Future. Proof.

Annual Report and Accounts 2022

Ocado Group

We are just getting started on our growth journey in grocery and beyond. Our market-leading technology will enable our partners to win in the online channel, with ever improving returns and an unparalleled customer offer.

Future. Proof.

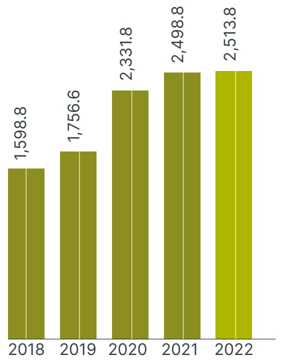
We are building on a track record of more than 20 years of pioneering innovation in the online grocery market, leading and benefiting from the global consumer shift to online shopping. At the heart of it all lies our technological know-how and unparalleled IP.

Read more about our Strategy in Action on pages 28 to 35

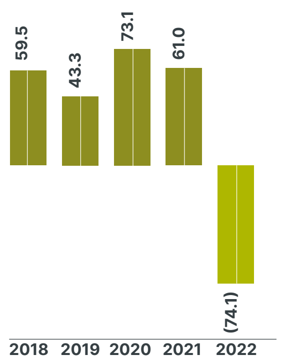
What's inside

Strong underlying performance amidst near-term pressures

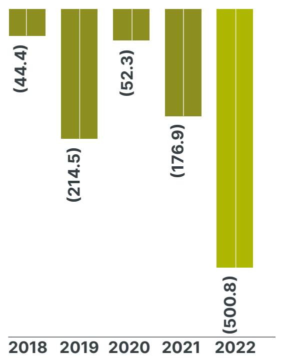
Group revenue (£m)



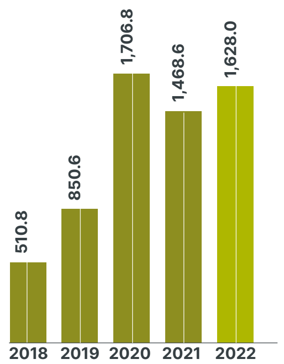
Group EBITDA(A) (£m)



Loss before tax (£m)



Gross liquidity position (£m)* (A)



Read more about our Strategy in Action on pages 26 to 35 and our Responsible Business Approach pages 36 and 37

* Gross Liquidity is Cash and Cash Equivalents plus Revolving Credit Facility.

Discover more online
www.ocadogroup.com

Environmental

B
CDP rating
FY21 CDP rating: B

Read more pages 52 to 55

44.4%
reduction in carbon intensity
FY22: 458 tCO_2e per 100,000 orders
FY21: 489 tCO_2e per 100,000 orders

Read more pages 46 to 53

0.9%
Ocado Retail food waste as % of sales
FY21: 0.6%

Read more pages 56 and 62

31
eNPS (Technology Solutions)
FY21: 25

Read more pages 38 to 45

(A) See Alternative Performance Measures on pages 279 and 281

A global, technology-led, software and robotics platform business

Our purpose

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

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

Who we are

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

What we do

We provide a leading technology platform, as a managed service, for retailers around the world who are looking to build winning e-commerce operations in their markets.

Our culture and values

Our desire to innovate is what drives our culture and it's our values and behaviours that enable our success empowering us to grow and transform our business globally at pace – to build our success for the future.

We're in it together.

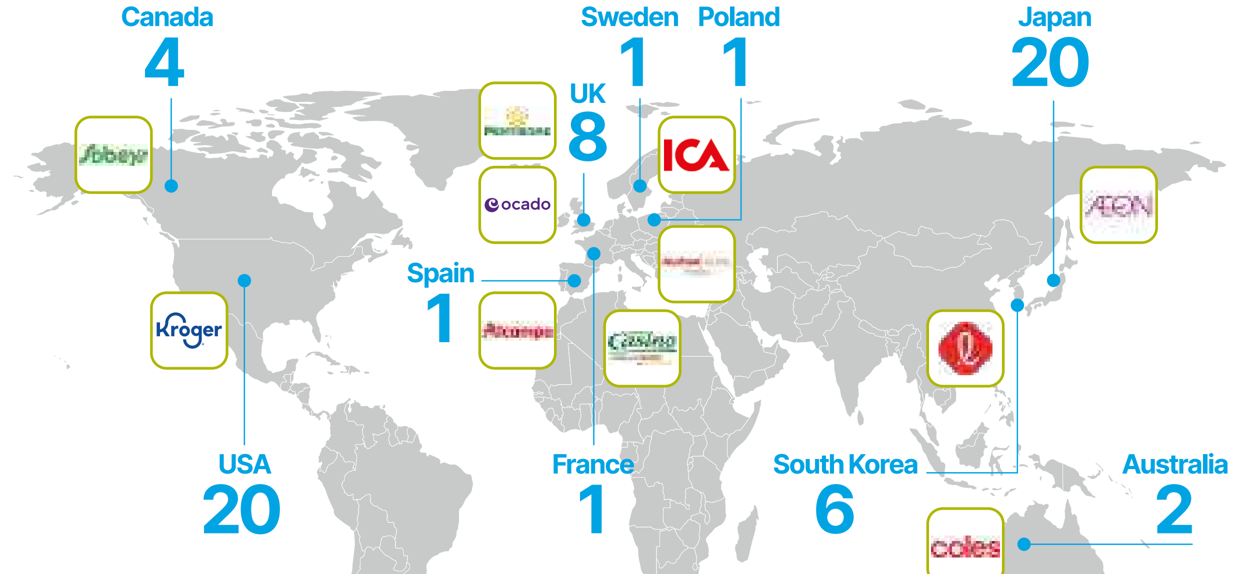
We can be even better.

We're proud of what we do.

Read more page 38

Our Geographical reach

We are a global company serving 12 partners in 10 countries. Together, we have announced joint plans to build 45 further automated Customer Fulfilment Centres*, in addition to the 19 CFCs already live. You can see the spread of these plans below.



* Reflects CFC plans publicly announced by partners, with number of CFCs corresponding to either the announced number of sites or a number of sites determined by sales-based capacity announcements apportioned into £350m equivalent 'standard' sized CFCs, based on average exchange rate since year of announcement. Exact site sizes will vary. Does not include ISF commitments. For UK, excludes those sites live before the 2019 joint venture deal (Hatfield, Dordon, Erith, Andover).

How we report today

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

International Solutions

Reflecting long term Solutions contracts with international partners for the provision of the Ocado Smart Platform ("OSP") as a managed service.

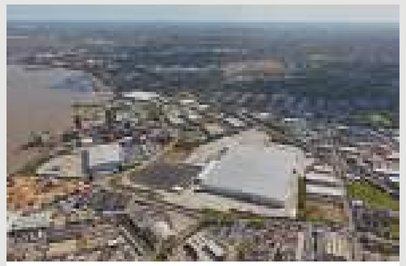
Key highlights

Material acceleration in the global roll-out of OSP whilst also adding more Client Partners and CFC commitments to our pipeline.

£(113)m

EBITDA® in 2022

Read more page 76



UK Solutions and Logistics

Reflecting both long-term Solutions contracts for UK clients, Ocado Retail and Morrisons, and contracts for the provision of logistics (distribution and fulfilment) and other services.

Key highlights

Delivering operating efficiencies ahead of target for our UK Client Partners.

£67m

EBITDA® in 2022

Read more page 75

Retail

A pure play online grocery retailer, serving big basket and immediacy missions to 940,000 active customers in the UK. A 50:50 joint venture with Marks & Spencer.

Key highlights

Strong growth in active customers to underpin recovery in revenues and profits as pandemic comparables fade and the cost of living crisis eases.

£(4)m

EBITDA® in 2022

Read more page 69

Underlying business segments and planned reporting structure from 2023

ocado GROUP

Ocado Technology Solutions

Technology platform business providing the Ocado Smart Platform ('OSP') as a managed service to (currently) 12 partners around the world

>£590m

mid-term EBITDA® target (4-6 years) margin c50%

Read more pages 66 and 67

Ocado Logistics

Industry leading 3PL (third party logistics) business, operating in the UK for Ocado Retail and Morrisons

c£30m

mid-term EBITDA® target (4-6 years), margin towards 3%

Read more page 68

ocado

Ocado Retail

Pure play online grocery retail business serving big basket and immediacy missions to customers in the UK (50:50 joint venture with M&S)

>£270m

mid-term EBITDA® target (4-6 years), high mid-single digit margin

Read more page 69

A year of achievement

2022 saw a significant step up in the global roll-out of OSP. Alongside successful execution for our partners, we continued to innovate, at pace, and made important strategic steps to support future growth on our path to achieving our net zero ambitions.

> "Say hello to the world's lightest, and most efficient grocery fulfilment bot – the 600 series bot."

Discover more online

The next leap in innovation: Ocado Re:Imagined

Seven technological innovations, available for commercial roll-out from the end of 2023.

Collectively, we expect these breakthroughs to enable partners to offer their customers an even better online grocery proposition, across choice, short lead times, and value. Re: Imagined will also bring a step-change in economics for Group and partners. The key efficiency metric within the warehouse, UPH (units picked per hour), is expected to improve by c.50%, whilst capital expenditure costs will also fall.

300+ UPH

up from 200+ UPH target pre Re: Imagined

15%+

reduction in capital expenditure for Ocado Group and partners

Strong liquidity to support mid-term growth plans

In June, the business successfully raised equity of £578m, with the funding designed to provide support for capital expenditure to deliver the planned and expected CFC programme for our partners in the mid-term.

£1.6bn

FY 2022 gross liquidity (cash and available revolving credit)

Adding to the OSP 'club'

During the year we signed two new partners, Auchan Polska, in Poland, and Lotte Shopping, in South Korea. The OSP 'club' now comprises 12 leading global retailers across 10 countries.

Read more page 67

64

CFCs planned, up from 56 at FY21

Global OSP roll-out picking up pace

We successfully launched 12 new sites for partners this year – 9 CFCs and 3 Zooms (micro fulfilment centres) – more than doubling the number of sites live. They were delivered on time and partners are reporting strong customer satisfaction in their respective markets.

23

sites live, up from 11 at FY21

Progressing on the path towards net zero commitments

For the first time, we have mapped out our Scope 3 baseline, across all 15 categories. This work was a critical undertaking to enable future delivery of our net zero commitments.

Read more page 55

Net zero

in operations and value chain by 2035 and 2040, respectively

Working with clients to drive long-term success

Building on successful collaboration with Client Partners, we are working closely with them to support them to get the very best out of the OSP platform.

Read more page 34

Local and offsite

support, and specialist deployments

Discover more online

Chair's Letter

Considerable progress was made towards realising the extraordinary potential of the Ocado vision and bringing that all-important moment of sustainable profitability ever closer.

It has been a far from easy year as your Board has sought to separate signal from noise while our operating context changed almost daily.

Our agenda is very much focused on the factors that are key to delivering both that future of profitability and the proof the world is seeking that we really can change the way the world shops, for good and, by so doing, transform the economics of a vital but thin-margin sector. Those factors boil down to the essentials of people, technology and how they combine to meet the aspirations of our Client Partners.

Our people

We have raised the intensity of Board attention on our people this year, mindful that they have emerged from the very difficult period of the pandemic only to face a cost of living crisis and new day-to-day frictions across our global operations.

Engagement with our people has been a spotlight for the Board, with primary areas including diversity and inclusion, payroll and the welfare of our employees. Diversity, equity and inclusion ("DEI") continues to be an essential business enabler and talent magnet. It is also an important challenge for us as a responsible organisation to be better. Our teams have been driving positive action in supporting and enabling DEI across Ocado Group. You can read more about this on pages 38 to 41.

As a responsible employer, the welfare of our employees is of great importance to the Board. This year has seen a big push around the health and wellbeing of our employees, and in listening to our people we know that care about wellbeing has been one of the biggest drivers of engagement in the last two years.

> "Our agenda is very much focused on the factors that are key to delivering both the future and the proof the world is seeking that we really can change the way the world shops, for good."
>
> **Rick Haythornthwaite, Chair**

Alleviating the impact of the cost of living crisis has also been a central theme for the business and where possible we've ensured continued access to products and services that enable our employees' money to go further, while signposting our colleagues most in need to advice and support when needed. You can read more about some of these initiatives on page 44.

It was decided this year to change the name of the Nomination Committee to the People Committee, which reflects the decision to expand the Committee's remit. Its responsibilities now include people engagement issues for the whole Group, which provides greater oversight of the workforce and the culture of the Group. The Committee is able to discuss wider workforce views and priorities and bring to the attention of the Board important issues raised.

Andrew Harrison's appointment as Chair of the People Committee provides an opportunity to strengthen the link between the Board and our people, as he is also our Designated Non-Executive Director. More about this can be found in the People Committee Report on pages 127 to 131.

Technology

Technology continues to be fundamental to the Ocado mission.

The Board has directed its attention on a number of strategic pillars in relation to the objectives of our technology agenda. These have been: providing an unrivalled shopper experience; enabling best in class profitability; reducing capital investment and time to deploy CFCs; supporting partners to leverage their store estate; and providing a flexible, secure, scalable and reliable platform.

In January 2022, we unveiled seven key innovations, collectively called Ocado Re:Imagined, which we expect to further transform OSP economics for partners and Ocado Group. Work on delivering these has been a big push during the year and partners ordering a CFC for delivery from the second half of 2023 and onwards will have the new features enabled, whilst orders made prior to the launch of Re:Imagined can be also be retrofitted to include many of the enhancements.

Competition for technical talent remains very strong, and we continue to seek a competitive edge when recruiting, but also in how we retain our talent. We keep this under regular review, so that we can be agile in responding to the talent market. Salary inflation is an ongoing focal point, as we look to recruit, retain, and support our employees.

Partners

While our people and technology provide the essential ingredients of the Ocado mix, our success is crucially dependent on the pace of adoption of our Client Partners – the rate at which we sign up new partners and the rate at which those new partners ramp up the business that they put through OSP.

We have continued to sign new partners, signing our twelfth retail partner, Lotte Shopping, in November 2022, one of the largest business conglomerates in South Korea. We extended our partnership with Groupe Casino, by forming a joint venture to provide logistics services to other potential OSP partners of Ocado Solutions in France. Kroger continues to expand delivery across the US and, in signing with Auchan Polska, we have our first deal in a market outside our previous guidance (describing customer opportunity geographies as those with a GDP per capita of over $25,000). This reinforces our expanding opportunity set as we drive further step changes in operating and capital efficiency with Re:Imagined.

New module sign-up has not been as fast as we wish, as live partners have centred on both increasing capacity utilisation and deploying early learnings to optimise economics achieved at their initial sites. In the future, we expect the improved flexibility in site build and optimised site design, enabled by Re:Imagined, to see partner build and lease costs fall by around 20%, while products such as On-Grid Robotic Pick will also improve site productivity by >50%, dramatically reducing operational costs. In further lowering the barrier to acceptance, we expect these innovations to underpin healthy growth in the pipeline of orders in the years ahead.

Following Board discussions, our focus on partner success led to the development of Partner Success Teams to help our partners make the most of the platform and accelerate their growth. This is in the early stages and will be a spotlight issue for the Board over the coming year.

The OSP Leadership Club now comprises 12 of our partners across 10 countries. The club brings together representatives from all our global partners to work collaboratively and discuss experiences of shared importance, building our understanding of partners' needs. Our flagship Ocado Solutions product conference Beyond 2022, which is exclusive to our OSP partners from around the world, offered networking, expert talks, panels, live tours, and an exhibition of our Re:Imagined technologies.

Our competitive advantage is efficiency. The Board is committed to optimising operational and capital efficiency for our partners and Ocado Group, so that we can both achieve an attractive return on investment through OSP. In the UK, Ocado Retail continues to evidence the efficiencies our technology enables for partners. For more detail, see page 69.

Environment

We continue to assess how the clear operational efficiencies of our model impact on carbon emissions as a source of competitive advantage. Our Carbon Strategy is to achieve Net Zero emissions by 2040 and product development teams in Ocado Technology have launched a piece of work to understand, calculate and make recommendations to reduce the carbon content of our OSP. Our development teams have begun exploring opportunities for product re-designs that require less supporting material, lower weight, less carbon intensive materials, lower transportation emissions and lower operational energy, which have been used as leading concepts in the development of our Re:Imagined products. The Board looks forward to continuing to understand how we can seek advantages in this area.

Looking ahead

We are set fair. We strive for capital efficiency across the business. The decision to undertake a capital raise in June was taken to strengthen our liquidity to allow us to continue to invest in Technology Solutions development to generate future value and growth. This year we have also reviewed and revised our five year plan under which we expect to become cash flow positive within the next four to six years. The Board has discussed our future sources of capital and is keen to explore new sources of capital as and when we need to refinance our existing debt.

We should not let these important debates distract from the basic belief that we all share at Ocado, namely, that the vision we are pursuing represents one of the most profound conceptual and technological leaps forward in any sector over the past century – our challenge is to demonstrate to all that there is substance to that belief.

Rick Haythornthwaite
Chair
28 February 2023

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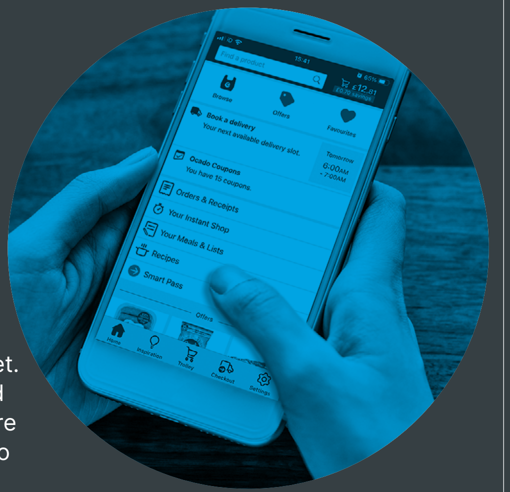
INVESTMENT CASE

A strong investment

Channel shift to online grocery has been a trend in most markets for some time. The Covid-19 pandemic further accelerated this shift in shopping habits. Although we have seen some natural attrition in online volumes from pandemic peaks, we are stabilising at materially higher levels, and the outlook is for continued channel shift and growth. We built our business specifically for this change in shopping behaviour – to benefit from, and to lead, the online revolution for our partners.



1.

The opportunity set is large & getting larger

Grocery is the largest retail market. Online grocery has now stabilised at a materially higher level than pre pandemic and is set to continue to grow. Retailers around the world must sustain and continue to develop their online offer for customers, to win in the channel, and overall, in the long term.

Our Changing Markets
pages 12 and 13

2.

Current partners provide a strong runway for growth and returns

We have 12 partners across 4 continents who together represent >£200 billion in sales, the second largest retail platform in the world. Together, these partners have announced plans for 64 CFCs, equivalent to >£22 billion in sales capacity. As partners scale, the multiplier we achieve on innovation grows with them and learnings enabled by our partnership community expand, further accelerating our virtuous cycle of growth, investment and innovation.

Our Changing Markets
page 13

3.

OSP is a market-leading online fulfilment solution

OSP is a flexible platform, able to serve all missions, with a market-leading customer offer and compelling economics. The platform can be configured to the needs of individual partners and our full suite of products and services enables us to have a clear-eyed conversation with our partners about their needs and what solution is most appropriate for time and place, to drive the best possible results for our partners and their customers.

Our Business Model
pages 14 and 15

STRATEGIC REPORT

Contents

4.

We own 50% of Ocado Retail; attractive growth and return prospects in the UK

We retain a 50% share in Ocado Retail, an important test bed, and a valued partner. Capacity largely already invested underpins a roadmap to £3.9billion in revenue in the mid-term; +70% on FY22 and customer growth is strong. As the business fills available capacity and current consumer pressures ease, it expects to deliver a high mid-single digit EBITDA(A) margin in the mid-term.

Ocado Retail
page 69

5.

Our technology continues to improve and can take us beyond grocery.

We announced Re:Imagined; seven technology innovations, available from the end of 2023, that we expect to reset the bar for operating and capital efficiency in online grocery. In addition to driving growth and improved returns in grocery, Re:Imagined expands our opportunity-set to the wider ASRS (automated storage and retrieval) space.

Our Changing Markets page 14
Financial Review page 81

6.

We are changing the way the world shops, for good.

We are committed to innovation that drives improved efficiencies. Through ongoing technology advancements we are driving better labour efficiency and reduced use of natural resources in our automated CFCs. The UPH targeted for Re:Imagined sites is double that at our oldest facility (Hatfield CFC in the UK). We have more than halved our Scope 1 and 2 emissions intensity since our 2012/13 baseline, with an ambition to net zero in our operations and value chain by 2035/40, respectively. And Ocado Retail continues to achieve industry low levels of food waste, a benefit we expect to enable for partners as their sites mature.

Responsible Business Approach
pages 36 and 37

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Building blocks all now in place for profitable growth and strong cash flows

Q&A.

We have made significant and encouraging progress this year, notably in ramping up the roll-out of OSP for clients and continuing to innovate at pace. We are taking the right steps to support long-term success, internally and in supporting our clients to get the most out of their first sites. I am confident that we are well placed to navigate a more challenged economic environment and make the most of our opportunity set.

What do you think were Group's biggest successes this year?

I think it comes down to the combination of execution and innovation; doubling our live sites for partners, whilst simultaneously progressing our extensive programme of step change Re:Imagined innovations. It's amazing to think we now have more than 20 automated sites live for six clients, across five countries. Just three years ago we had only one robotic CFC live in the UK. Importantly, our Client Partners have praised each of these sites for successfully bringing the market-leading customer service we knew was possible from the UK into their respective markets. From a Group perspective, we're achieving operating cost performance ahead of plan at the latest live sites.

In the business we're in we also have to ensure we're doing enough to enable our clients' success in the long run. With Re:Imagined, I'm convinced that is the case.

Delivery is progressing well and I'm confident that these changes will put us an even greater step ahead of competition in terms of cost of ownership, operating cost and flexibility of the platform.

23
automated sites live

12
clients signed

10
countries with OSP partners

What were the biggest challenges this year?

For all businesses, evolving economic uncertainty represents a challenge. These times require real operational agility, and a renewed focus on management of organisational structure and cost, to enable delivery of key priorities in the most efficient way possible.

