE JVCo	**2.3**	4.2
Capital element of lease liability instalments paid to MHE JVCo	**14.9**	24.6
Interest element of lease liability instalments accrued or paid to MHE JVCo	**3.0**	3.7

During the period, the Group incurred lease instalments (including interest) of £18.0 million (2019: £29.6 million) to MHE JVCo.

Of the £18.0 million, £9.0 million (2019: £9.0 million) was recovered directly from Morrisons in the form of other income, and £7.7 million (2019: £15.6 million) was received from MHE JVCo by way of a dividend. Of the remaining £1.3 million, £nil (2019: £1.2 million) represents the capital element of the lease liability instalments due to MHE JVCo, and £1.3 million (2019: £3.7 million) interest incurred on the lease liabilities due to MHE JVCo.

Included within trade and other receivables is a balance of £0.6 million (2019: £0.3 million) due from MHE JVCo. £0.6 million (2019: £0.3 million) of this relates to capital recharges.

Included within trade and other payables is a balance of £1.8 million (2019: £1.8 million) due to MHE JVCo.

Included within lease liabilities is a balance of £49.7 million (2019: £64.0 million) due to MHE JVCo.

Infinite Acres Holding B.V.

During the period, the Group loaned $12.0 million to Infinite Acres Holding B.V. ("Infinite Acres"), a company incorporated in the Netherlands in which the Group holds a 33.3% interest. The loan was recognised within other financial assets, and its carrying amount was £9.3 million (2019: £nil) at the reporting date. £0.3 million (2019: £nil) of interest income was recognised within finance income during the period. For more details on the Group's relationship with Infinite Acres, see note 3.5. For more details on the terms of the loan, see note 3.7.

Associate

Karakuri Limited

During the period, the Group loaned £1.7 million to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 20.8% interest. The loan was recognised within other financial assets, and its carrying amount was £1.7 million (2019: £nil) at the reporting date. £17,000 (2019: £nil) of interest income was recognised within finance income during the period. For more details on the Group's relationship with Karakuri, see note 3.6. For more details on the terms of the loan, see note 3.7.

5.4 Related party transactions continued

Unlisted equity investments

Paneltex Limited

The following transactions were carried out with Paneltex Limited ("Paneltex"), a company incorporated in England and Wales in which the Group holds a 25.0% interest. For more details on the Group's relationship with Paneltex, see note 3.7.

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Purchase of goods		
– Plant and machinery	**–**	0.7
– Consumables	**0.4**	0.6

Indirectly, through some of the Group's leasing counterparties, the Group purchased motor vehicles from Paneltex, worth £10.9 million (2019: £9.1 million).

Included within trade and other payables are no amounts (2019: £23,000) due to Paneltex.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

Notes to the Consolidated Financial Statements
Continued

5.5 Post-Balance Sheet events
Acquisition
On 2 November 2020, the Group announced that it had agreed to acquire the entire share capital of two companies, Kindred Systems Inc. ("Kindred Systems") and Haddington Dynamics Inc. ("Haddington Dynamics"). The acquisition of Kindred Systems was completed on 15 December 2020 for consideration of $260.3 million, following the satisfactory completion of closing conditions, including United States regulatory approvals and employee retention. The acquisition of Haddington Dynamics was completed on 21 December 2020 for consideration of $25.1 million.

The consideration paid for Kindred Systems comprised $256.8 million of cash paid on completion, and deferred cash of $3.5 million, payable on the third anniversary of the acquisition. The consideration paid for Haddington Dynamics comprised $7.8 million of cash paid on completion, and 0.6 million ordinary shares of Ocado Group plc issued on completion.

Acquisition-related costs of £3.5 million, including legal and professional fees, have been recognised in the current period within administrative expenses in the Consolidated Income Statement.

Given the size, complexity and close proximity of these acquisitions to the date of approval of the financial statements, the initial calculations of the fair values of the assets and liabilities acquired have not yet been completed, and no value can be disclosed for goodwill.

Disposal
On 7 January 2021, Ocado Retail Limited announced that it had agreed to sell the entire share capital of Speciality Stores Limited, its pets business trading as Fetch, to Paws Holdings Limited. The disposal was completed on 31 January 2021.