We see this in Ocado Retail, where changing and, now, subdued consumer shopping behaviours required a fast reset in approach compared with the pandemic years. In the Group, we've been focused on ensuring we are well capitalised to deliver on our significant growth roadmap, whilst reshaping our internal structure to make sure we are using these resources in the most prudent way.

Operationally, the teams have deftly navigated stretched supply chains and cost challenges and made sure that we continue to motivate and support our people through these challenging times.

As Chairman of Ocado Retail, how do you reflect on performance and outlook for the business in light of performance in 2022?

The unfolding consumer environment has been more challenging than anyone expected at the start of the year. By the second half of the year, consumers were carefully managing the cash spend of their shopping basket. In practice, this means shopping fewer items, cheaper items and, or, less frequently. For Ocado Retail, these trends came alongside tough comparatives from the pandemic period and some natural attrition in the online channel once consumers were able to return to their normal lives. Naturally, these temporary headwinds to volume growth were the main cause of the margin pressure we saw in the year.

Despite these headwinds, the business posted only a small decline in revenue this year. More importantly, Ocado Retail ended the year with 940k active customers, +13% more than the year before, highlighting the underlying demand for the service. Operationally, the latest sites are achieving more than the targeted 200 UPH, before reaching mature volumes.

The underlying performance remains strong, and under our new CEO, Hannah Gibson's leadership, I am optimistic about the path ahead.

With so many OSP partners now live, how do you think about the meaning of partnership in your contracts? Has that thinking evolved with the pace of delivery?

For us, the meaning of partnership hasn't changed. We are committed to supporting our Client Partners to win in the online grocery channel in their respective markets. We do this through the delivery of the best technology – OSP – to enable that success, alongside sharing key learnings to make the most of that platform.

What has evolved is our hands-on approach to helping clients to absorb and redeploy early learnings into their early operations. We're strengthening our Client Partner success model to facilitate this on the ground as well as remotely.

This model requires openness and trust on both sides to ensure we get the most out of our collaborations between and across clients. When done well, it can deliver amazing results. Encouragingly, we've already optimised delivery efficiency at Client Partner sites, which in turn drives improved fulfilment and volume growth at the CFC.

This even tighter collaboration is a focus and something that I think has the potential to instil new meaning to what successful partnership looks like.

What are you most excited about in the coming year?

2023 will see us go live in Asia Pacific ("APAC") for the first time, with the launch of three automated sites across Australia and Japan. That is a huge step, taking our footprint truly global at the operational level.

The next year will also see delivery of the Re:Imagined suite of technologies, across the new 600 series bot, grid with optimised site design, and a host of software upgrades. This is a truly groundbreaking step forward which will revolutionise what success looks like for clients and Ocado Group, in terms of both customer proposition and attainable economics, and in grocery and across the whole ASRS and robotic handling sectors.

It is an exciting time as we get closer to commercial roll-out by the end of the coming year.

Tim Steiner
CEO

28 February 2023

Our changing markets

Online grocery: a long runway for growth in the largest retail market

For many years, grocery has been steadily migrating online. The Covid-19 pandemic radically accelerated this transition. Although there has been some natural attrition from pandemic peaks, online penetration has stabilised across global markets at much higher levels than before the pandemic. Industry analysts expect continued growth in the years to come.

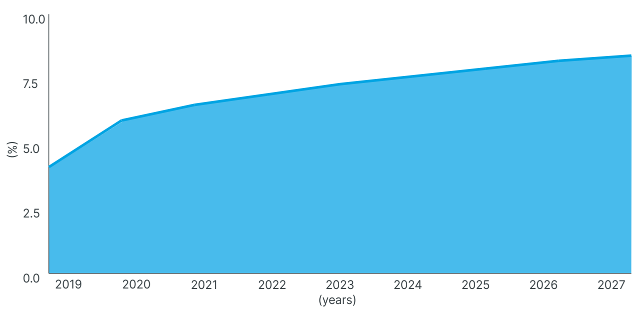
6.9%
online share of grocery in top 20 markets 2022

+64%
increase in online penetration vs. 2019 (pre pandemic)

Grocery is the largest retail market globally. This represents a huge opportunity for those who are able to provide a leading customer offer with sustainable economics to serve the online grocery channel. With the innovations of Re:Imagined, we expect this opportunity set to expand even further, to include the wider automated storage and retrieval solutions (ASRS) sectors.

>30%
increase in median online penetration (top 20 markets) expected in next 5 years

Change in median e-commerce penetration over time



Trends shaping grocery fulfilment worldwide

1. Societal shifts

Ageing populations and urbanisation mean consumers are increasingly prioritising wellbeing and convenience.

To outperform, retailers must continually adapt their customer proposition to meet consumers' changing expectations for convenience. In practice, this requires a model with the flexibility to serve customers exactly what they want, when they want it, for a reasonable price, and across an evolving spectrum of shopping missions, from the big basket shop to immediacy.

2. Transformational technology

Online fulfilment – particularly in grocery – is a uniquely complex logistical challenge and it is only through technological innovation that retailers will be able to meet rising consumer expectations and achieve profitable growth in this space.

Acknowledging this reality, markets are increasingly exploring the roles that AI, robotics and automation play in providing flexible and robust grocery fulfilment options and better consumer experiences.

3. Resource resilience

Climate and labour force resilience are key tenets that underpin the UN's Sustainable Development Goals (SDGs) providing a shared blueprint for peace and prosperity for people and the planet into the future.

Included within the 17 goals that make up this blueprint are the need to reduce food waste and GHG emissions, and improve worker productivity, whilst promoting inclusive and decent working conditions. To drive sustainable competitive advantage, and economic growth, it is imperative that businesses have these issues in mind when building solutions.

OSP is a leading solution for each of these structural trends

OSP as the solution

OSP enables partners to offer their customers unparalleled choice and better quality and service than anything else in the market, with 99% order accuracy, 95% on time delivery and up to 50k+ SKUs in the range. The platform can deliver this leading service across grocery shopping missions, from immediacy to the big basket shop, through a range of micro to large automated sites. For retail partners, this market-leading offer drives improved loyalty, enabling them to take increased share in their markets and, in turn, driving higher volumes through OSP.

Operating at the intersection of six disruptive technologies – AI, robotics, digital twins, cloud, big data, and IoT – OSP enables unmatched efficiencies in fulfilment, at 200+ UPH, or just 15 labour minutes to fulfil a 50-item shop. With the roll-out of the Re:Imagined suite of technologies, this is expected to rise 300+ UPH in the coming years, or just 10 labour minutes including all direct labour processes in the CFC.

Driving increasingly efficient management of human and natural capital is a core characteristic of the OSP platform. Our technology enables partners to achieve industry-leading levels of food waste and labour productivity at their CFCs. We continue to explore ways to reduce emissions in both our UK logistics operation and the design of our OSP technology. As a business, we are focused on widening accessibility into Technology jobs and developing a future ready workforce that will continue to deliver competitive advantage for us, and our partners, into the long term.

The opportunity for Ocado Solutions

Using assumptions to carve out 'key markets' that reflect relatively affluent geographies with a minimum population size, we estimate a £4.0 billion–£30.0 billion fee opportunity in online grocery, depending on the level of online penetration reached in these markets.

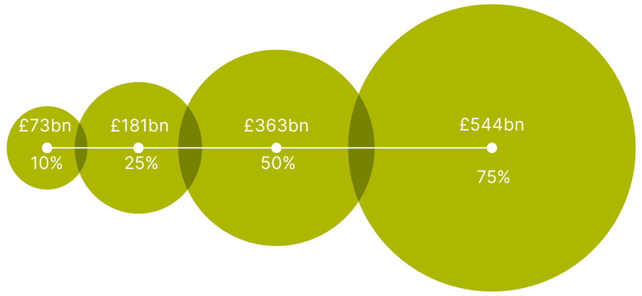
Ocado is well placed to seize this opportunity as the only end-to-end solutions provider for online grocery fulfilment globally, which can serve all missions with multiple formats. Indeed, 12 leading grocery retail partners, across 10 countries and representing >£220 billion in sales, have already chosen OSP to deliver a market-leading shopping experience to their customers.

As we continue to innovate, our leadership position and opportunity set evolves and expands. This expansion includes opportunities in grocery in geographies with GDP per capita levels lower than the $25,000 threshold we currently use to define 'key markets'. As evidence of this, in 2022 we signed Auchan Polska, of Poland, to the OSP 'club', the first OSP retailer beneath this GDP threshold.

Total Addressable Market (TAM) in Grocery

£4.0 billion –£30 billion fee opportunity in key markets depending on online penetration achieved in these markets.

% of 0.7 trillion to market to move online



1 Planet Retail, assuming a 25% grocery market share and assuming an online penetration of between 10% and 75% with a 5.5% fee opportunity, which represents the mid-point of the range provided to the market.

Wider automated storage and retrieval (ASRS) opportunity

Our sophisticated OSP technology is applicable well beyond grocery, and in 2022 we put in place a team to lead our expansion into the wider ASRS market. Our technology is able to serve needs ranging across a full spectrum of requirements, from low to high throughput and high density short or longer duration storage, as well as across temperature zones and sizes; effectively, any company looking to store, sort and ship products of any type.

With the further improvements to cost of ownership of our technology, enabled by Re:Imagined, we believe OSP will be both the highest throughput and lowest cost solution in the wider ASRS sector **and now is the right time to make the most of this opportunity.** In August 2022, Chief Operations Officer, Mark Richardson, took up a new role as the CEO of a new business which will bring Ocado's technology and after-sales support to a wide range of new clients in the broader ASRS space.

OUR BUSINESS MODEL

Creating long-term value

Key resources and relationships

People
- Just under 20,000 talented individuals dedicated to delivering for our partners around the world.

Intellectual property and brand
- Cutting-edge IP that drives a fundamental source of competitive advantage, protected by ~650 patents granted and ~1,250 filed at year end.

Physical assets
- Fast-growing base of installed MHE, now operational in >20 sites around the world.

Financial resources
- Strong gross liquidity position of £1.6 billion, sufficient to deliver on our mid-term growth plans.

Networks
- Robust and collaborative relationships, including our OSP 'club' of 12 leading retailers and key suppliers.

Natural resources
- The resources we harness to sustain our business, with a particular focus on fossil fuels within our logistics operation and embodied carbon in our CFC technology, and our impact on waste assimilation through our operations.

What we offer: market-leading, evolving and sustainable solution

Key value added of OSP:

Market-leading customer experience

Flexibility to serve the whole range of customer missions with solutions ranging from micro fulfilment centres (immediacy) to large, automated sites.

Best service: 95% on-time delivery, 99% basket accuracy, 50,000+ SKUs range.

Pricing flexibility.

Compelling economics

Best-in-channel operating costs in fulfilment and delivery; enabling mid-single digit EBITDA® margins at steady state.

Efficient use of natural resources.

Accelerated innovation

>1,900 patents granted or pending.

~3,000 technology headcount.

growing OSP "club"; multilateral collaboration.

Read more about this pages 66 and 67

Purpose

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

Mission

To change the way the world shops, for good.

Values and culture

Enable us to grow and transform our business at pace – to build our success for the future: we're in it together; we can be even better; we're proud of what we do.

Underpinned by virtuous cycle:

A virtuous cycle driving long-term value creation for Ocado Group and its stakeholders:

Targeted investment.

As we grow our revenue from partners, increased resources enable us to continue to invest in innovation. These investments have a strong multiplier effect across our partner base.

Read more about this pages 27 and 81

Enhanced OSP platform.

We are continuously improving our market-leading OSP platform; ongoing iterative improvements in combination step-change leaps.

Read more about this page 32

Faster partner growth.

These improvements enable our partners to scale in a profitable, sustainable way, taking share in their respective markets.

Read more about this page 28

More partners.

Improvements to the platform, alongside the success of current partners, drives new OSP partner signings.

Read more about this page 66

Delivering value for all our stakeholders

Read more about this pages 16 to 22 and 26

People
competitive compensation, opportunity to be themselves and grow

Fair pay
at or above national living wage in Logistics

31
eNPS score (Technology Solutions)

Investors
sustainable and attractive return on capital

22% ROCE
at a site level; Purfleet on track in 2022

Partners
means to take market share and grow profitably in the online channel

mid-single digit
EBITDA® margin target, with leading customer satisfaction

Suppliers
reliable long-term growth, collaborative approach and robust governance

64 CFCs
Long runway for growth

Society
efficient use of natural resources, investment in innovation

0.9%
Ocado Retail food waste (% sales) in 2022

(44)%
Tonnes CO_2e per 100,000 orders (Scope 1 and 2) since 2012/13 baseline

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholder groups

The information in this section highlights our key stakeholders, including why we consider these stakeholder groups to be important to our business and success and the key issues that we have identified as material to each stakeholder group. We outline how both the organisation and, more specifically, the Board engage with these groups, the key outcomes this year as a result of our engagement and our priorities for the next year.

Our People

Why we value them

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

Material interests

- Health and wellbeing at work.
- Having a voice and feeling heard.
- Opportunities for growth and development.
- An inclusive and diverse working environment.
- Fair reward and recognition.
- Being offered flexibility and choice.

How the Group engages

Our listening and engagement platform, Peakon, enables us to regularly gather employee feedback and take timely and responsive action. All our people have the opportunity to confidentially share their views and the data is shared with managers and leaders so actions can be tailored to the feedback received. Over 14,500 of our people have shared their views this year, which has enabled us to improve the experience of working at Ocado.

We champion inclusion communities based on shared characteristics or common social interests. There are currently six global inclusion communities, alongside craft and regional communities, that provide a platform for our people to connect and voice their opinions, whilst enabling networking and a sense of belonging.

Various methods are used to communicate to all employees, including Ocado Connect, our digital roundup of business and people-related news; Slack, which connects employees globally, enabling people to communicate and collaborate to simplify working together; and Fuse, our intranet system, which provides a range of useful information and updates on the performance of the Company and other business matters.

There is regular engagement with employee representatives across Ocado Group, including over 90 listening champions across the globe and over 110 Logistics Council representatives, who listen to feedback and connect with our people on the ground.

How the Board engages

Andrew Harrison, the Designated Non-Executive Director for workforce engagement ("DNED"), regularly engages with our employees and people experience teams. This includes chairing the biannual National Logistics Council meeting, engaging with our inclusion communities and meeting biannually with the community chairs, and monthly meetings with the Heads of People and Global Culture, Engagement and Development teams to review listening insights and plan proactive engagement. Andrew then reports back at each Board meeting highlighting issues and concerns raised by our people and also the initiatives being undertaken.

The remit of the People Committee (previously the Nomination Committee) was expanded this year to include people engagement issues for the whole Group. Andrew Harrison was appointed as chair of the People Committee which, coupled with his role as DNED, strengthens the link between the workforce and the Board.

The Remuneration Committee receives an annual Group-wide report on remuneration, including share plans and benefits, as well as reports on senior management remuneration and DNED updates on employee engagement on remuneration issues throughout the year. This year the Remuneration Committee broadened the allocation under the Ocado 2019 Value Creation Plan scheme to include additional senior management.

The Board meets with various senior employees and this year visited the Purfleet CFC, Sweden development centre office, and Swiftfields campus and met employees working on these sites.

CEO Tim Steiner and the Executive Directors provide regular updates through our business update livestreams, which provide engagement with our Executive Directors and the opportunity for employees to ask questions, answered live, on topics and issues that are important to them.

Periodic update reports are provided at Board meetings on people matters including culture, wellbeing, DEI, talent and engagement. This year the Board reviewed and discussed the restructuring of the organisation to deliver the five year plan and a central focus was the impact of the changes on our people and the culture of the Group.

Regular updates are provided to the Board on health and safety matters.

All significant new and revised workforce policies are considered by the Board. This year the Board approved revised policies including on anti-tax evasion, conflicts of interest and fraud prevention, and the Ocado Code of Conduct.

Outcomes from engagement

Following feedback through our Peakon surveys regarding communication, we increased the frequency of Ocado Connect updates, re-designed the Fuse homepage to make navigating to relevant information easier and increased the use of business update livestreams, town halls, all hands meetings and huddles, holding them at times to suit employees' country locations.

We enhanced the flexibility and choice offered in our benefits package, investing in a Work From Anywhere policy for our Technology Solutions colleagues and shift swap options for our Logistics colleagues. As a result, autonomy scores in Peakon have increased.

We have continued investment in manager and leadership development initiatives to coach, support and engage our people.

Following feedback from employees concerning payroll we implemented a payroll improvement programme to improve employees' experience of the system.

Priorities for 2023

Continue our work on achieving accreditation under the Ernst & Young (EY) Global Equality Standard, to support our progress in diversity, equity and inclusion. Following an assessment by EY at the start of 2022 we are now working on a plan to address priority areas and improve our competencies under the Standard.

Acknowledging the difficulties currently faced across industries to attract and retain high-quality people, continue to understand what prospective and current employees want and need to enable Ocado to remain an attractive employer.

Review and shape our career development and reskilling pathways to enable our people to grow and develop with our evolving global organisation.

Engaging with our stakeholder groups
continued

Investors

Why we value them

Our current and potential investors ensure our continued access to the capital that enables us to pursue our strategic objectives. In order to continue our growth and promote investor confidence it is important to maintain regular and constructive dialogue to communicate our strategy and business objectives.

Material interests

- 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, including execution risk.
- Long-term sustainable and profitable growth of the Company.
- Material ESG issues related to growth including climate change, diversity and inclusion and talent acquisition.
- Good governance and transparency.
- Competitive advantage of technology.

How the Group engages

Information is provided to current and potential investors regarding our strategy, performance and business through our website, press releases, regulatory news announcements, shareholder circulars and quarterly, half year and annual results.

This year we had broker-hosted fireside chats with CFO Stephen Daintith and/or CEO Tim Steiner and Executive Directors and our Investor Relations team attended and participated at various investor conferences. We were also able to provide investor site visits to our UK CFCs following the lifting of Covid-19 restrictions.

Investor roadshows, both hybrid and in person, held in Europe and North America, as well as specific APAC events.

Results presentations are held in person and online on the day results are announced, including a question and answer session.

There are regular discussions with, and briefings for, investors and analysts including Group modelling and cash flow seminars, held in person and online, and a Financial Capital Markets Day, during the year.

How the Board engages

Tim Steiner, Stephen Daintith and Chair Rick Haythornthwaite held one-to-one investor meetings and Rick also held investor roadshows during the year.

This year we continued digital engagement events that allow for greater participation and, following the lifting of Covid-19 restrictions, we were also able to reinstate in-person meetings, including our first North American investor meetings in over two years and a Governance breakfast hosted by Rick Haythornthwaite.

The Board reviews and approves material communications to investors, including trading updates, results announcements, annual reports and significant business events, such as the capital raise undertaken in 2022.

Committee chairs engage on significant matters related to their areas of responsibility, including at a Governance breakfast held this year.

The Board receives regular updates on market sentiment, investor relations activity and share price performance and reports on feedback following engagement at investor events, such as the Group modelling seminar and Ocado Re:Imagined product launch.

Investors had the opportunity to ask the Board questions and watch business updates by Tim Steiner and Rick Haythornthwaite at this year's AGM.

Outcomes from engagement

We have continued to offer virtual meetings and presentations following a positive response from investors and encouraging levels of participation demonstrating the benefit of these.

Our Group modelling and cash flow seminars were held to help analysts and investors to understand the modelling of Ocado Group and the underlying operating segments.

Our ESG strategy has been informed by investor feedback regarding climate change and broader ESG concerns, including our approach to reliance on carbon, talent and DEI.

Priorities for 2023

Continue to advance communication of our strategy and business objectives to current and potential investors and help increase their understanding of our business model.

Continue to develop our reporting and provide comprehensive information regarding ESG issues.

Consider ways to maximise investor engagement using technology to enable broader participation, whilst continuing to build our level of in-person engagement with investors.

Partners

Why we value them

Building trusted partnerships through ongoing dialogue and shared learnings helps us to better understand the needs of our partners. We are then able to develop and improve our offering to provide cutting-edge solutions that support the growth and success of both our partners and Ocado.

Material interests

- 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

There is direct engagement with senior management, procurement managers and commodity managers, as well as broader engagement in operations across the business as relationships with our Client Partners develop and more global CFCs become operational.

Bringing together representatives from all our Client Partners as part of the OSP 'club' to work collaboratively and discuss experiences of shared importance, building our understanding of partners' needs. Our flagship Ocado Solutions product conference Beyond 2022, which is exclusive to our OSP partners from around the world, offered networking, expert talks, panels, live tours and an exhibition of our Re:Imagined technologies.

We held the Ocado Re:Imagined virtual product launch at the start of this year which unveiled to our partners and other stakeholders our next leap of game-changing technology and innovation.

We set KPIs and provide feedback during ongoing projects with our partners.

How the Board engages

The Board travelled to Sweden and met with senior executives at ICA and toured their new Stockholm CFC earlier this year. In addition, Chair Rick Haythornthwaite met with leadership at Coles, Kroger, Groupe Casino and Morrisons.

There is regular Executive Director engagement with the senior executives of partners, including quarterly executive leadership meetings between all global Client Partners.

The Board reviews and approves any new significant partnerships, and orders from current Client Partners.

Update reports are provided at each Board meeting on Client Partner relationships, including performance and progress on operations. This year, as more operations have gone live, OSP partner performance has been a strong focus for the Board. The Board's discussions centred on how to structure client services within Ocado to better support our partners.

Client Partner satisfaction scores, obtained through surveys during the year, are reported to the Remuneration Committee and are a key metric of the Ocado Annual Incentive Plan, as well as providing a useful barometer of Client Partner relations.

Outcomes from engagement

Working with Client Partners to identify their top priorities regarding solutions required has resulted in a Solutions product strategy shaped around their priorities, which is integrated into our development plans.

The innovations unveiled at Ocado Re:Imagined respond to our Client Partners' needs, understood through working together, for more cost-effective, simpler, and energy-efficient technology that supports the faster growth of their operations.

The client success team has been developed to provide specialist resources for the ongoing support of our partners to maximise their optimisation across the OSP platform.

Priorities for 2023

Continue to develop our offering for Client Partners and utilise technological advances and innovation to provide more flexible, scalable and efficient solutions.

As more of our Client Partners become operational, ensure that a robust and productive way of working with them during this phase is in place to ensure their long-term success.

Engaging with our stakeholder groups
continued

Suppliers

Why we value them

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

Material interests

- Building a long-term strategic relationship.
- Success and growth of Ocado's business.
- Fair trade.
- Social, environment and ethical impacts.
- Equitable supply chain practices and compliance with appropriate regulatory and compliance policies and/or processes.
- Ability to collaborate.
- Prompt and accurate payment.

How the Group engages

Our onboarding process provides two-way communication to build relationships with our suppliers. Through auditing our critical/strategic suppliers within our supply chain we can ensure that high standards are maintained. We maintain a regular dialogue with suppliers to proactively resolve any issues that arise.

We use a dedicated third party tool for critical and high-risk suppliers/categories of spend, for corporate responsibility, ethics and responsible sourcing management and reporting.

Our procurement and supplier managers hold quarterly business reviews as well as more regular contract reviews with key suppliers, as determined by turnover and business criticality.

How the Board engages

Regular business reports to the Board raise any issues or concerns regarding managing supplier relationships and the efforts needed to ensure continuity of supply of key components and the delivery of products and equipment to new and expanding sites; a particular focus this year given the continued difficult global trading conditions experienced.

Executive Director sponsorship of the senior management relationship with suppliers (Solutions). Any material changes to key supplier relationships are fed directly back to the executive sponsor, Mark Richardson, during the period, who will engage with the senior executives of critical strategic suppliers as required.

The Board oversees prompt payment practices. Filings are made every six months and in line with government requirements must be approved by a named Director prior to filing. Currently these filings are approved by CFO Stephen Daintith.

Outcomes from engagement

We introduced a new transparent purchase to pay process, ensuring timely instructions for goods/services and prompt payment to suppliers.

We continued to drive strategic supplier relationship management with core and critical suppliers across the business resulting in additional value-add strategic partnerships.

Priorities for 2023

Simplify and consolidate supply arrangements under a single responsible senior manager in a new role to be appointed.

Ocado is committed to responsible sourcing to ensure safe working conditions, respect for human rights and the protection of the environment and will continue to pursue these commitments and to partner only with suppliers that are committed to the same principles.

Continue to drive commercial value in a challenging economic climate by implementing procurement best practice to allow value optimisation and to mitigate supply chain risks to support Ocado's continued growth.

Identify and explore third party risk management tools that could help enhance supplier due diligence and mitigate supply chain risks.

Environment, Society and Community

Why we value them

Making a meaningful contribution to the wider society enables us to create stronger communities and generate positive environmental and social impacts. Engagement with organisations such as non-governmental organisations and community groups helps us to address our impact on the wider society and support ways in which we can work together to make a valuable, positive contribution. Conversely, deteriorating physical and social environments make it more difficult for Ocado to achieve its long-term commercial goals.

Material interests

- Environmental and social issues, including climate change, carbon emissions, human rights and responsible sourcing, and waste management.
- Legal and regulatory compliance of the business.
- Responsible sourcing and procurement practices.
- Environmental and socially responsible business practices, credentials and accreditations.

How the Group engages

We include corporate responsibility reporting on our website, including carbon, modern slavery, education and information on Ocado Unlimited, our strategy for moving towards a sustainable future.

Our community initiatives Code for Life and TutorMate.

The Ocado Foundation initiatives including our partnership with BizGive and the Ocado Foundation for Good programme.

How the Board engages

Our ESG Committee is chaired by Group General Counsel Neill Abrams with additional executive sponsorship by CFO Stephen Daintith. The ESG Committee provides periodic reports and updates to the Board, with issues also brought to the Board's attention by Neill and Stephen as appropriate. Information on the ESG Committee is provided on pages 47 and 48.

The Board receives regular updates regarding corporate responsibility, ESG and governance and compliance.

Two training sessions were held for the Board this year to increase understanding regarding climate-related issues: the first on ESG, climate change and corporate reputation, and the second on the Task Force on Climate-related Financial Disclosures ("TCFD") recommended disclosures.

Outcomes from engagement

The necessary processes and procedures were put in place to ensure we could provide comprehensive TCFD reporting in the Annual Report, as we understand the importance of this information for all our stakeholders.

We have further developed our governance and reporting frameworks to ensure relevant workstreams are aligned and on track to achieve transparent reporting against our responsible sourcing objectives and carbon strategy.

Priorities for 2023

Improve on and expand transparent reporting on the actions towards our responsible sourcing strategy.

Further develop our scope 3 information and reporting through a refinement of the data, sharing recommendations across the business and seeking improvements in key areas.

Develop reporting on our social impact and further engage with Sustainable Development Goals across the wider business.

Contents

Engaging with our stakeholder groups
continued

Regulatory Bodies

Why we value them

Active and regular engagement with the Government and our regulators globally is essential in ensuring that we understand changing regulatory requirements and can track and continue complying with them.

Material interests

- Legal and safe operations and compliance with relevant regulations.
- Worker pay and conditions.
- Waste management and environmentally sound practices.
- Consumer protection.
- Food and product safety.
- Fire safety.
- Health and safety.
- Privacy and security.
- Environment and sustainability.
- Business ethics and good governance.

How the Group engages

We undertake direct engagement with regulators, mainly written, including seeking sign-off approvals, compliance reports, annual technical submissions, making formal requests for information, and reporting and undertaking investigations in a compliant manner.

We establish and maintain key contact relationships with the Group's main regulators. This includes maintaining an open relationship with our HMRC Customer Compliance Manager, communicating on a regular basis.

We provide confirmation and updates on the Company's compliance with regulations through our website, regulatory news announcements and the Annual Report.

In the UK we have established strong relationships and are actively engaging with our Primary Authority for health and safety and food regulatory matters, and key trade associations with direct access to and influence on regulators and government bodies such as techUK and the British Retail Consortium.

How the Board engages

The Board oversees the regulatory and compliance framework.

The Board is informed of relevant governance, legal, regulatory and compliance matters on a quarterly basis, including for example updates on Russian sanctions.

The Board receives regular updates relating to regulatory issues concerning operational and construction safety incidents, fire and food safety compliance in Ocado sites, and data protection and information security issues and investigations.

As is usual practice, direct engagement with regulators is not necessarily required by the Board, which delegates the various regulatory relationship management to the appropriate senior managers, although the Board does engage with our regulators as and when necessary.

Outcomes from engagement

Our corporate statements, including the Modern Slavery Act Statement, Gender Pay Gap Report, Anti-Bribery Statement and Tax Strategy, are easily accessible on our corporate website.

Priorities for 2023

Continue to cooperate with regulators as and when required and to maintain strong engagement with those regulators with whom we actively engage.

Section 172(1) Statement
Directors' duty to promote the success of the Company

The Board of Ocado Group plc have acted in the way that it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to our stakeholders and the matters set out in Section 172(1) of the Companies Act 2006 ("Section 172(1)"). To deliver on the strategy and purpose of the Group, consideration of the long-term consequences and impact on different stakeholders are key to the Board's decision-making process.

The Board considers its duties under Section 172(1) at each Board meeting. A reference to Section 172(1) and the duty to consider stakeholder interests is highlighted in each meeting and Board papers are structured to include detail regarding potential outcomes and consequences, including the effect on different stakeholders, of proposals submitted to the Board. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected and the likely short- and long-term impact.

The approach of the Board in considering the factors set out in Section 172(1) in its actions, discussions and decision-making is set out below.

A
The likely consequences of any decision in the long term

The Board recognises that decisions taken today will affect the long-term success and sustainability of the Group. During the year the Board had particular regard to the long-term success of the Group in its annual review and ongoing discussions on the Group strategy, balancing the short- and long-term requirements of the business, with consideration of the Group risk profile.

The strategy is set to promote long-term growth and increase value for all our stakeholders, and guides the Board's decisions. The decision to undertake a capital raise in June and allocate capital to Technology Solutions development was taken to generate future value and growth. The Board has focused this year on setting the five year financial plan under which we expect to become cash flow positive within the next four to six years.

The Board receives regular reports from across the business on performance, financing and the implementation of strategy, as well as updates on external factors, including this year the conflict in Ukraine, global supply chain issues and the cost of living crisis. These factors feed into discussions on strategy and setting priorities to ensure that the potential impact of decisions, particularly in the long-term, are understood and considered.

B
The interests of our employees

Our people are a vital tool in our continued growth. The Board has supported initiatives on health and wellbeing and diversity and inclusion across the Group, as well as the expanded remit of the People Committee to include employee engagement-related issues this year. The impact of actions on our people is a significant consideration in the Board's decision-making process.

Read more about this in the Stakeholder Engagement section on **pages 16 and 17**, the Our People and Skills for the Future section on **pages 38 to 45**, the Key Board activities on **pages 111 and 112**, the Corporate Governance Report on **page 116** and the People Committee Report on **pages 127 to 131**.

Section 172(1) Statement
continued

C
The need to foster business relationships with key stakeholders

The Board recognises the importance of our key stakeholders to the long-term success of the Group, reflected in the focus on effective engagement with stakeholders and building strong relationships with our partners and suppliers. This year the Board identified supporting our Client Partners' operations for growth as a key objective, resulting in the development of our client success function to provide specialist support.

The Board reviews a detailed analysis of our stakeholders and the engagement mechanisms used annually. Further, the Board receives reports and updates regarding engagement and the feedback and insight from stakeholders as a result of this engagement on an ongoing basis from across the business. This information, as well as that gained first hand by Directors, is used to inform Board discussion and decision-making.

Read more about this in the Stakeholder Engagement section on **pages 16 to 22** and in the Corporate Governance Report on **pages 115 to 117**.

D
The impact of the Group's operations on the community and environment

The Board monitors the Group's corporate responsibility, primarily through reporting from senior management, including regular reports from the ESG Committee. ESG objectives, in line with the ESG roadmap, were set at the start of the year with progress updates reported to the Board through the year. The Board has oversight of the processes and procedures put in place to improve ESG reporting, including to meet the required TCFD disclosures this year. The Board engaged in comprehensive discussions regarding the Company's approach to climate change and environmental issues, including net zero commitments, and this is a key consideration in decision-making.

The Group's ESG strategic objectives are aligned to the Group strategy as the Board understands that increasing energy efficiency and sustainability and providing solutions that help our Client Partners to improve in these areas support our strategic objectives of growing revenue and providing efficient solutions.

Read more about this in the Responsible Business section on **pages 36 to 61**.

E
The desirability of maintaining a reputation for high standards of business conduct

The Board is responsible for setting and monitoring the culture, values and reputation of the Group. Maintaining a reputation for high standards of business conduct is an essential aspect of this responsibility. Our Code of Conduct sets out the principles of how we expect everyone who works with or represents the Group to behave and do business and the Board understands the need to lead by example. This year the new role of Chief Reputation Officer was established to act as custodian of the Group's reputation.

The Board receives quarterly compliance reports, including issues raised through Speak Up, our confidential whistleblowing hotline, and our internal controls and risk management framework include regular reporting to the Board. Stakeholder engagement and metrics such as supplier payment practices and Client Partner satisfaction scores are important tools used by the Board to ensure that the Group's good corporate reputation is maintained.

F
The need to act fairly as between members

The Directors and Investor Relations team held meetings with investors, seminars and presentations, and attended investor conferences throughout the year, to provide investors the opportunity to discuss their views on matters including the Group's financial and operational performance and material ESG issues.

This year it was possible to hold more face-to-face meetings following the easing of Covid-19 restrictions. However, we continue to utilise technology to broaden accessibility for all investors. This year we held in-person and online presentations with question and answer sessions alongside our results announcements. We also include comprehensive information and updates regarding our business through our corporate website, including webcasts of investor events such as our Ocado Re:Imagined product launch and Group modelling seminar, to ensure access for all investors.

People | Investors | Partners | Suppliers | Environment, Society and Community | Regulatory Bodies

The following demonstrates how the Board considered Section 172(1) matters in its discussions and decision-making in two key Board decisions this year.

Capital raise and new financing

A B C D E F — Section 172(1)
Stakeholders considered

In June 2022 Ocado completed a capital raise, raising proceeds of approximately £578m, through a placing of new ordinary shares and an offer to retail investors to subscribe for ordinary shares, and agreed a new £300m revolving credit facility provided by a syndicate of leading international banks.

The decision to undertake the capital raise and financing was based on the business plan projections for the next five years. The Board received advice from the Group's legal and financial advisors to enable them to make an informed decision in the best interests of the business and our stakeholders. The Board considered the ability to meet the short- and medium-term financing requirements of the Group and strengthen the Group's liquidity, as well as providing the ability to invest to increase value over the long term. The Board concluded that the financing would enhance the ability of the Group to deliver on strategic objectives and return value to stakeholders in the long term.

The Board considered the need to minimise dilution for current shareholders and opted to include a retail offer in the capital raise to provide retail investors with the opportunity to participate.

The Board considered the effect of the financing on our stakeholders. The ability to invest and deliver on strategic objectives will increase value and be in the best long-term interests of stakeholders. In addition, demonstrating the capacity to finance our strategic objectives provides confidence to stakeholders in our ability to deliver. By using the financing to continue to invest in innovation and at a faster pace, the Group will be able to support our Client Partners with faster growth in fulfilment capacity.

The financing provides the ability to continue to invest in new technology and develop solutions to maintain the Group's reputation as a leader in the industry.

Auchan Retail Polska partnership

A B C D E F — Section 172(1)
Stakeholders considered

In March 2022 Ocado announced the signing of a partnership with Auchan Retail Polska to develop its online business using OSP. An initial CFC to serve the Warsaw region is expected to be completed in 2024, with additional CFCs planned, and includes the use of Ocado's In-Store Fulfilment software in Auchan's hypermarkets nationwide in Poland.

The decision to enter into the new OSP partnership was based on the expectation that this will create significant long-term value, bringing further growth to the business in a new geographical market, for the benefit of investors and other stakeholders. As our second partnership with Auchan Retail – we have also partnered with Auchan-operated Alcampo in Spain – there is potential to further expand our relationship with Auchan Retail in other countries in the future.

The Board considered the potential impact on current projects with other Client Partners and the challenges with global supply chains to ensure that the resources would be in place to deliver on the new partnership and continue to meet our commitments to all Client Partners. The Board also considered the interests of our employees, particularly in terms of capacity to deliver but also the positive impact of a new partnership in continuing to drive momentum within the business.

The Board considered the impact of the Russian invasion of Ukraine on Poland and the appropriate timeline for entering into the partnership.

The Board considered the positive effect on the Group's reputation on delivering on our objective to continue to expand globally and partnering, for the second time, with one of the world's largest and best known grocery retailers.

Ocado Retail Limited ("Ocado Retail")

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

Ocado Retail has its own governance framework which sits independent to either of its shareholders. For more detail on this, see the Ocado Retail website at ocadoretail.com and the Ocado Retail Limited Annual Report and Accounts. Our Board engages regularly with Ocado Retail, receiving updates from CEO Hannah Gibson at a number of Board meetings. The report provides detail on trading performance of the business and the progress against the strategic priorities, as well as updates on employee engagement, customer behaviour and supplier relationships. Group CEO Tim Steiner is the Chair of Ocado Retail and Group CFO Stephen Daintith is a non-executive director of Ocado Retail, and together with representative directors from each shareholder, they maintain oversight of the key operations of Ocado Retail and support the strategic relationship between the Group, Ocado Retail and M&S.

The right strategy for growth

Overview

Our vision is to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond. To deliver on this vision, we are laser focused on ensuring that our efforts are focused in those areas that will successfully drive long-term value for all of our key stakeholders.

To this end, in 2021, we unveiled a new strategy based on five interdependent priorities to guide the 'how' as well as the 'what' behind delivery of this vision. At the time, these priorities were described as: grow revenue, optimise OSP economics, deliver transformational technology, deliver on client commitments and develop scale-up capabilities.

Integrating a sustainable business

In 2022 we have further clarified the fifth priority which was labelled 'develop scale-up capabilities' in 2021. This part of the strategy is focused on building and strengthening the foundations that the business requires to continue to scale and grow at pace, into the long term. These foundations encompass everything from the right governance processes and policies to the appropriate systems, and capital management – human and natural – that will enable us to succeed.

In effect, this priority is therefore the foundation of 'how' we do business, that enables us to continue achieving the 'what' even as the external environment and the size and complexity of the business increases.

To improve internal and external clarity around this priority it has, therefore, evolved to become a foundational bedrock to the other four 'pillars' in the strategy. It has also been renamed to the more straightforward and comprehensive 'Responsible business approach'.

Our strategic framework

Our strategy delivery is focused on five priorities:

Long-term goals	Responsible business approach	Grow our revenue	Optimise OSP economics	Deliver transformational technology	Deliver on our client commitments
	Read more on page 36	Read more on page 28	Read more on page 30	Read more on page 32	Read more on page 34
Why this is a priority	Continuing to strengthen our strategic business foundations as we scale, from human and natural capital management, to governance, will support us to deliver on our operational objectives into the long-term	Developing, building, acquiring and diversifying our revenue streams	Ensuring our technology, implementation and services deliver industry-leading returns and lowest-cost operations	Led by innovation, we will always stay ahead, by identifying, developing and protecting our digital ecosystem	Providing efficient and scalable solutions – listening first and delivering a best in class customer service
Link to stakeholders	People, Investors, Partners, Suppliers, Environment, Society and Community, Regulatory Bodies	People, Investors, Partners, Suppliers	People, Investors, Partners, Environment, Society and Community	People, Investors, Partners, Environment, Society and Community	People, Investors, Partners, Suppliers, Environment, Society and Community
Group KPIs & key segmental drivers	– Carbon intensity (scope 1 and 2) – Ocado Retail food waste – Technology eNPS	– Modules ordered – Ocado Retail revenue (£m)	– Direct operating cost (% site sales) – Units picked per hour (UPH)	– Technology headcount – Patents granted	– Modules live – Total eaches processed
Link to risks	– Product Commercial Proposition, Product Performance, Product Innovation, Intellectual Property, Supply Chain, Talent & Capability, Cybersecurity, Fire & Safety, Regulatory & Compliance, Geopolitical & Economic Uncertainty, Climate	– Product Commercial Proposition – Product Performance – Supply Chain	– Product Commercial Proposition – Product Innovation – Supply Chain – Geopolitical & Economic Uncertainty	– Product Innovation – Intellectual Property – Talent & Capability – Cybersecurity – Climate	– Product Performance – Supply Chain – Talent & Capability – Fire & Safety – Geopolitical & Economic Uncertainty – Climate
How culture supports this	Create an environment that enables talent development and growth, leading with listening to improve engagement	We innovate to create sustainable success for us and our partners	We collaborate to achieve our cost targets so that we are being efficient and profitable	We are curious so we experiment and evolve to achieve more together	We push ourselves to be accountable and go beyond for our partners

People · Investors · Partners · Suppliers · Environment, Society and Community · Regulatory Bodies

How or culture supports strategy

We're enabled by values and behaviours. Enabling us to grow and transform our business globally at pace – to build our success for the future.

1. We're in it together.

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

2. We can be even better.

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

3. We're proud of what we do.

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

Our capital allocation framework

In 2022 we made £797m total capital investments to enable us to deliver against our strategy and drive significant future value for our stakeholders and the Group. Read more about our investments to support our future in the Financial Review on page 81.

Use of cash	Reason	FY22 investment	Progress	Projected returns
Technology Solutions				
Global CFCs	Group investment in MHE to deliver OSP for partners and drive secure and recurring revenue streams for Group	£383m	12 sites launched in the year; total of 23 now live and ramping	**22% ROCE** at site level; Purfleet on track deliver in 2022
Technology, fulfilment development and innovation	To improve the OSP platform, through innovation that drives either: i. indirect improvements in returns through improved customer proposition ii. direct improvements in returns through step changes in capital or operating efficiency	£228m	Re:Imagined on track for delivery end of 2023	mid-term targets: **40% ROCE** Group site level **15%+** reduction in lease and capital costs, **1ppt+** operating margin benefit for OSP Clients
Other	Innovation enablement in supply chain, IT upgrades, one-off retrofit, pre-go-live costs	£52m	inc. system transformations across finance and supply chain and upgrades to talent acquisition technology	enabling successful scale up of the business and delivery of commitments to clients
Ocado Retail (fully consolidated)				
Supporting Ocado Retail growth in UK	Build and maintenance capital expenditure to support future capacity growth, asset replenishment, IT, spoke expansion and General Merchandising (including recharges from logistics)	£134m	Bicester CFC and 3 Zoom sites live in 2022, Luton CFC on track for FY23 go-live	mid-term target: **High mid-single digit** EBITDA[A] margin

Read more about our mid-term targets (4-6 years) for the business in our 'Ocado Group modelling seminar' (May 2022) and 'Ocado Group cash flow seminar' (Nov 2022) materials found on the group website.

Grow our Revenue

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

2022 progress

The International Solutions segment saw revenue more than double to £148m, as the roll-out of OSP continued globally

This was the first year that we launched more sites for partners outside of the UK with eight going live internationally, six in the US and one each in Canada and Sweden. Each of these sites went live on time and despite global supply chain challenges

In addition to automated sites, we ended the year with six partners live on our In-Store Fulfilment ("ISF") solution. This included our Spanish partner, Alcampo, which went live less than a year after signing

We successfully continued to build our future pipeline, adding two partners, Auchan Polska and Lotte Shopping, to the OSP 'club'. We ended the year with 12 leading retail partners, and plans for 64 CFC commitments, up from 10 partners and 56 CFCs at FY21

Fee revenue in UK Solutions and Logistics grew 15% to £172m, as we continued to support our UK partners to bring their customers a market leading online service

For Ocado Retail, we launched a seventh CFC, mini-site Bicester, which will bring a further 30,000 orders per week at maturity

Beyond the large basket shop, we also supported the accelerated roll-out of Zoom, for immediacy missions, with the go-live of three sites in and outside of London

Ocado Retail revenue declined by 4%, to £2.2 billion as normalising customer shopping behaviour post pandemic, compounded by macroeconomic uncertainty, offset continued growth in active customers

Encouragingly, active customers grew by 13% during the year, driving orders growth of 6%. However, the value of the average basket fell 9% and frequency reduced, hampering revenue growth

The business remains confident in the long-term outlook, with the online channel expected to continue to grow by 23% by 2027 (IGD) In this context, capacity investments largely already made underpin >70% revenue growth to £3.9 billion

Beyond grocery, we announced the creation of a new, dedicated, team to lead our expansion into the wider ASRS sector, beyond grocery

Mark Richardson is leading this effort, enabled by the advantages that Re:Imagined technology has for the cost profile of our OSP technology. With the reduced capital and operating costs the Re:Imagined brings for both partners and Ocado Group, we believe that it will be the highest-throughput and lowest-cost technology in the sector

Future focus

In 2023, the roll-out of OSP will continue. We expect to end the coming year with almost 30 sites live, including CFCs and micro fulfilment centres. We will expand for the first time into APAC, with the opening of sites in both Australia and Japan for partners.