Litigation
On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company 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, and has been very clear that it does not believe it has infringed any valid rights of AutoStore.

AutoStore subsequently 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 Group 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.

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.

Company Financials.

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Company Balance Sheet

as at 29 November 2020

	Notes	29 November 2020 £m	1 December 2019 (restated)[1] £m	2 December 2018 (restated)[1] £m
Non-current assets				
Investments	3.1	**581.3**	549.8	525.7
		581.3	549.8	525.7
Current assets				
Other receivables	3.3	**2,266.4**	980.7	690.2
Other financial assets	3.2	**174.4**	50.0	55.0
Cash and cash equivalents	3.4	**158.2**	54.3	93.7
		2,599.0	1,085.0	838.9
Total assets		**3,180.3**	1,634.8	1,364.6
Current liabilities				
Trade and other payables	3.5	**(185.1)**	(277.3)	(17.3)
Provisions	3.6	**(2.2)**	(4.6)	(7.6)
		(187.3)	(281.9)	(24.9)
Net current assets		**2,411.7**	803.1	814.0
Non-current liabilities				
Provisions	3.6	**(7.3)**	(0.6)	(2.3)
Borrowings	4.1	**(997.2)**	(219.5)	(244.3)
		(1,004.5)	(220.1)	(246.6)
Net assets		**1,988.5**	1,132.8	1,093.1
Equity				
Share capital	4.8	**15.0**	14.2	14.0
Share premium	4.8	**1,361.6**	705.3	589.9
Convertible bonds reserve		**184.5**	–	–
Retained earnings		**427.4**	413.3	489.2
Total equity		**1,988.5**	1,132.8	1,093.1

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019, and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

The Company's loss for the period was £8.2 million (2019: £8.5 million).

The notes on pages 275 to 287 form part of these financial statements.

The Company financial statements on pages 272 to 287 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Neill Abrams
Group General Counsel and Company Secretary

9 February 2021
Ocado Group plc
Company registration: 07098618 (England and Wales)

Company Statement of Changes in Equity

for the 52 weeks ended 29 November 2020

	Notes	Share capital £m	Share premium £m	Convertible bonds reserve £m	Retained earnings £m	Total £m
Balance at 2 December 2018		14.0	589.9	–	489.2	1,093.1
Loss for the period		–	–	–	(8.5)	(8.5)
Total comprehensive expense for the period		–	–	–	(8.5)	(8.5)
Transactions with owners						
– Issue of ordinary shares	4.8	0.2	113.0	–	–	113.2
– Allotted in respect of share option schemes	4.8	–	2.4	–	–	2.4
– Cash settlement of Growth Incentive Plan		–	–	–	(80.2)	(80.2)
– Share-based payments charge	4.9	–	–	–	12.8	12.8
Total transactions with owners		0.2	115.4	–	(67.4)	48.2
Balance at 1 December 2019		14.2	705.3	–	413.3	1,132.8
Loss for the period		**–**	**–**	**–**	**(8.2)**	**(8.2)**
Total comprehensive expense for the period		**–**	**–**	**–**	**(8.2)**	**(8.2)**
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	4.9	**–**	**–**	**–**	**22.4**	**22.4**
– Issue of convertible bonds		**–**	**–**	**184.5**	**–**	**184.5**
Total transactions with owners		**0.8**	**656.3**	**184.5**	**22.3**	**863.9**
Balance at 29 November 2020		**15.0**	**1,361.6**	**184.5**	**427.4**	**1,988.5**

The notes on pages 275 to 287 form part of these financial statements.