In the UK, we will continue to help Ocado Retail to expand its presence in the large basket shop and immediacy markets with the opening of Luton CFC and at least one Zoom facility.

Notwithstanding short-term consumer pressures, Ocado Retail is well positioned to continue to grow customers and take share of the online channel in the UK.

We don't stand still. We are confident that we will continue to build out our future revenue pipeline within and outside of grocery, with current and prospective partners.

Link to risks

- Product Commercial Proposition
- Product Performance
- Supply Chain

Modules ordered

232
+9% vs. FY21

Ocado Retail revenue

£2.2bn
(4)% vs. FY21

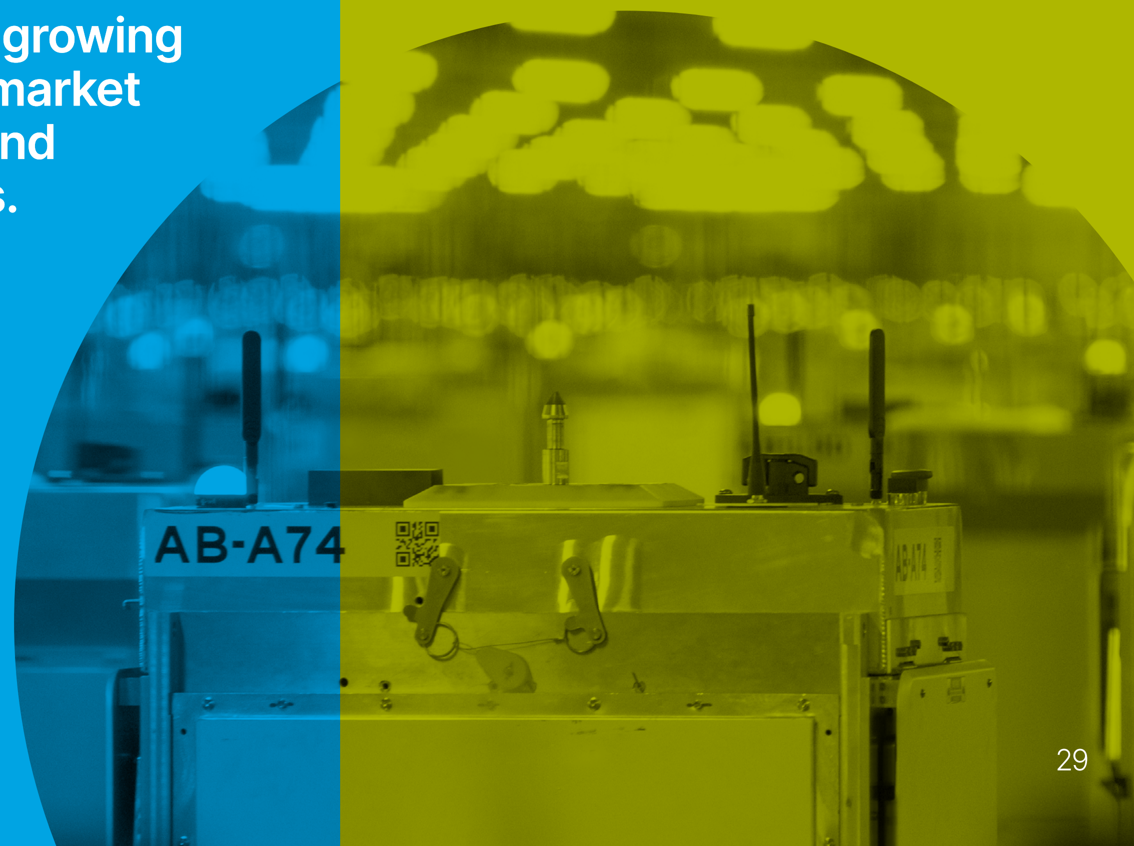
Global OSP roll-out picking up pace

2022 saw a further acceleration of our OSP roll-out, with nine CFC sites and three Zoom (Micro fulfilment centres) sites going live for partners. This represents a significant step up, from just 1 robotic CFC site live at FY19, and 10 by FY21. This capacity brought 38 new modules live, +62% year-on-year, with the majority reported in International Solutions, driving a 122% increase in revenue. This is secure and visible recurring revenue that we will continue to build on in the years ahead.

Increasing roll-out of OSP underpins significant and recurring future revenue stream.

Future. Proof.

Adding OSP partners in new and diverse geographies; growing addressable market opportunity and commitments.



Optimise OSP Economics

Our focus is on optimising operational and capital efficiency for our partners and Ocado Group, so that we can both achieve an attractive return on investment through OSP.

2022 progress

For partners

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

We measure efficiency within CFCs by units picked per labour hour. In our mature CFCs, productivity improvements saw UPH improve to 175 vs. 170 in 2021

OSP CFCs (all ex Hatfield and Dordon) achieved an average UPH of 185, with Andover and Purfleet consistently >200, ahead of the pre-Re:Imagined target

Efficiency in the last mile, as reported by average deliveries per van per week (Ocado Retail), was broadly stable at 176 compared with 177 in 2021

Enabled by OSP technology, Ocado Retail continued to operate with industry-low food waste (food not sold) of just 0.9% of sales, vs. 2021 (0.6%) driven by higher wastage at immature sites

This encouraging underlying performance underpins confidence in Ocado Retail's return to a high mid-single digit EBITDA® margin performance, from around breakeven in 2022, as volumes build to cover the fixed costs of underutilised capacity and temporary inflationary pressures ease

For Ocado Group

We operate OSP as a managed service, and are focused on reducing our costs of ownership whilst maintaining best-in-class service, to ensure that we are able to achieve our targeted returns

Globally, direct operating costs as a percentage of sales across all OSP sites has decreased to 2.0%, down from 2.7% in 2021 on the path towards the 1.5% target

Purfleet CFC, one of our most recent sites in the UK, is on track to achieve a 22% ROCE, before incorporating the benefits of Re:Imagined

The business is strongly focused on managing both the level and mix of central R&D and support costs, to ensure we are able to achieve our target segment level economics as we scale

Technology investments increased to £344m total cash spend, +35% year on year, with Group support costs, also growing to support our rapidly growing and increasing global CFC operations. In the coming years, the business is focused on ensuring both the right scale and mix of headcount to support the next phase of growth.

Future focus

We expect Re:Imagined technologies – available from the end of 2023 – to drive a step change in the economics achievable for Ocado Group and our partners.

For partners, we expect the benefits of increased automation to enable a 1ppt+ margin improvement, after fees, due to reduced labour costs in the CFC. Re:Imagined will also facilitate less complex builds and a smaller site footprint for the same capacity, which we expect can reduce partner construction and lease costs by around 20% for new build sites.

For Ocado Group, lighter and cheaper bots and grid are expected to reduce capital costs by 15%. At the same time, recurring fees will increase as we share in the benefit of improved operating efficiency delivered for OSP partners. Overall, these improvements underpin our ambition for a future 40% ROCE at the CFC site level, whilst better phasing of capital spend, enabled by optimised site design, is expected to reduce the net cumulative peak cash outflow for a typical CFC by half.

Link to Risks

- Product Commercial Proposition
- Product Innovation
- Supply Chain
- Geopolitical & Economic Uncertainty

Direct operating cost (% OSP site sales)

2.0%

(0.7)ppt (improvement) vs. FY21

Mature site UPH

175

+3% vs. FY21

Further innovations in automation, and to reduce cost of ownership, will enable us to deliver even better returns.

Future. Proof.

Successfully driving down cost of ownership at latest sites to deliver attractive returns.

Driving down direct site operating costs

Entering 2022, we had an interim operating cost target of 2 ppts of site sales, underpinning a path to c.60% contribution margin at the CFC level. In our latest sites, including Purfleet CFC, we have broken through this target, enabling us to reduce our target CFC operating cost to 1.5ppts as percentage of site sales. As a result of this, Purfleet is on track to achieve 22% ROCE. Further improvements from Re:Imagined technologies underpin an ambition to achieve 40% ROCE, at a site level, over time.

OUR STRATEGY IN ACTION

Deliver Transformational Technology

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

2022 progress

We ramped up the roll-out of OSP, growing operations for Kroger, ICA, Sobeys and Ocado Retail across North America, Europe and the UK

We significantly progressed delivery of Re:Imagined technologies:

- The first installation of On-Grid Robotic Pick went live in the second half of 2022. We can now pick 30% of the range by volume, and continue to target >50% by the end of 2023
- The first installation of Automated Frameload (AFL) also went live in Purfleet CFC in 2H22
- We have been finalising the design of the 600 series bot and have made investments in supply chain enablement that will help us to print necessary parts, at scale. The first installation of the 600 series bot is expected in the UK in 2023
- With respect to software improvements, Orbit (virtual distribution centre) saw an important step forward, with the go-live of our first three OSP automated Micro Fulfilment Centres in the UK, being replenished by larger sites
- The first version of Swift Router, enabling delivery of last-minute immediacy orders and larger, longer lead-time orders from the same van, was in live testing with partners by year end
- The core shopping journey is now live on Ocado Flex (more flexible front end)
- To deliver on these innovations, we continued to grow our Technology team, ending 2022 with headcount of ~3,000, up from 2,600 in 2021

Throughout the year, we evolved key innovation partnerships:

- We completed the acquisition of Myrmex, bringing the team with whom we were already collaborating on AFL fully into the Ocado family
- In autonomy, work with Oxbotica, Wayve continues to be encouraging
- We expect our first prototype for a last-mile grocery logistics vehicle to be on the road within a year. The focus of this prototype will be on simplifying the problem of achieving regulatory compliance on the road, as part of our ambition towards fleets of vehicles that can execute last mile grocery, economically, by the end of the decade

We are successfully protecting important innovations, with >1,900 patents granted or patent applications filed, compared with >1,500 at the end of the prior year

We continued to robustly defend our IP. In the ongoing litigation with AutoStore, we had some important successes, including the final International Trade Commission (ITC) decision in the US. This was handed down in March, with the full Commission confirming the initial determination, in favour of Ocado

Future focus

Our key focus is on delivering the suite of seven Ocado Re:Imagined innovations for clients, from the end of 2023.

These are the 600 series bot, accompanying 600 grid with optimised site design, On-Grid Robotic Pick, Automated Frameload, Orbit, and OSP Flex, which we expect to drive a step change in the operational economics and customer proposition of OSP, offering customers ways of enabling even shorter lead times to launch and getting greater productivity performance out of CFCs of all configurations.

We are always working on the next leap, and we will continue to develop the platform in new ways and continue to invest to acquire skill sets we do not yet have, to build in new and expanded business areas.

Link to risks
Product Innovation
Intellectual Property
Talent & Capability
Cybersecurity
Climate

Technology headcount

~3000

+15% vs. FY21

Patents granted

~650

+36% vs. FY21

Re:Imagined technologies to deliver transformation improvements

We expect Re:Imagined technologies to represent the next step-change in operating efficiency for OSP partners and Ocado Group. We forecast that these changes will enable our key operating efficiency metric – UPH – to increase from our target of 200+ currently, to >300 at partner sites. This means under 10 minutes across all direct labour processes to fulfil a 50-item grocery order. At the same time, we expect innovations in the build of the MHE to enable a 15%+ capital expenditure saving for Ocado Group, and c.20% saving in construction and lease costs for partners.

Building on over 20 years of successful, market-leading innovation.

Future. Proof.

On track to further reset the bar in the economics of online fulfilment.

Deliver on our Client Commitments

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

Partnership with our clients means delivering on the technology we promised and empowering them to make the most of what OSP can offer in their respective markets, so that they can give their customers the best possible online experience and take market share.

Contents

2022 progress

We have delivered to plan across go-lives and operations for our global partners

We went live with nine CFCs and three micro fulfilment sites for partners in the year, across North America, Europe and the UK. Each of these sites went live on time, contributing to a 62% increase in modules live vs. 2021

Our partners have reported market-leading customer satisfaction scores in each of the markets where we are now live with a CFC

Since go-live, we have delivered in line or ahead of agreed service levels at operational sites

We are supporting our clients to make the most out of the OSP platform in their own operations, leveraging our over 20 years of experience in online grocery in the UK

We processed 1.2 billion eaches for our UK clients, a 6% reduction on 1.3 billion in 2021, reflecting the challenges to volume growth for these clients presented by normalising customer behaviour post pandemic, and the UK cost of living crisis. We delivered these volumes with improved operational efficiency, with average UPH up 3% to 175 at mature sites and 185 across OSP sites

Globally, we took steps to strengthen our client success teams, building on strong collaboration with Client Partners already underway. We expect this early investment to drive significant value for the business in the long term as we support clients to achieve optimised CFC economics faster

Aside from investing in headcount, this means a new operating model that enables local and remote support as well as short-term specialist deployments

We have already had some encouraging results from this kind of work, helping one of our clients to improve delivery efficiency (as measured by drops per van) by >15%, in around one month since implementation of an optimisation plan, with accompanying improvements in site volumes

The OSP leadership club continues to be a valuable forum for partners to share learnings with us, and each other, across core themes and touchpoints of the online grocery value chain. During the year, we facilitated >40 meetings between senior sponsors and in committees, chaired by our partners, covering topics across the fulfilment chain and as broad as leveraging data, sustainability and data protection

Future focus

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

Building on the momentum of 2022, in the coming year we are focused on supporting the ongoing roll-out of OSP, notably bringing two new partners live with their first CFCs in Australia and Japan, in addition to launching additional sites in the US, Canada and the UK.

Across our growing infrastructure of early stage CFC sites, we are laser focused on helping our Client Partners to achieve optimised economics, as soon as possible.

Modules live (global)

99

+62% vs. FY21

Total eaches processed (UK)

1,196m

(6)% vs. FY21

Link to risks

Product Performance
Supply Chain
Talent & Capability
Fire & Safety
Geopolitical & Economic Uncertainty
Climate

Strengthening our partner success operating model

We are growing our client success teams to support partners in early site ramp and operations. Our strengthened partner success model will combine top-down support, in the form of commercial regional presidents in field support roles, with specialist teams available for remote support and/or deployed on assignments and covering all the key areas required to be successful in online fulfilment, e-commerce, network planning, analytics and construction. These teams have already seen early success in projects for partners, including materially improving delivery efficiency and determining a roadmap to optimise CFC economics for specific clients and sites.

Contents

Well placed to win in the online channel and grow market share with our Client Partners.

Future. Proof.

Supporting our clients to build on their success to date and get the best out of OSP.

Responsible Business Approach and Priorities

We believe that a strong, materiality-focused foundation in responsible business will underpin successful delivery of the goals in our four strategic operational pillars.

Defining our material issues

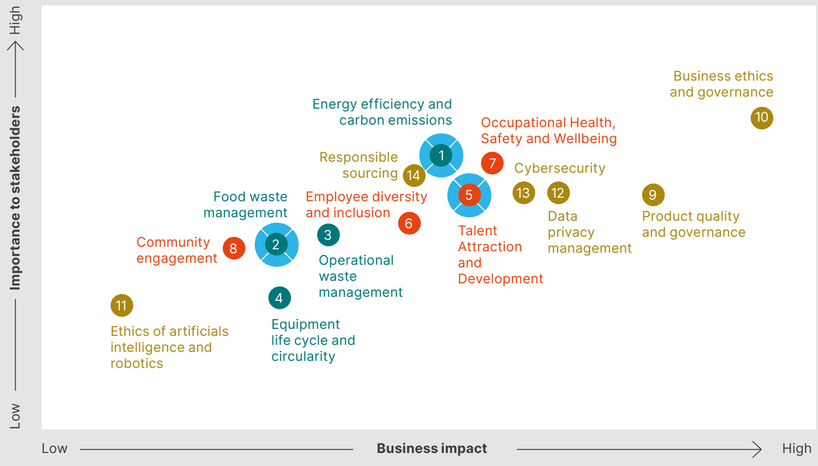
In 2020, following the creation of the Ocado Retail joint venture, in 2019, and the start of our roll-out OSP for international clients, we conducted a robust materiality assessment to re-evaluate our most material issues, with a focus on our global Technology Solutions business, providing OSP to grocery retailers around the world.

We did this in partnership with a consultancy and through a multi-step process of (1) desk research, leveraging established disclosure frameworks (notably, SASB materiality maps) and (2) stakeholder engagement, including interviews with senior sponsors at OSP partners and workshops with employees, investors, suppliers and industry representatives.

The resulting matrix reflects a combination of issues that represent both risk and opportunity for Ocado Group, as a result of the services we provide directly through our OSP (global) or logistics businesses (UK only), or reflecting the influence we have on certain aspects of the food retail operations of our OSP partners (including Ocado Retail) as a result of these services. As Ocado Retail is now a distinct joint venture entity, these topics no longer include the issues which the joint venture has operational and governance oversight over (e.g. food supply chain, health and nutrition, animal welfare, or labelling practices as relates to the Ocado.com range).

On review, the Board has confirmed these topics as those most material to preserving and enhancing value.

Materiality analysis



Strategic opportunity focus areas

Identified by stakeholders as evidencing defining attributes of the Ocado business model; outperformance to drive enhanced competitive advantage

Our people and skills for the future

5. Talent attraction and development
6. Employee diversity and inclusion
7. Occupational health, safety and wellbeing
8. Community engagement

Environment and natural resources

1. Energy efficiency and carbon emissions
2. Food waste management
3. Operational waste management
4. Equipment life cycle and circularity

Platform resilience and innovation

9. Product quality and governance
10. Business ethics and governance
11. Ethics of Artificials Intelligence and Robotics
12. Data privacy management
13. Cybersecurity
14. Responsible sourcing

"As we scale, our responsible approach will enable us to mitigate risks resulting from increased complexity and an evolving regulatory and competitive landscape, and deliver on commercial opportunities related to improving human and natural capital management."

Tim Steiner, CEO

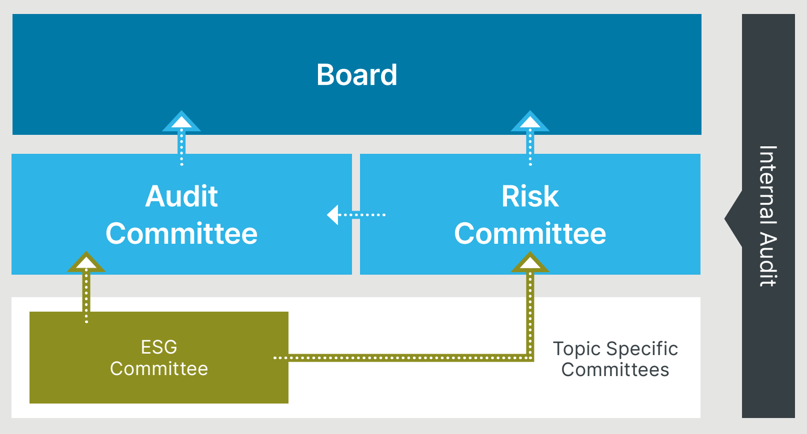
Responsible business governance

Our ESG Committee provides governance over the delivery of the ESG programme. The Committee is chaired by our Group General Counsel with additional sponsorship by our Chief Financial Officer. Members constitute leaders across the business who are key to our strategic and operational success. The Committee meets quarterly, in a decision-making capacity, and reports into the Board. It is supported by a cross-functional working group, including colleagues from Risk, Corporate Responsibility, Investor Relations and Company Secretary.

Members of the working group partner with business area leads to progress actions and, where necessary, relay feedback and refined proposals to the Committee based on challenges or opportunities identified. This governance framework supports us to monitor and manage the operational progress of our ESG programme in a comprehensive way, and to ensure review of any related ESG disclosures, in addition to that undertaken by our auditors as part of the financial results reporting process.

To support this governance framework, in addition to regular discussion of ESG topics, the Board received specific training in the year on ESG as it relates to corporate value and reputation with a particular focus on climate change.

Our governance structure



SDG prioritisation

Our strategy focuses on the three strategic opportunity areas identified in our materiality work as those that can play a key role in enhancing the positive impact and competitive advantage of Ocado Group as a global solutions provider over time: **Talent attraction & development, energy efficiency & carbon emissions and food waste.**

We have mapped these focus areas to the most relevant SDGs and their underlying targets and identified these are:

7.3 By 2030, double the global rate of improvement in energy efficiency

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

Priorities for the year ahead

Building on our progress in 2022, we are targeting further significant steps forward in 2023.

We will continue our work to further strengthen and mature our roadmap to Net Zero targets in our operations and value chain by 2035/40 respectively.

This will include:

- setting a developed scope 1 and 2 path to Net Zero; a key strategic deliverable that is also forms part of our executive 2023 remuneration targets
- forming an indicative plan for our scope 3 path to Net Zero
- enhance the maturity of our TCFD disclosures, including the development of a Transition Plan

Aligned with our other strategic focus areas, we will:

- collaborate with OSP partners with an ambition to set a Solutions-focused KPI in food waste, aligned with our corporate strategy
- continue to grow Development Engineering talent pool (a priority for Technology Solutions talent attraction) by diversifying pathways into this talent population through targeted programmes and external partnerships
- further support employee talent growth and experience by creating different career paths offering different routes for individual growth for every role across our Technology Solutions organisation

Our people and skills for the future

At Ocado we are focused on continuing to deliver transformational technology and fulfil our commitments to our partners. In order to achieve our growth ambitions, we need to attract, retain and develop the best talent.

As identified in our **principal risks** (talent and capability) this is a key challenge for the business. We are scaling our research, development and platform delivery at pace for our partners, and navigating the increased complexity that a growing global workforce brings.

We expect our work to support talent attraction and development at Ocado Group, to enable our strategic success whilst also contributing to a stronger and more resilient society, by enabling more opportunities in roles of higher economic productivity (8.2) and of an increasingly diverse and equitable nature (8.5).

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Talent attraction and development is one of three key focus areas that define our responsible business approach, since success in this area also represents a significant strategic opportunity.

Maintaining a strong culture of innovation, collaboration and accountability will enable us to deliver on our extensive innovation roadmap, and drive improved customer satisfaction from partners, protecting and improving our competitive advantage as a Solutions provider for years to come.

We are focused on **diversifying pathways into technology, investing in our development programmes,** and **maturing our approach to diversity, equity and inclusion (DEI), employee wellbeing and flexibility,** to achieve our talent goals.

A differentiated culture driving our success

Our culture is one of the great differentiators that make Ocado Group what it is today. This is created by our amazing people in the organisation who demonstrate innovation, speed, smart risk-taking and commercial acumen. Building on our 22-year history, together we go beyond for our people, clients, customers and communities.

Our employees' commitment to deliver, in spite of the challenging global market conditions, has enabled us to continue to grow, innovate, find solutions and deliver world-class service. We'd like to take this opportunity to thank every one of our Ocado Group colleagues. Our people continue to demonstrate enormous resilience in a challenging global market by going beyond to serve our global customers.

We pride ourselves on a culture in which we live our values and promote behaviours that support inclusion and equality.

We're in it together

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

We can be even better

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

We're proud of what we do

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

This culture is what's driven our success so far and continues to underpin delivery of our strategy in the future, as we grow and transform our business at pace globally.

The increased ramp-up of our technology solutions business for clients around the world will mean particular growth in our Engineering and Development teams. These are highly competitive talent pools. Reflecting this, our Talent strategy is focused on diversifying pathways into, and up, Technology. This strategy includes activities across the earliest stages of the talent pipeline to recruitment and development within the Group.

Materiality: Talent attraction and development

Strengthening the talent pipeline 5

Early stage literacy through university

As a technology innovator, provider and employer, we believe that we can play a valuable role in supporting educational development in the early stages of the talent pipeline. A solid foundation of literacy opens up opportunities to learn to code and develop in Science, Technology. Engineering and Maths (STEM) subjects, which can support pathways into technology employment later on.

TutorMate and Little Lives UK: improving early stage literacy

TutorMate is a virtual reading support programme, partnering volunteers with schools and children across the country to provide remote reading support via an online platform. **Since September 2020, Ocado volunteers have spent almost 800 hours reading with 5-7-year-olds,** helping to expand the opportunities available to these children through better reading skills.

To further facilitate learning, in 2022 we began working with the charity Little Lives UK, which support disabled and disadvantaged children and young people to help them build stronger futures. We donated technology equipment to help young people have greater access to a digital world.

Code for Life: making coding accessible to more children

Code for life is an Ocado-run programme that has been in operation for almost ten years, with the stated ambition of ensuring every child has the opportunity to learn to code. As an online teaching resource and learning tool, it is highly accessible for all ages and abilities (Key Stages 1 to 4) and free and easy to use. As a result, the tool has scaled significantly and now has **>500k registered users in >160 countries.** We are continuously improving the reach and functionality of the tool for users. And, importantly, we ensure security and alignment to the Information Commissioner's Office (ICO's) Age Appropriate Design Code and have installed new features such as level access moderation and age-based registration, to this effect.

Investing in graduates and facilitating upskilling opportunities

As we continue to scale, we need to attract the bold and ambitious employees who will embody our culture and deliver our strategic aims. To support our efforts we are finding ways to attract the best talent from a variety of diverse backgrounds, and to reskill our colleagues to enable new and different professional pathways into roles such as Technology.

Tailored Graduate Programmes

We onboard ambitious graduates who help us solve problems for retail partners all over the globe. Our Graduate Programme offers tailored programmes to support different craft development across Software Engineering, Hardware Engineering, Business Management and Analytics, alongside specialist programmes across People, Finance and User Experience (UX).

We train c.100 graduates per annum over a two/ three-year programme, with graduates completing six-month placements across the full breadth of the organisation. We partner with universities and third party organisations such as the 93% Club and 'IT's not just for the boys' to ensure we enrol a diverse pipeline of talent and are proud that **56% of our current Engineering graduate population identify as female, in comparison with 20% in 2021.**

Future. Proof.

Code for Life: open source coding resources

Proof: With more than 500k users enrolled globally, Code for Life continues to offer the opportunity for children and young people to learn to code, aligned with UK national curriculum.

Future: Working with internal and external stakeholders to understand the full lifecycle of our commitment to STEM education. From age 6/7 through to our support of the Apprenticeship Levy across Group and finalising our seat on the steerco of the Centres for Doctoral Training Initiative; as well as how we can expand our sphere of influence across the 'Women in Tech' & 'Girls in STEM' movements.

Our People and Skills for the Future
continued

Upskilling new hires and current employees

Apprenticeship Levy

Ocado Group continues to invest into the Apprenticeship Levy to fund training and qualifications for current employees and new hires including our people on graduate or apprenticeship programmes. We currently have **81 people upskilling in areas including Technology and Engineering** and we plan to expand our apprenticeship and reskilling programmes in 2023 to focus on technical talent.

Bot School

Our bots are a unique and bespoke combination of hardware and software and 'Bot School' is our main training package that introduces any new starter to the combination of these technologies. Two weeks of intensive theoretical and practical workshops on the intricacies of our latest series of robots enables a trainee to become part of the engineering operation.

In 2022 we have **successfully onboarded 38 Technicians and Engineers with this training, including ten colleagues from our Ocado Logistics business, who have transferred into our Tech Operations teams** in the Technology Solutions business as a result.

Supporting development within Ocado Group

To deliver strong and sustainable growth for our Company, once in the business our employees must continue to grow with us. We are investing in tools and training to support this ongoing development.

Our comprehensive efforts across leadership development, Diversity and Inclusion and broader employee wellbeing, health and safety underpin our **success in maintaining a target employee eNPS at or above the Technology benchmark. In FY22, we achieved an employee Net Promoter Score of 31 (25 in FY21).** We consider employee engagement as a KPI for our human capital management approach, to which executive remuneration is also aligned.

Read more KPIs
pages 65 and 66

Read more Executive remuneration
on pages 147 to 173

31 eNPS
(Technology Solutions) in FY22

Investing in leadership

We are committed to maintaining and strengthening our strong people culture and our leaders play a critical role in shaping the talent and culture we want.

We have made a significant investment into cultivating leadership skills across the business over the past 18 months. **The Ocado Leadership & Management Academy provides support with development, and applies across all levels** – from aspiring and new line managers to our executive leaders – and is available to colleagues in both our Logistics and Technology Solutions segments.

Activities have included Leading Inclusively sessions and delivering a Manager Onboarding Playbook as well as New Leader Assimilation. In addition, this year we launched:

- **Leadership & Management Academy,** providing certified learning programmes with top business schools, accessible to all employees globally; and
- **Leader Learning Live event series** with over 130 executive and senior leaders from across our organisation, highlighting human leadership, exploring what this means in our evolving way of work and the evolution of the management role. The need to listen, respond empathically and build community for teams has never been more critical.

Talent development data

610
programmes have been completed with the Ocado Leadership & Management Academy

335
more people are in the process of completing programmes

90%
of graduates are likely to apply what they have learned to their roles

78%
would recommend the programme they completed

613
projects/assignments have been submitted where people have applied their learning to their roles

173
people have completed the six-week core programmes (Launch into Leadership or Mastering Management Essentials)

3.5k hours
Assuming an average of 2.5 hours per week of any programme for learning and application, the above equates to approximately 3.5k hours of applied learning

Materiality: Employee Diversity and Inclusion

A key enabler of development

We recognise that in order to retain and develop the diverse talent that we welcome to Ocado Group, we need to continue to improve our understanding of diversity and inclusion in the business, and to take action to support progress towards our ambition to become an even more inclusive organisation. Fair treatment to all, and an inclusive approach to our processes, policies and practices are core to achieving that.

Improving DEI insight to inform our action plan

In 2022, we took significant steps to improve business insight in this area, including:

- Undertaking the Global Equality Standard (GES) assessment and review process, administered by Ernst & Young (EY), to benchmark our DEI competencies against other businesses
- Expanding our demographic data capture to track social mobility and caring responsibilities

Alongside other data, we have used this work to formulate a clear action plan to prioritise next steps in DEI in the years ahead.

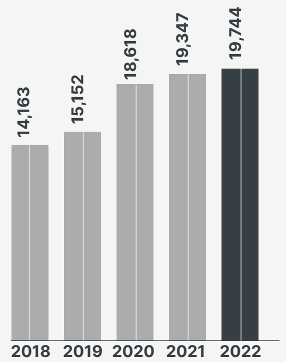
Our strategic focus areas include: improving people data and insight by utilising deep dive analytics and talent data; diversifying pathways into Technology with targeted programmes for technical skills; and to shape inclusive ways of working, including recruitment and promotion processes as well as targeted support for minority groups.

Supporting diversity and inclusivity in hiring and development across our segments

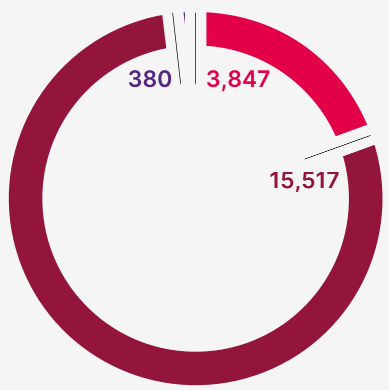
As we refined our future roadmap, we continued to make active progress across the business by providing attractive work and development opportunities, whilst acknowledging the distinct characteristics of our two businesses.

Spotlight on leadership diversity

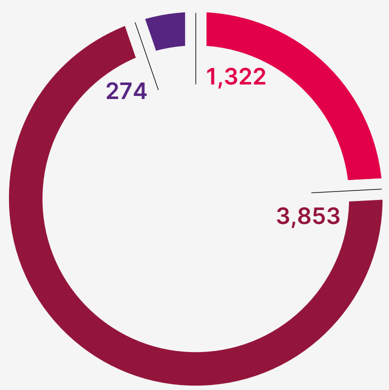
Total number of employees



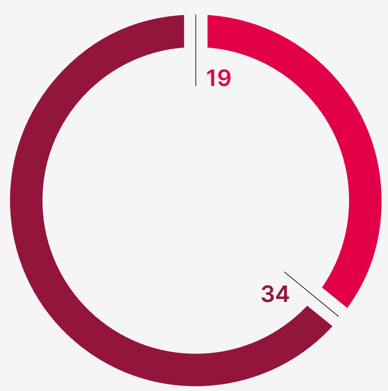
Ocado Group business headcount



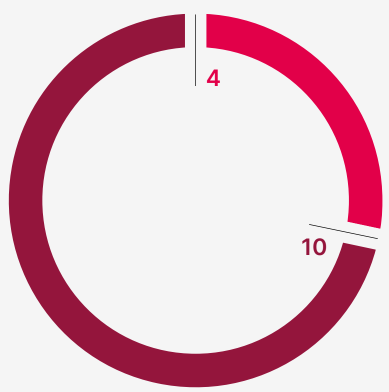
Technology Solutions business headcount



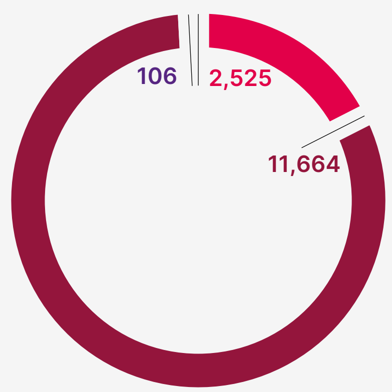
Senior management gender diversity



Board level gender diversity



Ocado Logistics business headcount



Female Male Not disclosed

* Headcount as at end of FY22

Our People and Skills for the Future
continued

Business wide

We introduced **Advancing Leaders Programme and Ocado Group Equity Mentoring Programme,** in which **over 100 mentors and mentees have taken part to date,** supporting the growth of women and ethnic minorities within our organisation.

Ocado Logistics

In the UK, we employ just over 14,290 people in our Logistics business. As a significant employer, we are focused on providing great employment and development opportunities, building fairness and inclusivity into each stage of the employee experience. To further these efforts, in 2022 we:

- revamped our assessment centre format to identify top talent for development, and build fairness and inclusivity;
- partnered with the Department for Work and Pensions (DWP) on its Way to Work campaign to support people getting back into work faster following the Covid-19 pandemic. This included a dedicated account on the DWP's 'Find a Job' site and access to events such as job fairs, recruitment events and Sector-based Work Academy Programmes (SWAPs). We currently have SWAP programmes across the UK network for Customer Service Team Members and Personal Shoppers.
- piloted a development programme for hourly paid team members to gain the skills and experience to achieve their first management role; and
- Career Development Framework and pathways commitment to enable people to self-navigate their learning and development.

Evidencing our success, we continued to promote internally for most of our frontline manager roles.

In Ocado Logistics, **a large proportion of management hires in our CFCs and delivery operations network are internal promotions,** many of whom will have come directly from our driver and warehouse colleague talent pool.

Technology Solutions

We employ over 5,400 people in our global platform technology business, across business areas including Ocado Technology and Ocado Solutions. As we ramp up the roll-out of OSP sites for our partners around the world, our Technology and Engineering roles will experience particular growth.

These fields are highly competitive and traditionally less diverse. By taking steps to improve employee and future leader diversity, we will continue to expand and strengthen our accessible talent pool, facilitating the future growth of the business.

Read more on Board diversity policy in Governance section **pages 130 and 134.**

Military hiring

We are committed to supporting the Armed Forces community and recognise the value serving personnel, veterans and military families contribute to our business and society. To support the growing number of veterans working across Ocado we have established a global Veterans Community, sponsored by the President Americas, Ocado Solutions and Chief Partner Success Officer (Mark Bentley) and led by Paul Smithen, an Armed Forces veteran. We are delighted to have received the **bronze award from the Defence Employer Recognition Scheme,** which recognises the commitment and support from UK employers for defence personnel. We also worked with the Officers Association to promote opportunities at Ocado and participated in its career event supporting Women into Employment in March 2022.

Materiality: Occupational Health, Safety & Wellbeing

A stronger focus on wellbeing and flexibility

Wellbeing: a new strategy

The pandemic and the rise in technology have fundamentally changed expectations of work roles, ways of working and support needs for employees and employers around the world. At the core of all this is the increasing importance and relevance of employees' wellbeing.

We have seen similar changes at Ocado. Peakon – our global listening tool – has consistently shown the importance of wellbeing to employee engagement. To adapt to this change, we assessed our maturity using the CCLA benchmark* and launched a new Health and Wellbeing Strategy in June, focusing on four key strategic priorities:

Reduce stigma

- we've created a global network of 68 Mental Wellbeing Champions providing an added layer of support for our people. These champions are part of a global network and have continuous learning and support to develop their skills.
- launched a Mental Health Foundations Course – Mental Health Matters – to all our people, combining expert content and digital learning.

Create a conversation

- re-launched our Health and Wellbeing Community to enable sharing, learning and conversation. The community (658 members globally) is sponsored by Ocado's Chief Finance Officer, Stephen Daintith, who has advocated for this topic throughout the year.
- we have run several campaigns to promote our wellbeing and inclusion products and to drive awareness. Along with the Ocado Foundation, we partnered with Run Grateful to encourage practising movement and gratitude (15,752 miles achieved); held a live panel with Paralympic athletes during Global Inclusion Week and have created toolkits on Men's Health and Women's Health.

*The CCLA Corporate Mental Health Benchmarks are the culmination of sustained collaboration with workplace mental health experts, data providers, charities and UK-listed and global companies. As responsible investors, we want our companies to be successful and to make a positive difference in their sphere of influence. Successful companies safeguard staff mental health because in doing so they also safeguard their economic success.

Empower wellbeing

- we recognised that usage across our current health and wellbeing services was dispersed and so we have been reviewing and onboarding new proactive and reactive wellbeing solutions for our people as well as evolving our family care policies.
- to support our future thinking and demonstrate our commitment to creating mentally health workplaces, we have signed a leadership pledge with The Global Business Collaboration for Better Workplace Mental Health and are partnering with Mind Forward Alliance.

Flexibility and choice: improving work-life balance in creative ways

In today's 'always on' working environment – especially in the rapidly growing and changing working world of Ocado Group – our employees desire more flexibility and choice, so that they can better personalise work to fit with their individual needs. To respond to these requests we continue to evolve our offering, as described below:

- **Work From Anywhere policy:** enabling those who can work remotely the choice to work for one month per year in another country or location. This opens up a worldwide workspace, giving our people the freedom to be closer to family, expand their horizons or simply have a change of scenery. **>1k colleagues have participated to date**
- **Self Shift Swap:** launched in March to support a better quality of life for Logistics colleagues in both delivery and fulfilment roles. It allows our people to swap a given shift based on availability and is based on the size of the site, limits on certain days and more
- **more choice of part-time and fixed shifts** helping to attract and retain a more diverse workforce, including parents and second jobbers.

Building a more connected approach with broader Health & Safety

Our work across employee wellbeing focuses on creating a wider and stronger connection with our overall HSE (Healthy & Safety Executive) strategy, as we recognise the connection between mental and physical wellbeing.

We continue to strengthen our HSE approach to support Ocado Group's goal of establishing better ways of doing business on a global scale. Our vision is "to establish HSE ways of working that reflects and supports our global organisation."

This also means protecting the health and safety of our people, as well as those impacted by the work that we do, including the employees of our client partners, who use our technology in our CFCs around the world, and members of the public.

In 2022 we continued to deliver on this through:

- **a global HSE management system** that reflects the scope of our entire organisation.
- **a new HSE team structure** to enable Ocado Group to understand and manage risk effectively – providing each of our business areas an approach that meets the requirements of the jurisdictions we operate in as we build and service CFCs for our client partners
- **the right controls** to enable Ocado Group to improve and exceed legal compliance requirements
- **involving our people in developing our approach** – because they know what needs to change

Wellbeing highlights

68
Mental Wellbeing Champions providing an added layer of support for our people

658
members of re-launched Health and Wellbeing community

15,752
miles achieved with Run Grateful to encourage practising movement and gratitude

>1k
colleagues have participated to date as part of our Work From Anywhere policy

Our People and Skills for the Future
continued

Fair reward and recognition

We are committed to ensuring our people are rewarded fairly and competitively for their contribution to our success and that they feel supported in a holistic way, not just in their rate of pay. Our work to further develop and empower our people builds on a strong foundation of fair reward and recognition. We continue to evaluate and evolve our approach to reward to ensure we remain competitive in markets we operate in.

Investing in basic pay

In Logistics, we have invested in the package recognising the pressures in the labour market and the challenges our employees were facing. Pay settlements ranged between c.4.5% and 7.5% for the majority of our hourly paid colleagues. We also made a significant investment in our large goods vehicle drivers which was well above the current inflation percentage.

We made a further notable investments in pay for employees in our UK Tech Solutions business with average salaries rising by 7% year-on-year vs. an investment of 3.5% for our Executive Directors.

c.4.5% - 7.5%
pay settlements for the majority of our hourly paid colleagues

7%
Pay settlements for UK Tech Solutions business

A comprehensive benefits package

Benefits+ platform

Our benefits platform (Benefits+) continues to expand to all Ocado locations, with plans for everyone to have access in 2023. We are delighted to see that employees are engaging with the platform (100% US employees submitting a benefit, 60% Bulgarian colleagues logging in within their first two weeks, 60% of UK logging in every three weeks and 30% submitting a benefit). We have also been reviewing the benefits provision hosted on the site and have introduced pension provision in Japan and Sweden, alongside new UK voluntary benefits including will writing and health screening.

In the UK, we continue to promote our retail discount on Ocado.com and, where possible, we partner with the Company Shop Group, the UK's leading redistributor of surplus food and household products. Internationally, we utilise local relationships to deliver retail discounts.

Saving for the future

Ocado encourages shareholding for our people by awarding Free Shares at 0.5% of salary to all employees globally with six months service or more, twice a year. We also offer a Sharesave scheme and Buy As You Earn plan to our people in the UK and an Employee Stock Purchase Plan to international employees, which means virtually everyone can buy Ocado shares and become an owner of our Company. The launch of the Ocado Employee Share Purchase Plan internationally has resulted in an **overall take-up of 47% across our non-UK sites.**

Award-winning recognition scheme in Ocado Logistics

Our people work hard, and recognising their valuable contributions is an important way to build and strengthen our culture. Our All Stars scheme in Ocado Logistics has been acknowledged as a best in class recognition scheme for our people. Since the launch, 46% of our people have recognised someone or reacted to a recognition, and 48% have received an award. The scheme won **Best Communications/Engagement Initiative at the WSB Awards 2022** and we were highly commended for the Best Motivation or Recognition scheme at the Employee Benefits Awards.

2022 Spotlight on cost of living crisis: initiative to support employees

Alleviating the impact of the cost of living crisis has been a central theme for our business in 2022. Where possible we've ensured continued access to products and services that enable our employees money to go further; signposting our colleagues most in need to advice and support when needed. Our discounts offer has helped our people to save money on various lifestyle products and services (£130,000 to date in the UK) with 72% of active users on the Discounts+ platform. Discounts+ is now available in the UK, US, Canada, Bulgaria, Japan and Australia and is rolling out to our other global locations in 2022/2023.

We launched our Salary Advance offer in the UK so that employees can immediately access half of what they have already earned in a month, helping with unexpected costs. This new benefit exists alongside our Salary Finance free financial education which includes a range of tips and tools for budgeting and saving to help make managing money easier. We have expanded our Liftshare offer in the UK to main CFC sites so that our employees can save and share the cost of driving to work.

"My favourite thing about the Discounts+ portal is that it's so easy to use. And who doesn't love discounts on their favourite retailers or dining."

"I like the app, it is very handy and easy to use. I also like that there is a variety of retailers to choose from. Already saved myself a whole bunch of money."

Ocado Employees using Discounts+

Comprehensive benefits

47%
Overall take up of Employee Share Purchase plan internationally

100%
US employees submitting a benefit

60%
Bulgarian colleagues logging in within their first two-weeks

60%
of UK logging in every three weeks

30%
submitting a benefit

Materiality: Community Engagement

Ocado Foundation: empowering employees to give back

The Ocado Foundation remains the home of our charitable and fundraising activity. We support employees globally in their fundraising endeavours and volunteering efforts with matching donations and hours volunteered.