Company Statement of Cash Flows

for the 52 weeks ended 29 November 2020

	Notes	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 (restated)[1] £m
Cash flows from operating activities			
Loss before tax		**(8.2)**	(8.5)
Adjustments for			
– Gain on disposal of subsidiaries		**(24.4)**	–
– Net finance cost		**32.2**	6.2
– Movement of provisions		**(0.6)**	(4.7)
– Share-based payments charge		**–**	12.8
Changes in working capital			
– Movement of other receivables		**(1,285.8)**	(290.5)
– Movement of trade and other payables		**(92.2)**	260.0
Cash generated from operating activities		**(1,379.0)**	(24.7)
Interest paid		**(11.0)**	(1.3)
Net cash flow used in operating activities		**(1,390.0)**	(26.0)
Cash flows from investing activities			
Purchase of other treasury deposits		**(150.0)**	(50.0)
Proceeds from other treasury deposits		**50.0**	55.0
Interest received		**3.8**	2.7
Net cash flow (used in)/from investing activities		**(96.2)**	7.7
Cash flows from financing activities			
Proceeds from issue of ordinary share capital, net of transaction costs		**646.2**	0.8
Proceeds from allotment of share options		**10.8**	2.4
Proceeds from Value Creation Plan – jointly-owned equity awards		**–**	1.3
Proceeds from issue of convertible bonds, net of issue costs		**935.5**	–
Repayment of borrowings		**–**	(25.0)
Payment of financing fees		**–**	(0.6)
Net cash flow from/(used in) financing activities		**1,592.5**	(21.1)
Net increase/(decrease) in cash and cash equivalents		**106.3**	(39.4)
Cash and cash equivalents at beginning of period		**54.3**	93.7
Effect of changes in foreign exchange rates		**(2.4)**	–
Cash and cash equivalents at end of period	3.4	**158.2**	54.3

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019, and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

The notes on pages 275 to 287 form part of these financial statements.

Notes to the Company Financial Statements

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc 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 29 November 2020. The prior financial period represents the 52 weeks ended 1 December 2019.

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 hundred thousand 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.

Exemptions

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 not to present an Income Statement or a Statement of Comprehensive Income for the Company alone.

New standards, amendments and interpretations adopted by the Company

No new standards have been adopted by the Company during the period.

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the period beginning 2 December 2019, and concluded either that they are not relevant to the Company or that they would not have a significant effect on the Company's financial statements other than on disclosures:

		Effective date
IAS 19	Employee Benefits (amendments)	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019

New standards, amendments and interpretations not yet adopted by the Company

The following further new standards, interpretations and amendments to published standards and interpretations which are relevant to the Company have been issued but are not effective for the period beginning 2 December 2019 and have not been adopted early:

		Effective date
IFRS 7, IFRS 9, IAS 39	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
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
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IAS 1	Classification of liabilities as Current or non-Current	1 January 2023

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Company's financial statements.

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.

Notes to the Company Financial Statements
Continued

1.3 Critical accounting estimates and assumptions

The preparation of the Company 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 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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

1.4 Restatement of cash and cash equivalents

IAS 7 "Statement of Cash Flows" defines cash equivalents as being "held for the purpose of meeting short-term cash commitments". It suggests that "an investment normally qualifies as a cash and cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition".

At the end of the prior period, the Company disclosed £50.0 million (2018: £55.0 million) of treasury deposits with maturities of more than three months (but no more than six months) from the date of acquisition as cash and cash equivalents. Subsequently, the comparative figures have been restated to reflect the reclassification of these balances from cash and cash equivalents to other current financial assets. In addition, cash equivalents of £406.9 million (2019: £153.5 million) belonging to subsidiaries have been reclassified from cash and cash equivalents to other receivables.

Only the Company Balance Sheet and Company Statement of Cash Flows are affected as detailed below:

Restatement of Company Balance Sheet as at 1 December 2019

	1 December 2019 (previously reported) £m	Reclassification £m	1 December 2019 (restated) £m
Non-current assets	549.8	–	549.8
Current assets			
Other receivables	573.8	406.9	980.7
Other financial assets	–	50.0	50.0
Cash and cash equivalents	511.2	(456.9)	54.3
	1,085.0	–	1,085.0
Total assets	1,634.8	–	1,634.8
Current liabilities	(281.9)	–	(281.9)
Net current assets	803.1	–	803.1
Non-current liabilities	(220.1)	–	(220.1)
Net assets	1,132.8	–	1,132.8
Total equity	1,132.8	–	1,132.8