Ocado Foundation for Good: continuing to build high impact grant making activity

With our partner BizGive, we successfully approved more than £20,000 of grants to charitable projects across the UK in 2022, continuing to support 'the many rather than the few' with grants of up to £1,000.

One such project was to the YMCA in Wearside, Sunderland, where they used the grant used to buy laptops to support online educational courses for young, homeless people. More than 50 have now completed the courses, 41 have gone onto college, and six have gained employment and three have undertaken work placements.

Looking forward, and as we further develop Community Engagement as a material issue to the business, social impact reporting and wider engagement with the SDG's across the business remains a priority.

ocado foundation

BizGive

Matching and amplifying colleague support for local and global causes

Ukraine

The humanitarian crisis in Ukraine prompted colleagues across Ocado Group to make donations of time and money. The Ocado Foundation match funded donations to registered charities in the UK and worldwide, totalling in excess of £70,000, as well as supporting colleagues who continue to kindly host Ukrainian families.

Local impact initiatives

Colleagues continue to support charities and charitable ventures close to their hearts in a variety of ways, with a few such examples being:

- a site-wide Bake off in Sofia, Bulgaria for "Eyes on Four Paws Foundation", with all funds matched by the Ocado Foundation.
- supporting the 'Magic of Play' Christmas appeal for Lister hospital in the UK, by raising funds to support the purchase of Nintendo Switches and portable DVD players to keep children distracted during treatment.

STRATEGIC REPORT
Contents
OCADO GROUP PLC Annual Report and Accounts 2022

Environment and Natural Resources

Reflecting the nature of our OSP model, we believe we are particularly well placed to drive value for clients, and wider society, in our focus areas of **Energy Efficiency & Carbon emissions**, and **Food Waste**; through technology innovation that either directly reduces the natural resources required to build and run the OSP platform (7.3, 12.2), or via the operating benefits that OSP can enable for our partners in online grocery fulfilment (12.3). Notably, as we scale, the multiplier on this impact will be significant.

7.3 By 2030, double the global rate of improvement in energy efficiency

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

Improving operating and capital efficiency is a core tenet of the OSP platform, and at the heart of our strategic objective of improving OSP economics. Improving our efficiency includes reducing our use of, and impact on, natural resources over time. As a solution provider, this progress will naturally be passed on to our partners, supporting our objective to grow revenue.

As identified in our Principal Risks (Climate), failure to achieve this, and enable it for our OSP partners, could similarly undermine the long-term operating economics of, and demand for, our technology.

Our key materialities in this area are: Energy efficiency and carbon emissions, Food waste, Operational waste, and Equipment Lifecycle and Circularity. We include our climate-related financial disclosures (TCFD) alongside exploration of operational progress in these areas below.

Materiality:

Energy efficiency and carbon emissions

Energy efficiency and carbon emissions: scope 3 reporting a key step to support delivery of Net Zero ambitions

Ocado Group targets Net Zero in our operations and value chain by 2035/40. In 2022, we made significant progress towards shaping the detail of this roadmap with inaugural Scope 3 reporting. A summary of our journey and progress, to date, is included below.

You can find our Scope 1-3 emissions footprint detailed on pages 53 to 55, as part of our TCFD disclosures. Further detail is available in our 'Basis of Reporting' document on the Group website at https://www.ocadogroup.com/our-responsible-business/corporate-statements/.

Strong history reporting and improvements in scope 1 and 2 emissions reflects the weight of our operations to date

Our Logistics operation drives our scope 1 and 2 footprint with almost 100% of total energy use (scope 1 and 2) UK based. These emissions derive primarily from our fleet and Ocado premises (mainly CFCs).

Reflecting the maturity of our UK operations, we have **reported our scope 1 and 2 emissions since 2012/13**. Since then, we **have delivered a cumulative 44% reduction in Scope 1 and 2 carbon intensity** (as defined by our location-based intensity KPI measure of tCO_2e per 100,000 orders), even as total emissions have increased by 92%, reflecting the rapid growth of our UK partners.

Key activities behind this progress include fuel efficiency, investing in alternative fuels, and changing the purchasing of electricity to renewables across our entire building estate.

Scope 1 and 2 emissions intensity remained flat in 2022, a result of improvements in fuel and vehicle efficiency, and routing optimisation, offset by growth in the van fleet.

Scope 3 reporting a key enabler to inform further progress as we scale the Technology Solutions business

Scaling as a Technology Solutions provider will primarily increase our scope 3 emissions. This reflects our model, where we provide the OSP platform as a managed service. This drives downstream emissions, from clients using the platform, including the emissions in the expected energy use and key hardware pieces of CFC modules sold to clients. Upstream emissions reflect purchases we make of services or equipment to run our technology. These include data hosting and water usage, and the purchase of capital goods related to electrical equipment and machinery, electronic products, and UK CFC construction.

Given the growth of our Technology Solutions business, in 2022 we took the critical step of mapping our scope 3 emissions, in partnership with xtonnes, a carbon analytics provider. **We are pleased to have assessed all 15 scope 3 categories.**

This work enables the mapping of the Net Zero roadmap in our value chain, a shared management remuneration objective for 2023. The resulting roadmap will support deeper insight for the Board as we mature our assessment of those climate-related risks and opportunities described in our following TCFD disclosures.

Future. Proof.

Incorporating scope 3 insights into Re:Imagined product development

Proof: In collaboration with a specialist carbon analytics provider, product development teams are analysing areas of significant carbon impact across our OSP platform, highlighting the most carbon intensive areas of the upstream, operational, and downstream phases of the product life cycle, and identifying potential opportunities for emissions reduction.

Future: Development teams continue to identify re-design opportunities for Re:Imagined products that require less supporting or carbon intensive material, create fewer transportation emissions, or reduce operational energy use.

Evidencing the commercial opportunities that this work unlocks, our product development teams have already identified re-design opportunities in our Re:Imagined technologies, to reduce emissions for Group and partners (see case study).

Read more about this in the case study above

Task Force on Climate-related Financial Disclosures

Alongside this scope 3 progress, we have further strengthened governance over, and assessment of, climate-related risk and opportunities for Ocado Group, discussed in our climate-related financial disclosures in further detail. Consistent with Listing Rule 9.8.6R(8) we set out below our climate-related financial disclosures consistent with all of the TCFD recommendations and recommended disclosures.

By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD. We are working towards the updated 2021 TCFD recommendations when they apply to us next year.

Governance

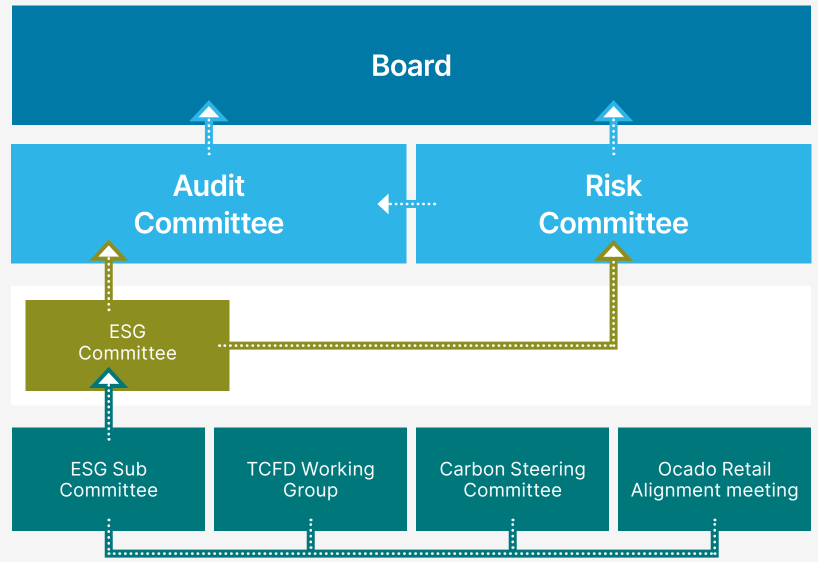
The Board's oversight of climate-related risks and opportunities

Board – responsible for our strategy, which includes the commitment to reduce our environmental impact. Climate-related risks and opportunities are reported to and considered by the Board in line with our Enterprise Risk Management ("ERM") approach (pages 86 to 89). The Board oversees budgeting for mitigation plans as part of our five year planning. To inform its decision-making, it undertook two climate risk and TCFD training sessions during the year.

This year each of our directors had an individual objective relating to ESG including compliance with TCFD, with internal objectives set more broadly around scope 3 baseline and improvement initiatives (refer to page 163 for a detailed breakdown). Moving forward the 2023 AIP corporate scorecard of performance measures (page 151) includes ESG.

Our governance of climate-related risks and opportunities

Leadership have oversight of climate-related risks and opportunities through the Board, Audit Committee, Risk Committee, and ESG Committee. Management level sub committees and working groups coordinate delivery of the business level actions.



Environment and Natural Resources continued

Audit Committee – meets quarterly and consider climate-related topics as part of its review of the effectiveness of risk management and the associated system of internal control.

Risk Committee – meets quarterly and has delegated oversight of our Climate principal risk to the ESG Committee in line with 'How we manage our risks' (pages 86 to 95) to better leverage subject matter expertise.

ESG Committee – established in 2021, convenes quarterly and has oversight of our climate-related risks and opportunities. The Committee is chaired by Neill Abrams, Executive Board sponsor of our climate change agenda. He, along with Stephen Daintith, our CFO, maintain oversight of our Net Zero and climate risk management activities and reporting. Members include Claire Ainscough and James Matthews. Quarterly updates on its decisions and actions are provided to the Risk Committee, Audit Committee and the Board. Training was obtained during the year through engagement with third party specialists.

Ocado Group and Ocado Retail Alignment meeting – the Ocado Retail TCFD programme is governed independently from the Ocado Group programme in line with the governance structure for the management of climate-related risks and opportunities set out below. A half yearly meeting was held to ensure and maintain appropriate alignment and management of dependencies across the two programmes. Various operational meetings were held in addition to this.

Management's role in assessing and managing climate-related risks and opportunities

ESG Sub Committee – is responsible for managing climate-related risks and opportunities. Members include Neill Abrams, Stephen Daintith and the TCFD Working Group (see right). The ESG Sub Committee monitor and reviews the management of climate-related risks and opportunities, with Committee members providing oversight of various workstreams. Our training was obtained during the year through our engagement with third party specialists.

TCFD Working Group – a central team which coordinates the management of climate-related risks.

Carbon Steering Committee – the management meeting responsible for the delivery of carbon-related strategy and targets. Chaired by members of the TCFD Working Group, the Carbon Steering Committee monitor and reviews the delivery of carbon-related strategy and targets.

Our plans for the upcoming 12 months include:

- building on recent Board training with strategy workshops;
- further embedding scenario analysis within our ERM approach; and
- extending our planning horizon to provide detail beyond our five year forecast.

Strategy

The business strategy and financial planning are informed by our risk management process. Climate is identified as a principal risk (page 95), with many of the impacts materialising over the longer term. To better understand and manage these we extend our time horizons beyond our five year strategic plan. These are summarised in the table below.

Risk assessment period

	Short term	Medium term	Long term
Time horizon	0-2 years	3-10 years	11-25 years
	This aligns with the standard ERM horizon used for assessment of principal and key risks.	This provides a helpful projection beyond our five year strategic plan, to offer additional near-term insight.	This considers the impact of climate on our business over the lifetime of our CFCs and other significant assets.

The climate-related risks and opportunities the organisation has identified over the short, medium and long term

Our risk process identifies risks and opportunities globally. During the year we selected the following risks for formal scenario analysis, focusing on the UK, where our material business operations are based, to better understand their financial impact on the business over the short, medium and longer term:

Risks

- **Urban flood (climate impact on supply chain):** Increased severity of extreme weather events such as heatwaves and floods disrupting the supply chain (acute physical risk).
- **Heat stress (energy costs):** Increased heating and cooling requirements (chronic physical risk).
- **Carbon pricing and emissions offsets (energy costs):** Introduction of carbon pricing associated with carbon intensive products and processes (policy and legal transition risk).
- **Fleet transformation:** Fleet transformation required due to a ban on the sale of internal combustion engines in our vans and trucks (policy and legal transition risk).

Opportunities

- Switching to low carbon/circular design alternatives (processes and products) along the supply chain (transition opportunity).
- Increased partnerships as sustainable e-commerce solutions become more desirable for retailers (transition opportunity).

The impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

We undertake scenario analysis. During the year our analysis considered these risks from a UK perspective, excluding other geographical regions in this instance, to encompass our UK Logistics business, and our shared ownership Retail business. Our data models used standard climate databases, and considered an Orderly Transition scenario and a Hot House World scenario. Additional information on these scenarios is included in the graphic below.

We engage with stakeholders across the business to confirm the resilience of our strategy, and inform our five year financial plan, via associated mitigation practice and plans, including the prioritisation of climate initiatives.

Aspects considered are set out in the list below:

- Plant replacement to deploy improved efficiency cooling and heating systems across the estate (refer to heat stress risk on page 50);
- assessment of renewable energy generation opportunities – which also improves energy resilience;
- Re:Imagined – product design opportunities to minimise carbon intensive inputs (refer to page 47); and
- site electrification and fleet transformation. This encompasses collaboration projects with vehicle manufacturers, to provide them with real world testing of next generation vehicles (refer to fleet transformation risk on page 51).

Monitoring activity of the risks and plans for necessary mitigations to be further developed in 2023.

Link to strategy: In 2022 we clarified our fifth priority, and renamed it 'Responsible business approach'. This priority provides a foundational bedrock to the other four 'pillars' in the strategy, enabling us to focus on our resilience and encompassing our activities to address climate risk.

Our plans for the upcoming 12 months include:

- extending scenarios and further refining the plans to mitigate the risks under review.

Climate scenarios

- These scenarios are aligned to climate scenarios defined by the Network for Greening the Financial System ("NGFS"), International Energy Agency ("IEA") Carbon Price Models and the Intergovernmental Panel on Climate Change Working Group I ("IPCC WGI") Interactive Atlas.
- Proprietary Ocado operational data is overlaid to reflect the business strategy and trends.
- Our scenario analysis is performed over a 30-year timeframe, to 2050, aligning to the Paris Agreement and the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019.

Orderly Transition

Description

- Climate policies are introduced early and gradually become more stringent.
- Surface temperature is expected to stay below a 2°C increase.

Key scenario drivers

- Carbon pricing is introduced in the early 2020s and gradually increases by 2030.
- Significant levels of investment into energy efficiency, green electricity and storage, and carbon capture and storage are sustained from 2030 to 2050.
- Transition risks are expected to grow in proportion with climate action.
- Physical impacts are less severe (although not negligible) in comparison with the Hot House World scenario.

Hot House World

Description

- Some climate policies are implemented, but global efforts are insufficient in halting significant global warming.
- Surface temperature is predicted to increase within a range of 3-5°C.

Key scenario drivers

- Carbon pricing is introduced in the early 2020s and anticipated to have negligible changes through to 2050.
- While investment into energy efficiency, green electricity and storage is still substantial, investment into fossil fuel extraction and brown electricity generation is greater than in the Orderly Transition scenario.
- Transition risks are initially relatively low as limited action is taken.
- Physical risks are severe, with irreversible impacts.

Environment and Natural Resources
continued

The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The table below describes the risks and mitigations determined by our scenario analysis to improve our resilience.

Physical risks

Present day risk	Orderly Transition	Hot House World	Summary of findings and actions
Extreme weather – Based on materiality, the current year risk analysis was focused on UK operations, excluding other geographical regions in this instance.			
Urban flood (climate impact on supply chain)			
Few existing sites have direct flooding exposure. The main impact arises from disruption to employees travelling to work and disruption to delivery routes.	The level of extreme weather events projected under the Orderly Transition scenario is anticipated to cause an increase in travel and delivery route disruption in the medium and long term.	The level of extreme weather events projected under the Hot House World scenario is anticipated to cause greater travel and delivery route disruption in the medium and long term.	Our analysis anticipates a similar financial impact under both scenarios. **Current and future mitigation options** – Current mitigation measures minimise disruption by rerouting orders from alternative sites. – Higher-frequency disruption would require enhancements to improve delivery resilience. – Ongoing monitoring will enable these changes to be deployed in line with the budget planning process.
Heat stress (energy costs)			
Present day exposure is low for the majority of CFCs. The main impact is on energy usage to maintain food temperature.	Energy usage for CFC cooling is anticipated to increase over the medium and long term. Energy pricing is also expected to increase over the medium and long term. The combination leads to increased costs in the short and medium term, and a significant increase in the long term.	Cooling energy usage is anticipated to increase over the medium and long term to a greater extent than under the Orderly Transition scenario. Energy pricing is also expected to increase over the medium and long term to a lesser extent than under the Orderly Transition scenario. The combination leads to increased costs in the short, medium and long term.	Our analysis anticipates an increase in the cost of cooling under both scenarios. **Current and future mitigation options** – New CFCs are built with increased heat resilience. – Steps would be taken to retrofit legacy sites as part of the renewal process when required. – Ongoing monitoring would enable changes in line with the planning process.

Transition risks

Overview	Risk and mitigation	Short-term impact	Medium-term impact	Long-term impact
Carbon pricing and emissions offsets (energy costs)				
Carbon pricing includes both direct carbon taxes and the cost of offsetting emissions. Aggressive climate mitigation could lead to implementation of carbon tax regimes and an increase in the cost of emissions offset.	Carbon pricing mechanisms currently exist in 40 countries and more than 20 cities, states and provinces, with more scheduled for implementation. Carbon taxes to date have remained relatively low but are expected to substantially increase in line with government climate commitments. Additionally, an increase in the price of fossil fuel could be caused by reduced supply. **Increased capital expenditure costs of CFCs** In the UK, increased cost of carbon intensive materials used for CFC construction (e.g. cement and steel) would likely result in a pass-through of these costs from suppliers, thereby increasing the capital expenditure cost required for CFC construction. Internationally, the responsibility for siting and development of CFC buildings sits with Ocado's OSP partners; as such, Ocado has less direct financial exposure to this risk outside of the UK. Our Re:Imagined scope 3 work is identifying the most carbon intensive areas of the upstream, operational, and downstream phases of the product life cycle, informing our mitigation activities. **Increased operational costs in the UK** The risk of increased operational costs impacts Ocado predominantly in the UK where it has direct responsibility for operation of CFCs. Internationally CFCs are operated by our partners.	Medium	High	High
Fleet transformation				
The replacement of vehicles that are dependent on fossil fuels could result in higher costs. There is also a risk that technologies selected at the outset of a planning process could become outdated and obsolete.	Ocado Logistics operates the fleet which enables Ocado Retail and UK OSP partners to fulfil customer demands. Currently a high proportion of the fleet are diesel vans and we intend to transition these to electric or hybrid vehicles. We are developing a fleet transformation roadmap, which includes collaboration projects with vehicle manufacturers. The UK Government, as part of its transport decarbonisation plan, will end the sale of new petrol and diesel cars and vans (under 3.5 tonnes) by 2030, while heavy goods vehicles (above 3.5 tonnes), and new medium sized trucks (up to and including 26 tonnes) are to be zero emissions from 2035, with the heaviest (above 26 tonnes) zero emission by 2040. The majority of our fleet are vans (under 3.5 tonnes) and trucks (above 26 tonnes). We are a signatory member of the British Retail Consortium ("BRC") Net Zero roadmap and are therefore already committed to decarbonising our fleet by 2035 as part of its strategy. One of the key considerations in developing a fleet transformation roadmap is the timing and scale of investment. Anticipated improvements in battery pack technology and the introduction of subsidies is expected to reduce the cost of fleet transition, however the cost of waiting to transition could adversely affect our reputation. Earlier adoption provides a particular advantage under the Orderly Transition scenario.	Medium	High	High

Environment and Natural Resources
continued

Contents

Risk management

How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Our ERM approach has identified climate risk as a principal risk. The approach to identify, assess and manage this risk on an ongoing basis follows our overall risk management approach which is described within the 'How we manage our risks' segment of this report (pages 86 to 95).

In line with our risk management process, climate-related risks are identified and assessed via top down analysis and bottom up review of operational risk registers on an ongoing basis. During the year we also engaged subject matter experts to obtain additional external information and data to fully assess the climate-related risks.

Amongst other considerations, ongoing climate risk reviews include assessment of impact on products and services; supply chain; mitigation activities; investment in research and development; and operations.

The organisation's processes for identifying and assessing climate-related risks

Climate-related risks and opportunities are identified and assessed in line with our ERM approach. Our approach includes qualitative assessments, which last year reflected the following:

- Desktop identification of 47 potential climate risk and opportunities.
- These were shortlisted through key stakeholder interviews, and further prioritised through climate risk workshops.
- Key risks were classified based on the expected impact. Risk levels varied across the different Ocado business segments. We performed our scenario analysis on the highest-rated risks.
- Risks such as compliance with existing and emerging regulatory requirements related to climate change are considered against principal risks such as Climate (page 95) and Regulatory & Compliance (page 94).

The organisation's processes for managing climate-related risks

Key climate risks are assigned to senior owners in line with ERM practice. Risk mitigation decisions are taken by the ESG Sub Committee and monitored by the ESG Committee. Key risks and mitigation plans are formally reviewed quarterly to ensure they remained relevant and on track.

Our plans for the upcoming 12 months include:

- further adoption of scenario analysis and deployment of additional risk indicators in line with our standard ERM procedures; and
- further development of in-house skills in climate risk management to reduce dependency on external consultancy.

Metrics and targets

The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We have established metrics and targets to enable us to manage and mitigate our identified climate risks and ensure we capitalise on opportunities relating to the transition to a low carbon economy.

We currently use the following metrics to assess climate-related risks:

- CDP rating (page 55)
- GHG emissions (page 53)
  - Scope 1
  - Scope 2
  - Scope 3
  - Carbon intensity measure – Tonnes of CO_2e/100,000 orders (scope 1 and 2)
- Ocado Retail food waste as % of sales (page 56)

Remuneration

ESG has been considered in Executive Directors' personal objectives, including compliance with TCFD, with internal objectives set more broadly around scope 3 baseline and improvement initiatives. Read more about remuneration in the Directors' Remuneration Report (pages 144 to 170).