1.4 Restatement of cash and cash equivalents continued

Restatement of Company Balance Sheet as at 2 December 2018

	2 December 2018 (previously reported) £m	Reclassification £m	2 December 2018 (restated) £m
Non-current assets	525.7	–	525.7
Current assets			
Other receivables	536.7	153.5	690.2
Other financial assets	–	55.0	55.0
Cash and cash equivalents	302.2	(208.5)	93.7
	838.9	–	838.9
Total assets	1,364.8	–	1,364.8
Current liabilities	(24.9)	–	(24.9)
Net current assets	814.0	–	814.0
Non-current liabilities	(246.6)	–	(246.6)
Net assets	1,093.1	–	1,093.1
Total equity	1,093.1	–	1,093.1

Restatement of Company Statement of Cash Flows for the 52 weeks ended 1 December 2019

	52 weeks ended 1 December 2019 (previously reported) £m	Reclassification £m	52 weeks ended 1 December 2019 (restated) £m
Cash flows from operating activities			
Movement of other receivables	(37.1)	(253.4)	(290.5)
Other cash flows from operating activities	264.5	–	264.5
Net cash flow from/(used in) operating activities	227.4	(253.4)	(26.0)
Cash flows from investing activities			
Purchase of other treasury deposits	–	(50.0)	(50.0)
Proceeds from other treasury deposits	–	55.0	55.0
Interest received	2.7	–	2.7
Net cash flow from investing activities	2.7	5.0	7.7
Net cash flow used in financing activities	(21.1)	–	(21.1)
Net increase/(decrease) in cash and cash equivalents	209.0	(248.4)	(39.4)
Cash and cash equivalents at beginning of period	302.2	(208.5)	93.7
Cash and cash equivalents at end of period	511.2	(456.9)	54.3

Restatement of Company Statement of Cash Flows for the 52 weeks ended 2 December 2018

	52 weeks ended 2 December 2018 (previously reported) £m	Reclassification £m	52 weeks ended 2 December 2018 (restated) £m
Cash flows from operating activities			
Movement of other receivables	(151.0)	(153.5)	(304.5)
Other cash flows from operating activities	4.4	–	4.4
Net cash flow used in operating activities	(146.6)	(153.5)	(300.1)
Cash flows from investing activities			
Purchase of other treasury deposits	–	(55.0)	(55.0)
Interest received	1.8	–	1.8
Net cash flow from/(used in) investing activities	1.8	(55.0)	(53.2)
Net cash flow from financing activities	329.5	–	329.5
Net increase/(decrease) in cash and cash equivalents	184.7	(208.5)	(23.8)
Cash and cash equivalents at beginning of period	117.5	–	117.5
Cash and cash equivalents at end of period	302.2	(208.5)	93.7

Notes to the Company Financial Statements
Continued

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 £90,000 (2019: £80,000).

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 indication of impairment, and at least once a year.

	29 November 2020 £m	1 December 2019 £m
Cost	**476.5**	476.5
Contributions to subsidiaries		
– Novation of derivative liability in respect of warrants issued by Ocado Limited	**1.1**	1.1
– Group share-based payments	**103.7**	72.2
Investments	**581.3**	549.8

Investments represent investments in subsidiaries, Ocado Holdings Limited and Ocado Innovation Limited. A list of subsidiaries held by the Company is disclosed in note 5.1 to the consolidated financial statements.

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 which 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

Accounting policies

Loans due from subsidiaries 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 loans due from subsidiaries unless stated otherwise. The loans due from subsidiaries are repayable on demand.

	29 November 2020 £m	1 December 2019 (restated)(1) £m
Other treasury deposits	**150.0**	50.0
Loans due from subsidiaries	**24.4**	–
Other financial assets	**174.4**	50.0
Disclosed as:		
Current	**174.4**	50.0
Non-current	**–**	–
	174.4	50.0

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019. See note 1.4 for more information.

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.