Scope 1, scope 2 and scope 3 GHG emissions and the related risks.

Our scope 1, scope 2 and scope 3 GHG emissions and the related risks are shown in the table on the right, including for historical periods.

Our GHG emissions were calculated in line with the GHG Protocol methodology wherever possible, and we have adopted standard methodologies such as the GHG Protocol Corporate Accounting and Reporting Standard for emissions reporting, and GHG Protocol Scope 3 Guidance. Refer to our 'Basis of Reporting' document on our website at https://www.ocadogroup.com/our-responsible-business/corporate-statements/ for more information relating to the methodologies, inclusions, exclusions, data integrity, and our planned actions looking ahead.

For Scopes 1 and 2, Ocado has reported a total of 117,484 tCO_2e in emissions for the year 2022, compared to 117,461 tCO_2e in emissions for the year 2021, with emissions remaining relatively consistent over the past two years and only a 0.019% increase from last year.

This year we undertook a detailed analysis of our scope 3 emissions, detailing all 15 categories. The 'Basis of Reporting' document explains the methodology behind each quantified scope category and also our year 1 calculations and emissions. High impact areas include use of sold products such as client CFCs and associated hardware, purchased goods and services such as cloud computing and capital goods such as machinery and equipment and construction works.

GHG emissions

GHG emissions (Tonnes of CO_2e)*	2021/22	2020/21	2012/13
Scope 1 – Direct	96,386	94,912	39,530
Scope 2 – Indirect			
Location-based	21,098	22,549	21,613
Market-based	815	1,385	N/A
Total emissions (Location-based)	117,484	117,461	61,143
Intensity measure (Tonnes of CO_2e/100,000 orders)			
Location-based	458	489	823.4
Market-based	379	401	N/A
Scope 3	457,324	N/A	N/A

* Uses World Business Council for Sustainable Development/ World Resources Institute Greenhouse Gas Protocol: a corporate accounting standard revised edition methodology with an operation control approach, using UK Governance GHG conversion factors.

Under the SECR reporting requirements, we also include Ocado Retail's carbon footprint as a large unquoted company in the table (below).

Ocado Retail total energy consumption for 2021-22 is 2,368,441 kWh. It should be noted that since July 2021 Ocado Retail has been accounting for 100% of consumption at Apollo Court building, against 72% previously due to the building being shared with Ocado Group. Also in the last financial year, business travel has increased, due to fewer travel restrictions.

They have spent the past year working on scope 3 and intend to publish in the coming months. Ocado Retail have also undertaken an independent gap analysis of their operations against the TCFD recommendations to provide a roadmap for full alignment with the objective of how they can further address the risk of climate change.

More details will be published in the following year.

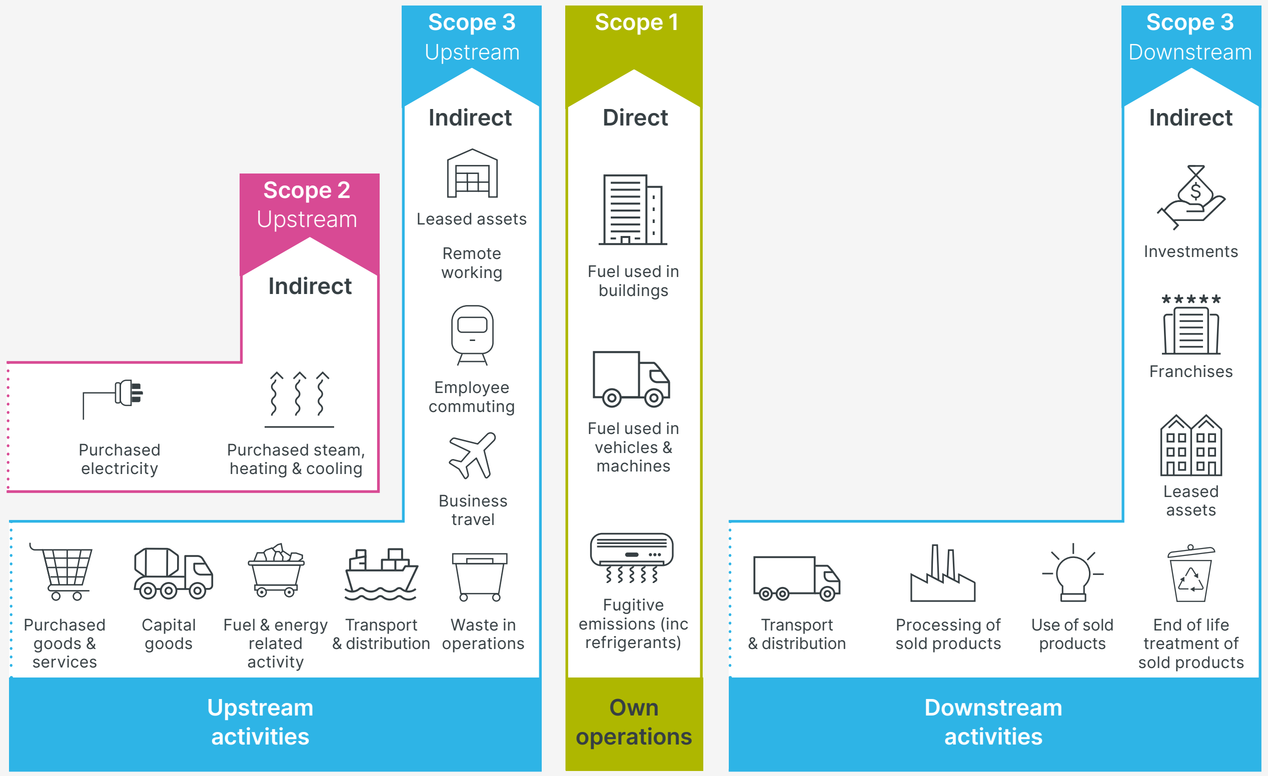
Carbon Emissions	2021/22	2020/21
Scope 1 emissions ($tonnesCO_2e$)	**146.42**	116.73
Scope 2 (location-based) emissions ($tonnesCO_2e$)	**284.21**	215.17
Scope 2 (market-based) emissions ($tonnesCO_2e$)	**–**	–
Scope 3 emissions – business travel where responsible for fuel ($tonnesCO_2e$)	**23.83**	11.51
Intensity Measure – Tonnes CO_2e per 100,000 orders	**2.23**	1.82

Contents

Environment and Natural Resources continued

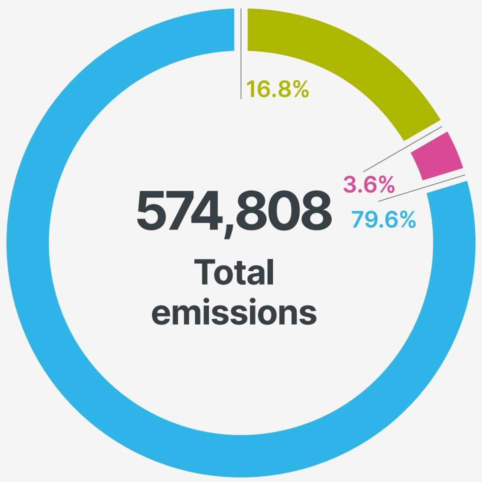
Greenhouse Gas Protocol: description of Scope 1-3 emissions drivers

This diagram shows the drivers of scope 1, scope 2, and scope 3 GHG emissions, as measured under the Greenhouse Gas Protocol.



In Ocado Group context: FY21/22 total GHG emissions footprint

This chart shows the activities which are the key drivers of our GHG emissions within each of scope 1, scope 2, and scope 3.



Key drivers of our footprint

Scope 1 – What we burn and release directly, of which:

89% in fleet operations for UK clients

Scope 2 – What we purchase as energy to power our operations, of which:

98% for electricity related to running premises (mainly UK CFC network)

Reflecting Logistics operations serving UK clients

Scope 3 – What others emit to power parts of our operations, of which:

Downstream: clients using the OSP platform:

48% use of sold products: operational emissions of expected energy use of hardware pieces in CFC modules sold to clients (accounted for over whole of asset's projected life)

Upstream: purchases of equipment or services to run our technology:

16% purchased good & services inc. data hosting and water usage

13% capital goods inc. electrical equipment and machinery, electronic products and UK CFC construction

Reflecting the provision and operations of the global Technology Solutions platform

Our location-based scope 1 and 2 emissions are predominantly UK based with 99.55% of our footprint originating here and only 0.45% from other worldwide operations. These emissions derive mainly from our fleet, accounting for 80.4%, followed by Ocado premises (mainly CFCs) at 19.6%.

We continue to report on CO_2 emissions per 100,000 orders, and look forward to reporting further on our scope 3 progress, recommendation and metrics in future years as that piece of work becomes embedded across the business. Refer to our 'Basis of Reporting' document to understand more about how CO_2 emissions (tonnes of CO_2e) per 100,000 orders is calculated.

This is the sixth year we partnered with the Carbon Trust to carry out a limited assurance engagement on selected GHG emissions data in accordance with ISO 14064:3.

The targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Our carbon strategy, which we published this year, outlines our commitments to becoming a Net Zero business in our operations and value chain, with goals to achieve Net Zero in our own operations by 2035 and within our value chain by 2040.

The following goals are currently measured through our scope 1, 2 and 3 GHG emissions data (see 'Basis of Reporting' document):

- 100% renewable electricity sources by 2023
- Net Zero dry ice by 2030
- Net Zero fleet by 2035
- Net Zero refrigeration by 2035
- Net Zero business travel
- Net Zero waste
- Net Zero transportation and distribution
- Net Zero majority owned investments

We are delighted to have participated in CDP's Climate Change Disclosure Submission for the sixth consecutive year and to have retained our B score for the fifth year running.

CDP
DISCLOSURE INSIGHT ACTION

B	B	B	B	B	C
2022	2021	2020	2019	2018	2017

574,808 tCO_2e

global energy use in 2022 from scope 1, 2, and 3 sources

We use 100% Renewable Energy Guarantee of Origin ("REGO") certified electricity, with the exception of one Ocado Group location and one Ocado Retail location, where electricity is provided by the landlord and therefore is outside of our control.

Transition Plan

Our work relating to scope 1, 2, and 3 carbon emissions has enabled us to understand our baseline. We have plans in place to develop our Net Zero roadmap and interim targets in 2023, building on this work to date, and in the development of our Net Zero roadmap we will consider alignment with the Paris Agreement, to which the UK is a signatory.

Our plans for the upcoming 12 months include:

- managing risks identified through scenario analysis;
- establishing new metrics to assess risk impact; and
- determining the timing and scale of mitigation in line with the business planning process.

New metrics in plan include:

- metrics to measure flood risk by location;
- metrics to measure heat stress risks by location; and
- fleet transformation measures.

Environment and Natural Resources continued

Materiality:

Food Waste: 2

Food loss and waste is recognised as a critical global challenge to address.

Whilst food losses occur mainly in developing countries, food waste occurs mostly in developed countries, where OSP operates. An estimated 17% of total food is wasted at the consumer level (households, grocery distribution and restaurants).

This wastage has wide reaching environmental, social and economic consequences. Food that ends up in landfill generates 8-10% of global greenhouse gas emissions. When food is wasted, so are opportunities for improving food security and improving the environmental footprint of food production and consumption. Food waste is also a direct sales loss for retailers, negatively impacting thin operating margins. So, it is clear that 'solving' the food waste problem represents a significant opportunity.

Retailers have an important role to play. In the UK, 3% of total food waste (by weight) is estimated to be at the retail level.

However, solving this problem is not simple. Consumer demand for constant availability and a full range of choice leads to excessive supply and increased wastage, a challenge that is compounded by imperfect First In First Out processes and poor storage. Pleasing customers and mitigating these challenges requires a combination of sophisticated technologies to optimise inventory management throughout the fulfilment chain, from webshop to home.

Ocado Group has an established track record in this field, evidenced by Ocado Retail's consistently low levels of food waste; historically as low as 0.4% (FY19) as a % of sales.

FY22 at 0.9% of sales (0.6% in FY21) reflects a high level of immature capacity in the mix but, we believe, remains market leading.

This performance reflects a combination of technological sophistication and collaboration.

OSP brings unprecedented accuracy, efficiency and resilience, empowered by scale, better predictive capabilities, a perfect FIFO system, and strong visibility of customer behaviour.

This enables low food waste despite a promising Ocado.com customers a number of days of freshness on all perishable goods, something not available in a store.

As we scale as a global technology solutions provider, our ambition is to enable each of our OSP partners to achieve industry leading levels of food waste in their respective markets.

For our partners, this will drive significant competitive advantage, through both reduced operating costs and improved reputation with their end customers. For Ocado Group, delivering this benefit will improve our competitive moat as a solutions provider and help to drive increased sales with both current and prospective partners.

0.9%

food waste (not sold) as % sales Ocado Retail in 2022, as low as 0.4% at mature sites

Read more about this on page 62

Future.Proof.

Discover more online

Taking leading food waste performance global with OSP.

Proof: We have a track-record of successful collaboration with Ocado Retail to get the best food waste performance out of OSP and many of our other clients have big ambitions in this area.

We're collaborating on this topic across the OSP 'club' through (1) multilateral discussions hosted as part of the 'OSP club' network (2) partner specific support provided by client success teams.

Future: In 2023 we're focused on working with clients to determine the most appropriate KPI for measuring OSP-enabled food waste performance, on a global scale, as more sites scale.

Materiality:

Operational Waste

As we begin to formulate our Group Waste Strategy, work has continued to measure current activities, at both our operational sites across the UK and at our Head Office campus.

At operational sites, over the period, we have continued to attain 51% waste recycling and 100% landfill diversion and over the next financial year, we aim to continue improving upon this and set both strategy and targets, working in collaboration with colleagues and supplier partners.

At the head office campus, data collected with our partner Recorra shows an average recycling rate of mid-high 60's during the year, with efforts specifically directed at separating materials at source such as food, security paper, glass, WEEE (electrical), wood and metal, as well as consistently ensuring hazardous waste is correctly disposed of. By separating the different waste streams, waste can be handled and disposed of in its best form – enabling minimal contamination and high quality thereby ensuring as much of our waste as possible is effectively recycled and transformed into new products with minimal loss of resources as possible.

We will continue to closely measure and target improvements over the next financial year. Activities to support improvements include introducing as many waste streams to each of our buildings as possible, increasing signage, greater awareness and education with colleagues and using statistics & reporting to help us measure our journey and ensure improvements continue to be made.

Materiality:

Equipment Lifecycle and Circularity

As part of our commitment to a sustainable future, we have begun to better map and understand the lifecycle of our assets and products. It is still very early in our journey, and we appreciate that for this to be embedded in the business it requires significant time, effort and commitment. We continue to evaluate how the work done in 2022 can be leveraged in the area of lifecycle circularity.

CFC Building Lifecycle

We have started an assessment of a typical CFC building in line with EN 15978, to better understand the impact of their design, construction, operation, and disassembly.

We expect this work will identify opportunities to reduce the lifecycle impact of new build CFCs; for example, by reducing or reconfiguring the operational design of the CFC through advancements in our technology.

In a typical OSP contract, the Client Partner is responsible for the build and ongoing operations of the CFC warehouse (e.g. cement floor or fridge plant installation, ongoing utilities), whilst Ocado Group installs, owns and operates the MHE equipment within the CFC. As a result, any opportunities to reduce lifecycle impact can benefit Group directly (where MHE is involved) or indirectly, through the potential to share learnings with partners.

Efficiency performance

Alongside and as part of the verification of our GHG emission calculations, we have begun looking at modelling and forecasting different scenarios of energy usage for the various automation solutions of our OSPs. We have also begun looking at the design phase and looking into how we can design products to maintain or increase performance with the same or lower energy use.

Engagement

The Scope 3 work we undertook in 2022 brings valuable insight to the discussions about carbon and lifecycle impacts that we started with our core suppliers in the year. This insight will enable us to build on these discussions in 2023, moving towards our shared goal of collaborating more fully on areas related to the lifespan of materials and circularity of replacements in our material handling equipment.

RESPONSIBLE BUSINESS

Platform resilience and innovation

Delivering a resilient, scalable, platform and business requires active management of the complex governance and information technology related operating risks present today.

A key part of delivering on client commitments, is providing our Client Partners with a resilient and scalable platform, able to cope with the complex governance and information technology related operating risks present today.

Doing this requires proactive management of material issues ranging from Responsible Sourcing, Business Ethics & Governance, including the Ethics of AI & Robotics, Data privacy, cybersecurity and product quality and governance, so that we can continue to deliver leading service to our Client Partners across our technology solutions and logistics operations.

These material issues overlap heavily with our Principal Risks (Supply chain, Cybersecurity etc). Though we do not anticipate that strong management of these areas will, in itself, drive incremental business for Ocado Group, failure to manage these risks to the appropriate industry standards could significantly impact the operational success of our business, with consequences ranging from business disruption and reputational damage, through to regulatory impacts and fines.

Read more about this pages 86 to 95

We explore operational progress and sources of future focus, in each of these areas, below.

Materiality:

Responsible Sourcing

We are committed to respecting and supporting the internationally recognised human rights encapsulated in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Throughout our operations, we seek to prevent the infringement of human rights and commit to addressing any adverse human rights impacts we identify as prescribed by the UN Guiding Principles on Business and Human Rights. We support the elimination of all forms of forced and compulsory labour and support the protection of labour rights that promote safe and secure working environments for all workers.

The materiality assessment undertaken in recent years, engaging with all of our key stakeholder groups to reassess and prioritise our most material sustainability issues, identified 14 materiality issues key to our operations, this included responsible sourcing. As part of the ESG governance and reporting framework, we set up a cross functional working group during this reporting year to ensure that responsible sourcing is regularly discussed and developed within the company in a holistic manner.

During 2022 we launched a responsible sourcing programme focused on our Ocado Technology manufacturing hardware supply chain.

This programme is managed by a newly hired responsible sourcing team and covers key product categories that make up our OSP solutions. We have been actively working to better understand the forced labour risks in our supply chain and how to take action to mitigate them through enhanced due diligence for high risk markets.

During the reporting period we established a strong foundation for human rights due diligence under our responsible sourcing programme. We created a process for including labour and human rights into supplier selection criteria via a pre-qualification questionnaire that includes a series of questions that incoming suppliers are required to answer.

To qualify as a business partner, potential partners must demonstrate they meet the minimum standards set out in our new supplier code. This code sets out our requirements of suppliers and incorporates international labour and human rights principles and aligns with the Responsible Business Alliance Code of conduct. It requires direct suppliers to comply with international standards and applicable laws and regulations relating to forced labour, and cascading of the code to their sub-suppliers. We are in the process of implementing a risk-based approach to alignment, verification and monitoring of our supplier code.

To help us monitor suppliers during our contractual relationship, we partnered with EcoVadis, leveraging the widely recognised EcoVadis evaluation tool to provide increased visibility and insights into supplier performance on human rights, ethics and supply chain management. We have screened over 380 suppliers for inherent risk utilising the platform, and are prioritising further due diligence.

We acknowledge that understanding the deeper tiers of our supply chain is a crucial step in prioritising our efforts to minimise adverse human rights and forced labour risks, and to drive positive impact. To address this, we have launched a supply chain mapping project with SupplyShift to map our tier 1 suppliers in 2023, with plans to cascade down the chain for selected components and materials.

We are members of techUK, a trade organisation with over 940 member companies from the tech sector across the UK. We actively engage with their responsible business conduct group.

Additionally, as part of our efforts to increase external stakeholder engagement on modern slavery and human rights, this year we became active members of Business for Social Responsibility (BSR). They have provided tailored support on our responsible sourcing strategy, and a platform to engage with industry peers on shared challenges through working group forums.

During this financial year we also developed and implemented a modern slavery awareness training course for our own business operations. To date more than 7,600 employees have completed and passed the training. In Ocado Technology, we trained internal supply chain procurement and manufacturing teams on the Supplier Code of Conduct.

Furthermore, we continue to maintain an independent and confidential whistleblowing hotline, which is open to employees and third parties that may need to report any wrongdoing or illegal practices.

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

Materiality:

Data privacy

Data compliance is a topic of critical importance to Ocado. As a Solutions provider, we act as Data Processor for our OSP partners, in addition to Data Controller for the personal data of our People. In each of these roles, we have a quality improvement programme in place to monitor compliance with data privacy laws, based on transparency, data minimisation and privacy by design principles. We work to a global privacy standard and apply common privacy requirements across all Ocado entities with variances only as required by local law. We have an annual data privacy programme to review compliance throughout the year and make sure data privacy obligations are embedded into the culture of the organisation.

Governing and supporting this work are:

- overarching Data Privacy Pillars, aligned with Ocado's values
- executive director level responsibility which sits with our Group General Counsel
- a Personal Data Committee which supports and drives the data privacy governance agenda, reports to the Board, and is accountable to the Audit committee
- data privacy and security teams led by a Data Protection Officer (DPO) and Chief Information Security Officer (CISO)
- data champions within each business unit, who (alongside their day job) act as ambassadors to further foster privacy as a core organisation concept

We also have annual data privacy and security training for all employees and Board members, as well as standards in place for employees to adopt when required to introduce or make changes to a process, project, system implementation or upgrade, based on the European Data Protection Board's (EDPB) guidance on Privacy by Design and Default and Data Protection Impact Assessments (DPIA).

Like our processing activities, these standards are audited annually.

Future. Proof.

Policy in action

Data privacy is in focus throughout new client onboarding, such as with Lotte Shopping, our most recent signing in South Korea. Proof: Key stages in action: Pre-contract negotiation stage: Ocado DPO presents Ocado's approach to data privacy.

Onboarding a Client: Frequency of meetings between Ocado's DPO and the Client's DPO / Privacy Specialist will be determined by the Client and a Record of Processing will be made available to the client setting out the activities carried out on their behalf in relation to the processing of personal data.

Ongoing liaison with Client: Updates are made to the Record of Processing when changes are made to processing activities. Division of responsibilities are set out between Ocado and the Client, where Ocado is acting as a data processor and the client is the data controller. The client is given access to a portal which sets out privacy practices in relation to OSP, including Ocado's data breach notification process for notifying clients in the event of a personal data breach.