	29 November 2020 £m	1 December 2019 (restated)(1) £m
Amounts due from subsidiaries	**2,264.9**	980.0
Other receivables	**1.5**	0.7
Other receivables	**2,266.4**	980.7

(1) £406.9 million (2018: £153.5 million) of amounts due from subsidiaries have been reclassified from cash and cash equivalents to other receivables as at 1 December 2019. See note 1.4 for more information.

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.

	29 November 2020 £m	1 December 2019 (restated)(1) £m
Cash at bank and in hand	**93.2**	0.3
Short-term treasury deposits	**65.0**	54.0
Cash and cash equivalents	**158.2**	54.3

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019, and £406.9 million (2019: £153.5 million) of amounts due from subsidiary undertakings from cash and cash equivalents to other receivables. See note 1.4 for more information.

Notes to the Company Financial Statements
Continued

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.

	29 November 2020 £m	1 December 2019 £m
Amounts due to subsidiaries	**12.7**	270.6
Accruals and other payables	**172.4**	6.7
Trade and other payables	**185.1**	277.3

3.6 Provisions

Accounting policies

Employee incentive schemes

Provisions for employee incentive schemes relate to HMRC-unapproved equity-settled schemes and the cash-based Long-Term Incentive Plan ("Cash LTIP"). For all unapproved schemes and the Cash LTIP, the Group is liable to pay employer's NIC upon allotment 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 to the consolidated financial statements.

In 2014, the Company established the Cash LTIP in order to incentivise selected high-performing employees of the Group. At the end of the three-year vesting period, employees will be paid a cash amount equal to the notional number of awards at the prevailing share price, adjusted for the achievement of the performance conditions. The Cash LTIP ended during the current period.

	Employee incentive schemes £m
Balance at 2 December 2018	9.9
Charged/(credited) to Income Statement	
– Additional provision	11.8
– Unused amounts reversed	(0.5)
Used during period	(16.0)
Balance at 1 December 2019	5.2
Charged to Income Statement	
– Additional provision	**9.1**
Used during period	**(4.8)**
Balance at 29 November 2020	**9.5**

Provisions at 29 November 2020 can be analysed as follows:

	Employee incentive schemes £m
Current	**2.2**
Non–current	**7.3**
	9.5

Provisions at 1 December 2019 can be analysed as follows:

	Employee incentive schemes £m
Current	4.6
Non–current	0.6
	5.2

3.6 Provisions continued

Employee incentive schemes

The provision consists of the Cash LTIP and employer's NIC on HMRC-unapproved equity-settled schemes.

The Cash LTIP ended during the period. The provision relates to an award which has already vested which will be settled in cash in 2021. In the prior period, the provision represented the expected cash payments to participants upon vesting of the awards.

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 (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 2021 and 2024, and allotment will take place between 2021 and 2029.

Section 4 – Capital structure and financing costs

4.1 Borrowings

	29 November 2020 £m	1 December 2019 £m
Non-current liabilities		
Borrowings	**997.2**	219.5
Total borrowings	**997.2**	219.5

Borrowings at 29 November 2020 can be analysed as follows:

Principal amount £m	**Inception**	**Security held**	**Coupon rate**	**Instalment frequency**	**Final payment due**	**Carrying amount at 29 November 2020 £m**
225.0	June 2017	Collateral	4.000%	Biannual	June 2024	**220.8**
600.0	December 2019	None	0.875%	Biannual	December 2025	**504.2**
350.0	June 2020	None	0.750%	Biannual	January 2027	**272.2**

Borrowings at 1 December 2019 can be analysed as follows:

Principal amount £m	Inception	Security held	Coupon rate	Instalment frequency	Final payment due	Carrying amount at 1 December 2019 £m
225.0	June 2017	Collateral	4.000%	Biannual	June 2024	219.5

Notes to the Company Financial Statements
Continued

4.2 Reconciliation of liabilities arising from financing activities

	Note	1 December 2019 £m	Cash flows £m	Non-cash movement: Unwinding of interest £m	29 November 2020 £m
Borrowings	4.1	219.5	**740.0**	**37.7**	**997.2**

	Note	2 December 2018 £m	Cash flows £m	Non-cash movement: Unwinding of interest £m	1 December 2019[(1)] £m
Borrowings	4.1	244.3	(35.3)	10.5	219.5

(1) The unwinding of interest and cash flows for the 52 weeks ended 1 December 2019 have been corrected.

4.3 Analysis of net debt Ⓐ

Net debt Ⓐ

	Notes	29 November 2020 £m	1 December 2019 (restated)[(1)] £m
Current assets			
Other treasury deposits	3.2	**150.0**	50.0
Cash and cash equivalents	3.4	**158.2**	54.3
		308.2	104.3
Non-current liabilities			
Borrowings	4.1	**(997.2)**	(219.5)
Net debt Ⓐ		**(689.0)**	(115.2)

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019 , and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

None of the Company's cash and cash equivalents (2019: £nil) is considered to be restricted and is not available to circulate within the Group on demand.

Reconciliation of net cash flow with movement of net debt Ⓐ

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 (restated)[(1)] £m
Net increase/(decrease) in other treasury deposits	**100.0**	(5.0)
Net increase/(decrease) in cash and cash equivalents	**103.9**	(39.4)
Net (increase)/decrease in borrowings	**(777.7)**	24.8
Movement of net debt Ⓐ in period	**(573.8)**	(19.6)
Net debt Ⓐ at beginning of period	**(115.2)**	(95.6)
Net debt Ⓐ at end of period	**(689.0)**	(115.2)

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019 , and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

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.

The Company has categorised its financial instruments as follows:

29 November 2020	Notes	**Amortised cost £m**
Financial assets		
Investments	3.1	**581.3**
Other financial assets	3.2	**174.4**
Other receivables	3.3	**2,266.4**
Cash and cash equivalents	3.4	**158.2**
Total financial assets		**3,180.3**
Financial liabilities		
Accruals and other payables	3.5	**(185.6)**
Senior secured notes	4.1	**(220.8)**
Senior unsecured convertible bonds	4.1	**(776.4)**
Total financial liabilities		**(1,182.8)**

1 December 2019 (restated)[(1)]	Notes	Amortised cost £m
Financial assets		
Investments	3.1	549.8
Other financial assets	3.2	50.0
Other receivables	3.3	980.7
Cash and cash equivalents	3.4	54.3
Total financial assets		1,634.8
Financial liabilities		
Accruals and other payables	3.5	(277.3)
Senior secured notes	4.1	(219.5)
Total financial liabilities		(496.8)

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019, and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

Notes to the Company Financial Statements
Continued

4.4 Financial instruments continued

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 notes, which are classified as level 1.

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:

		29 November 2020		1 December 2019 (restated)[1]	
	Notes	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Investments	3.1	**581.3**	**581.3**	549.8	549.8
Other financial assets	3.2	**174.4**	**174.4**	50.0	50.0
Other receivables	3.3	**2,266.4**	**2,266.4**	980.7	980.7
Cash and cash equivalents	3.4	**158.2**	**158.2**	254.3	254.3
Total financial assets		**3,180.3**	**3,180.3**	1,634.8	1,634.8
Financial liabilities					
Accruals and other payables	3.5	**(185.6)**	**(185.6)**	(277.3)	(277.3)
Senior secured notes	4.1	**(220.8)**	**(230.1)**	(219.5)	(231.3)
Senior unsecured convertible bonds	4.1	**(776.4)**	**(776.4)**	–	–
Total financial liabilities		**(1,182.8)**	**(1,192.1)**	(496.8)	(508.6)

(1) £50.0 million (2018: £55.0 million) of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 1 December 2019, and £406.9 million (2019: £153.5 million) of amounts due from subsidiaries from cash and cash equivalents to other receivables. See note 1.4 for more information.

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:

		29 November 2020		1 December 2019	
	Note	**Gross £m**	**Impairment £m**	Gross £m	Impairment £m
Not past due	3.3	**2,266.4**	**–**	980.7	–

4.6 Liquidity risk

The Company has adequate cash resources to manage the short-term working capital needs of the business. In December 2019, it issued £600.0 million of senior unsecured convertible bonds. In June 2020, it issued another £350.0 million of senior unsecured convertible bonds, alongside £657.1 million of ordinary shares. The £100.0 million revolving credit facility was terminated in October 2020; it was not utilised in the current or prior period. 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.

29 November 2020	Notes	Carrying amount £m	Contractual cash flows £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	**(185.6)**	**(185.6)**	**(185.6)**	**–**	**–**	**–**
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)**
		(1,182.8)	**(1,442.6)**	**(202.5)**	**(16.9)**	**(266.6)**	**(956.6)**

1 December 2019	Notes	Carrying amount £m	Contractual cash flows £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	(277.3)	(277.3)	(277.3)	–	–	–
Senior secured notes	4.1	(219.5)	(270.0)	(9.0)	(9.0)	(252.0)	–
		(496.8)	(547.3)	(286.3)	(9.0)	(252.0)	–

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:

	29 November 2020 £m	1 December 2019 £m
Fixed rate instruments		
Financial assets	**215.0**	260.0
Financial liabilities	**(997.2)**	(219.5)
Variable rate instruments		
Financial assets	**93.2**	44.3
Financial liabilities	**–**	–

Sensitivity analysis

An increase of 1.0% 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.

Notes to the Company Financial Statements
Continued

4.7 Market risk continued

	29 November 2020 £m	1 December 2019 £m
Increase in income	**0.9**	0.4
Increase in equity	**–**	–

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 10,587,150 (2019: 10,850,516) 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 9,278,146 (2019: 13,657,551). 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 2 December 2018	698.3	14.0	589.9
Issue of ordinary shares	10.0	0.2	113.0
Allotted in respect of share option schemes	0.9	–	2.4
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**

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

Key management personnel

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.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 174.

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 £3.9 million (2019: £1.6 million) was charged on these loans during the period. All intra-Group loans and balances are unsecured and repayable on demand.

5.1 Related party transactions continued

Transactions with subsidiaries	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Group share-based payments	**31.5**	24.2
Increase of loans and amounts due from subsidiaries	**1,309.3**	444.3
(Decrease)/increase of amounts due to subsidiaries	**(257.9)**	257.9

Balances with subsidiaries	29 November 2020 £m	1 December 2020 £m
Loans and amounts due from subsidiaries	**2,289.3**	980.0
Amounts due to subsidiary undertakings	**(12.7)**	(270.6)

5.2 Post-Balance Sheet events

No significant events affecting the Company have occurred since the reporting date.

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Additional Information.

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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 13 May 2021 at 10am at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. In light of public health guidance and legislation issued by the Government of the United Kingdom in relation to the Covid-19 pandemic, which imposes restrictions on public gatherings and travel, and in order to protect the health and safety of the Company's shareholders and directors, the Annual General Meeting will be held as a combined physical and online meeting. This means that shareholders and other attendees will not currently be permitted to attend the Annual General Meeting in person, save for such persons nominated by the Chairman of the meeting in order to establish a quorum. The right of shareholders to attend the meeting shall be limited to participation through the online meeting platform. Details can be found in the Notice of Meeting.

AIP – means the Annual Incentive Plan for the Executive Directors.

American Depositary Receipt – 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 104 to 107, 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 Estera Trust (Jersey) 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, 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.

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.

Glossary
Continued

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 page 115.

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 £250 million senior secured notes due 2024 at a coupon of 4.000% and an issue price of 100.0%. For more details, see pages 238 and 239.

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 page 238 and 239.

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 86.

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 for Executive Directors.

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 which 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, but are not limited to, 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 199.

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 which 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 29 November 2020 £m	52 weeks ended 1 December 2019[(1)] £m
Retail gross profit	**679.0**	467.1
UK Solutions & Logistics gross profit	**653.9**	576.0
International Solutions gross profit	**9.6**	0.4
Other gross profit	**(0.9)**	0.9
Group eliminations gross profit	**(527.7)**	(447.1)
Reported gross profit	**813.9**	597.3

(1) The figures for the 52 weeks ended 1 December 2019 have been re-presented to reflect changes to the basis of allocating revenue and expenses to segments. The total revenue and is the same, but the figure attributed to each segment has changed.

Alternative Performance Measures
Continued

Segmental other income

Segmental other income is a measure which 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 29 November 2020 £m	52 weeks ended 1 December 2019[1] £m
Retail other income	**70.0**	65.6
UK Solutions & Logistics other income	**3.8**	3.6
International Solutions other income	**–**	–
Other other income	**14.3**	15.4
Group eliminations other income	**(0.5)**	(0.7)
Reported other income	**87.6**	83.9

(1) The figures for the 52 weeks ended 1 December 2019 have been re-presented to reflect changes to the basis of allocating other income to segments. The total other income is the same, but the figure attributed to each segment has changed.

Segmental distribution costs and administrative expenses

Segmental distribution costs and administrative expenses is a measure which 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 29 November 2020 £m	52 weeks ended 1 December 2019 [1] £m
Retail distribution costs and administrative expenses	**600.5**	492.1
UK Solutions & Logistics distribution costs and administrative expenses	**613.3**	507.5
International Solutions distribution costs and administrative expenses	**92.9**	55.3
Other distribution costs and administrative expenses	**49.0**	31.2
Group eliminations distribution costs and administrative expenses	**(528.2)**	(447.5)
Depreciation, amortisation, impairment and other central costs	**168.9**	136.1
Reported distribution costs and administrative expenses	**996.4**	774.7

(1) The figures for the 52 weeks ended 1 December 2019 have been re-presented to reflect changes to the basis of allocating expenses to segments. The total distributions costs and administrative expenses is the same, but the figure attributed to each segment has changed.

	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019[2] £m
Reported distribution costs	**653.4**	542.7
Reported administrative expenses	**343.0**	232.0
Reported distribution costs and administrative expenses	**996.4**	774.7

(2) £22.1 million of costs relating to the adoption of IFRS 16 "Leases" have been reclassified from distribution costs to administrative expenses for the 52 weeks ended 1 December 2019, since the leases to which they relate are used for administration rather than distribution.

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/debt" 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 joint ventures 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:

	29 November 2020 £m	1 December 2019 £m
Gross debt	**1,405.2**	608.2
Lease liabilities payable to joint ventures	**(49.7)**	(64.0)
External gross debt	**1,355.5**	544.2

Five-Year Summary

The following figures have not been audited:

	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	52 weeks ended 27 November 2016 £m
Revenue	**2,331.8**	1,756.6	1,598.8	1,454.5	1,267.0
Gross profit	**813.9**	597.3	547.5	495.0	431.3
EBITDA Ⓐ	**73.1**	43.3	59.5	76.7	80.3
Adjusted operating (loss)/profit[1]	**(94.9)**	(93.5)	(33.0)	4.1	17.9

(1) Adjusted to exclude exceptional items Ⓐ and share of results of joint ventures and associate.

	52 weeks ended 29 November 2020	52 weeks ended 1 December 2019	52 weeks ended 2 December 2018	53 weeks ended 3 December 2017	52 weeks ended 27 November 2016
Active customer base	**680,000**	795,000	721,000	645,000	580,000
Average orders per week	**334,000**	325,000	296,000	264,000	230,000
Average order size (£)[(2),(3)]	**137.19**	106.30	106.85	107.28	108.10
CFC efficiency (UPH)[(4)]	**169**	161	163	164	160
DPV per week	**184**	196	194	182	176
Product waste (%)	**0.4**	0.7	0.8	0.7	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 current period. The figure for the prior period has been updated to include CFC4.

Ⓐ See **Alternative Performance Measures** on pages 293 and 294.

Shareholder Information

Financial calendar

18 March 2021	Q1 Trading Statement
13 May 2021	Annual General Meeting
6 July 2021	Half Year Results Announcement
14 September 2021	Q3 Trading Statement
9 December 2021	Q4 Trading Statement
8 February 2022	Final Results Announcement

Shareholding information

Please contact our Registrar, Link Market Services, directly for all enquiries about your shareholding. Visit their website, www.ocadoshares.com, for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate), or telephone the Registrar direct on +44 (0)871 664 0300. (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 9am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.)

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, 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.

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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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