Future: Safe, secure, platform, for long-term success.

Platform resilience and innovation continued

Materiality:
Cybersecurity

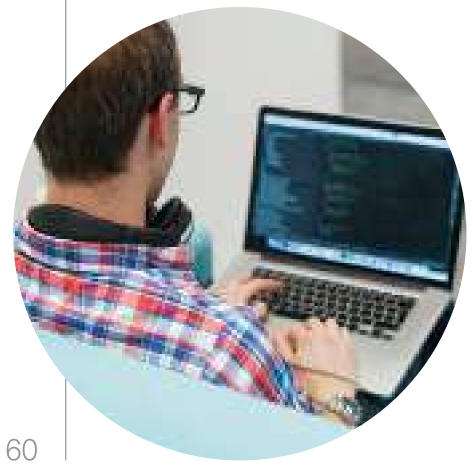
We risk the loss of critical assets and sensitive information as a result of a cyber attack, insider threat, or a data breach. This could result in business disruption, reputational damage, significant fines or the loss of confidential business information.

The continued evolution and growth of Ocado as a global technology solution provider has increased the likelihood of Ocado being the target of a cyber attack. Cyber attacks have continued to evolve, globally, in 2022, increasing in both frequency and sophistication. These changes, as well as the uncertainty due to the war in Ukraine have led to an increase in the risk of a cyber incidents.

To address this risk, we have a security program in place that covers both our corporate systems and the Ocado Smart Platform and includes:

A defined security governance framework, overseen by the Information Security Committee

- External audit of our security framework through our SOC 2 compliance program
- A proactive awareness program to educate all employees on cybersecurity risks
- A dedicated security operations team to detect and respond to security incidents
- A vendor assurance program to manage third party cyber risks.
- Regular security testing of our applications and infrastructure.
- Secure by design: baking security into our software development process.



Materiality:
Business & Ethics

Maintaining and building on our compliance framework is critical to supporting our aspiration to conduct business to the highest standards of honesty and integrity. Plans for, and results of, this work, including key compliance metrics, are regularly reported to the Board, Audit Committee and Risk Committee.

In 2022, our focus was on ensuring that our framework continues to mature in line with the needs of our growing organisation by:

- Reviewing a number of our existing compliance policies to ensure they remain fit for purpose and updating them as required to reflect global requirements.
- Improving accessibility by translating a number of compliance policies and training modules into the core language requirements of our employees.
- Updating our compliance platform, which brings together all compliance materials in one carefully designed location.
- Launching a new conflicts of interest training module and refreshing our annual code of conduct module.
- Increasing the maturity of our fraud compliance framework by updating our policies and guidance and running a training programme to help embed the key principles at Ocado.
- Evolving our communication approach in line with the way we communicate as a business, with a focus on bespoke messaging across core audiences and trialling different formats to increase knowledge and awareness of core compliance topics.

Encouragingly, the results of our business-wide compliance survey showed another increase in knowledge and awareness of compliance topics across the board. The survey also provided an opportunity for employees to feed back on the compliance framework and related activities; information which will be used with other sources to inform the compliance roadmap for the year ahead.

Our Code of Conduct

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

Our Code of Conduct, which was refreshed during the year, explains how it is important for all of our employees to comply with our minimum standards and expectations.

It is also a useful reference point for aspects relating to individual conduct, working relationships and company property and resources.

Find this online
https://ocadogroup.com/media/2b4lfrqn/code-of-conduct-2022.pdf

Whistleblowing

We are committed to practising good business and we do this through creating an open and transparent culture in which to work. To help our employees understand what whistleblowing is and how to make a report without the fear of retaliation or reprisal, we have our Whistleblowing Policy.

Our awareness campaign this year focused on encouraging employees globally to report wrongdoing to either their manager or their People Partner, or by using our confidential whistleblowing service operated by independent third-party specialist, Navex Global. Our whistleblowing initiative, known internally as "Speak Up", allows employees and third parties to report a concern by phone or the website 24/7 throughout the year.

Anti-Bribery and Anti-Corruption

Our Anti-Bribery and Anti-Money Laundering policies were reviewed and remain fit for purpose. These policies and our public-facing Anti-Bribery Statement reiterate our zero-tolerance approach to bribery and money laundering and outline the standards we expect of those working for us. The Anti-Bribery policy also details our position in respect of giving and receiving gifts and hospitality and how to report and record such matters and is further supported with practical guidance. The policy also details key principles to apply when contracting with third parties, which is supported by an update to the supplier set up form made during the year. New starters receive training to help them identify and manage the risk of bribery as part of their induction and existing employees receive refresher training on the topic both biennially as part of our topic- specific refresh programme, and annually as part of our wider Code of Conduct training programme. Our expected standards in respect of anti-bribery and other compliance topics are set out in our standard purchasing terms and conditions and our Code of Conduct and confidential reporting channels are provided.

You can view key corporate policy statements on our website.

Find this online
https://www.ocadogroup.com/our-responsible-business/corporate-statements/

Materiality:
Ethics of AI and Robotics

As our business increasingly makes use of AI or robotic systems to support decision making and deliver tasks, it is important that we do so in a responsible way. This means holding these systems to the same standards we expect of Ocado employees.

It also helps us prepare for forthcoming regulation like the EU AI Act.

Bringing together a range of disciplines – including data, engineering, product, UX, research, legal, risk, privacy – resulted in the following commitments:

When developing and deploying AI & robotic AI systems at Ocado, we will:

Fairness

- Use high quality & representative datasets, and mitigate against unfair bias.

Transparency & Explicability

- Ensure these systems are well-documented, and that we are able to demonstrate reliability and track back issues.
- Provide an easily understandable explanation of how these systems work to users.

Governance

- Ensure appropriate accountability structures are in place before internal or third party systems are deployed.
- Regularly monitor systems to check performance.

Robustness & Safety

- Make privacy and security integral to design.
- Assess safety considerations and build in appropriate safeguards.

Impact

- Ensure any interaction with people (directly or indirectly) is conducted with respect and empathy.
- Consider the impact of automation on affected staff, communicate in an upfront way and provide opportunities for reskilling where possible.

Ocado teams will incorporate these commitments into their ways of working and take responsibility for any appropriate actions. A team-centric approach ensures our approach is flexible, practical and proportionate to the risk level of the project in question.

Our responsibility commitments are already having an impact on how we document and explain AI and Robotics systems. The Technology team has developed a comprehensive internal registry of projects to support better governance. And we're working to boost explainability of machine learning (ML) models, which is business critical for addressing any adoption concerns our clients might have.

Materiality:
Product quality and governance

One of our key responsibilities in providing OSP is delivering hardware for clients. Delivering a high quality product means good platform longevity, and customer satisfaction, as low cost.

To successfully do this requires the right practice and organisation as well as PLM (product lifecycle management) applications.

PLM applications are used at an enterprise level, to manage 'product defining data' through the entire product lifecycle. They act as a central repository for data shared across the enterprise – in our case, from Ocado Technology through to Engineering Supply Chain (PI) into Engineering Operations (CS) – and are designed to allow effective integration into other tools, to facilitate sharing and validation of Engineering Data whilst reducing errors in data sets.

This application improves data quality across all applications and processes that drive delivery to clients, minimising downstream interventions, which can create service disruption and additional unplanned costs.

In 2022 we progressed a more sophisticated PLM strategy, to significantly reduce downstream costs of supporting products on site, leveraging two concepts:

- **digital thread** which, through processes and tools used for communicating data in a connected way through an asset's lifecycle, enable us to recreate the product at any point in time throughout it's life
- **digital twin** which, is a representation of the product virtually at any point in time

For all products where Ocado owns the IP, we establish the 'digital thread' across the lifecycle, connecting initial business requirements through design & manufacture to maintenance, repairs & operational performance in the field at Client Sites. In being able to determine the configuration of any deployed product at any point during its life cycle, we can then use the same functionality to assess possible future configurations and so accurately predict impacts. This supports us to provide leading customer service across our OSP platform, whilst eliminating wasted time, effort and cost re-inventing solutions.

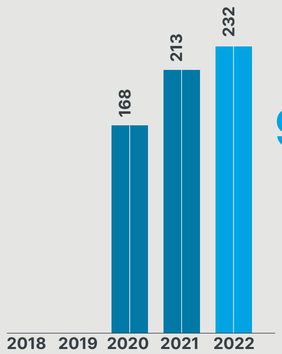
Group Key Performance Indicators

Group KPIs reflect aggregate performance across our reported segments. Read more about how these, and our key segmental drivers (pages 38 and 39) are considered in both Directors' remuneration report on pages 136 to 169 and Our strategy at a glance pages 26 and 27.

1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Deliver on our client commitments
5. Responsible business approach

Group financial KPIs

Number of modules ordered



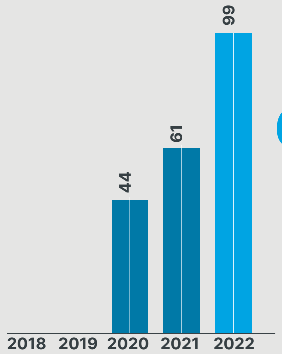
9%

Why we use this measure

Measures cumulative modules of capacity for which a contractual agreement has been signed with a partner and an invoice issued, providing near to medium-term visibility of ongoing capacity build.

Link to strategy

Number of modules live



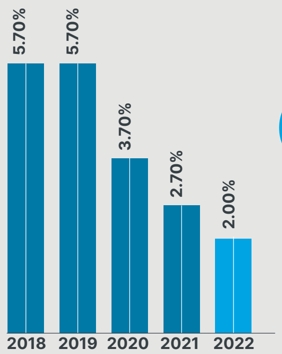
62%

Why we use this measure

Measures cumulative modules of capacity installed and ready for use by OSP clients which, in turn, drives recurring Solutions revenue.

Link to strategy

Direct operating cost (% of site sales)



(25)%

Why we use this measure

Measures exit rate position at the period end for the Group's site level operational costs, including engineering, cloud, and other technology support costs.

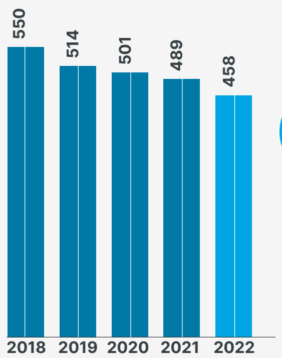
Link to strategy

Read more on Our strategy at a glance **pages 26 and 27**

Read more on Responsible business approach & priorities **pages 36 and 37**

Group non-financial KPIs

Tonnes of CO_2e/100,000 orders (Scope 1 and 2)



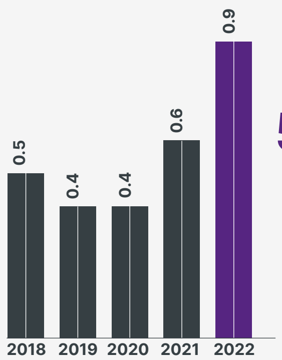
(6)%

Why we use this measure

Measures the Greenhouse gas emissions intensity (direct and indirect) of our total business operations.

Link to strategy

Food waste (% sales), Ocado Retail



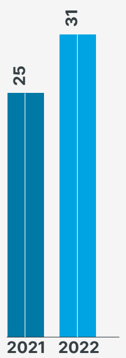
50%

Why we use this measure

Measures efficiency of Ocado Retail operations, as enabled by OSP technology, in terms of waste minimisation: the lower the better.

Link to strategy

eNPS (Technology Solutions)



Why we use this measure

This is a scoring system widely used in industry designed to help employers measure loyalty and satisfaction of workers within organisations.

Link to strategy

Read more in Directors' remuneration report **pages 144 to 170**

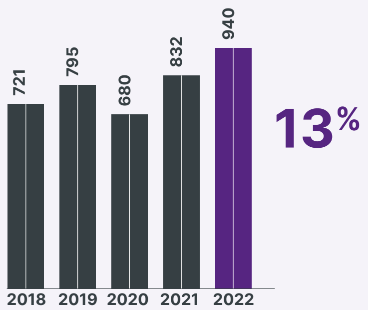
Contents

Key drivers of segmental performance

Key segmental drivers determine and reflect performance in our individual operating segments. In turn, these inform or combine together to drive outcomes in Group KPIs detailed on the previous spread. These metrics are broadly discussed in our overview of Strategic progress on pages 1 to 5.

Ocado Retail

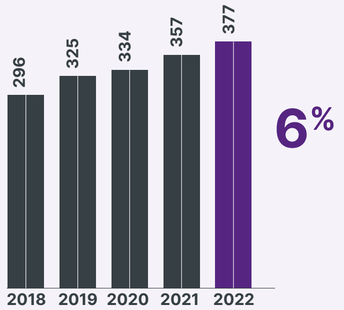
Active customers (000s)



Why we use this measure

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

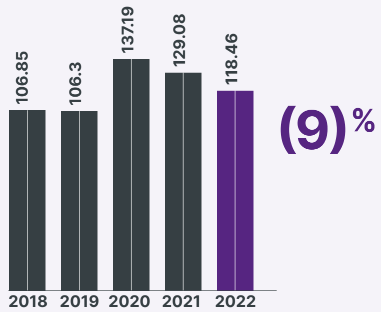
Average orders per week (000s)



Why we use this measure

Measures order growth in the Ocado Retail business.

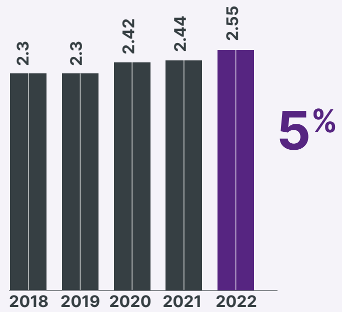
Average basket value (£)



Why we use this measure

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

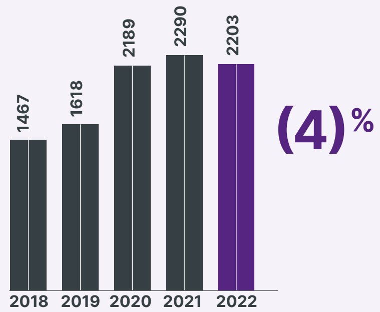
Average selling price (£)



Why we use this measure

Measures impact of price inflation on average shopping basket for Ocado Retail.

Revenue (£m)

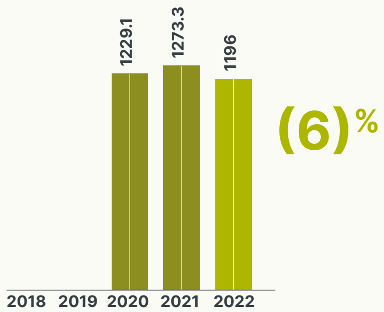


Why we use this measure

Measures revenue growth of the Ocado Retail joint venture.

UK Solutions and Logistics

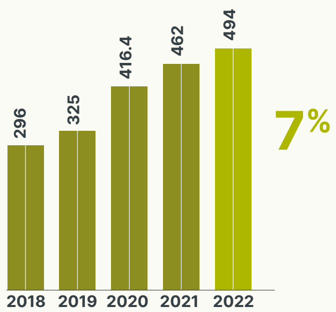
Total eaches (million)



Why we use this measure

Measures total units of volume fulfilled for UK clients, the key driver of changes in cost recharges revenue.

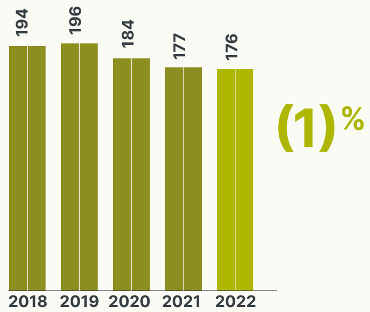
Orders per week (000s)



Why we use this measure

Measures order growth across UK clients (Ocado Retail and Morrisons).

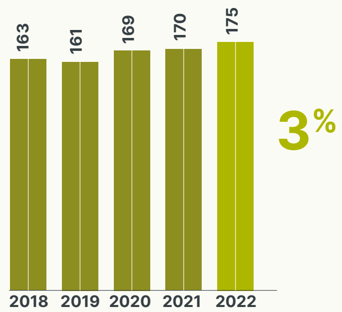
Average deliveries per van per week



Why we use this measure

Measures efficiency of our service delivery operation.

Mature site UPH*

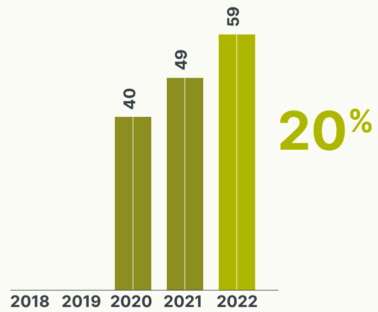


Why we use this measure

Measures CFC operational efficiency.

* Note: UPH only includes mature UK sites Hatfield, Dordon, Erith and Bristol (CFCs 1, 2, 4, 5)

Number of modules live

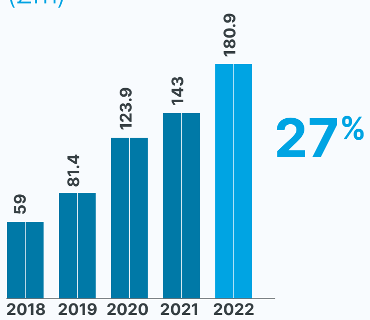


Why we use this measure

Measures CFC operational efficiency.

International Solutions

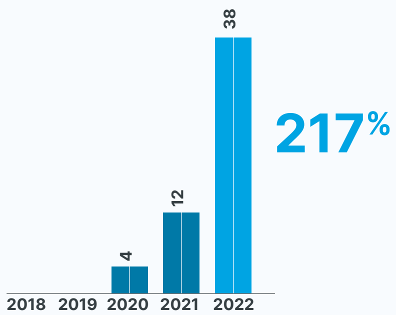
Invoiced fees (£m)



Why we use this measure

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

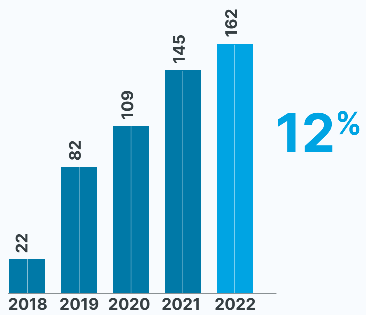
Number of modules live



Why we use this measure

Measures cumulative modules of capacity installed and ready for use by OSP clients outside of the UK which, in turn, drives recurring segment revenue.

Number of modules ordered



Why we use this measure

Measures cumulative modules of capacity for which a contractual agreement has been signed and an invoice issued, to partners outside the UK, providing near to medium-term visibility of ongoing capacity build.

STRATEGIC REPORT

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OCADO GROUP PLC Annual Report and Accounts 2022

BUSINESS UNIT

Technology Solutions

Our technology platform business providing OSP to currently 12 partners around the world. The activities of this business span from product ideation and development, technology and services implementation and management, to sales and client relationship management.

An interview with

James Matthews,
CEO Technology and
Luke Jensen,
CEO of Solutions

Q. What does your business do?

JM: Our Technology Solutions division is responsible for bringing Ocado's unique technology capabilities to the operations of the world's most ambitious grocery retailers. We apply more than 20 years of cutting edge research & development to some of the biggest challenges facing retailers. We also bring to bear our experience delivering large, complex infrastructure projects across diverse global markets, and to run sophisticated online operations across multiple retailers, banners, and countries – all on a single platform.

LJ: We are bringing unparalleled knowhow in online grocery to the operations of our partners. In the world's fastest growing grocery channel, our Technology Solutions business enables partners to outcompete in their markets. With our world leading products, combined in the Ocado Smart Platform, we are bringing a world-class customer proposition, and proven, positive economics to our partners across a growing number of markets. We are constantly driving new innovations into our platform, drawing on collective learnings and experience of a diverse range of grocery markets worldwide.

Q. What were the highlights of 2022?

JM: In January 2022 we unveiled the next generation of our technology at Ocado Re:Imagined, with seven key innovations that represent the next leap in OSP platform performance. The team has been working hard to deliver these innovations by the end of 2023.

LJ: This year has been another time of expansion. Our CFC programmes continue to roll-out at pace around the world and we welcomed our 11th and 12th partners to our unique "OSP leadership club" of grocery retailers powering their business with Ocado's technology. We're excited that both of our new partners will benefit from enhancements announced at Ocado Re:Imagined. This year we also announced a Joint Venture with Groupe Casino, opening up our technology to all grocery retailers in France.

Q. What were the biggest challenges?

JM: There have been the obvious challenges around delivery in the global supply chain and a tightening of labour markets but Ocado is still attracting a really strong talent pool and we're firmly establishing ourselves as an employer of choice for top tech talent to support future growth.

LJ: No sector has been immune to some of the macro challenges bearing down on the global economy this year, and trends in grocery are often bellwethers for wider market dynamics. Despite these, our Technology Solutions business has grown at pace with our current partners and we have signed new deals in exciting markets.

Future. Proof.

In November 2022, Ocado Solutions signed a partnership with Lotte Shopping to develop Lotte's online business in South Korea.

Proof: Lotte Shopping operates more than 1,000 stores nationwide with an annual revenue of 15.6 trillion KRW (£9.5 billion).

Future: Ocado and Lotte will develop a nationwide fulfilment network, with six CFCs planned by 2028. Ocado's ISF solution will also be rolled out across Lotte's store estate. This partnership brings news technologies announced at Ocado Re:Imagined and introduces multi-storey CFCs for the first time. This innovation features OSP grids installed on multiple levels, unlocking a wider range of property types for CFCs and enabling more efficient use of space in densely-built environments.

Discover more online

Overview of performance in the year

We continued to successfully roll out OSP for our Client Partners, with total modules live growing by 62%. At the same time, we have reduced direct operating costs (engineering and cloud costs) at live OSP sites to 2% (2.7% in 2021), well on the way to our 1.5% mid-term (four to six years) target. Although modules ordered grew more slowly (+9%), we added two high quality clients to our 'club', and we are confident that our work to both support live clients to make the most of OSP and drive step change innovation, with Re:Imagined, will support healthy growth in the long term.

Outlook

As we continue to go live with more sites around the world, and ramp up those already live, for partners, we expect to see continued strong growth in Solutions revenue, with EBITDA® break-even now on the horizon. During the year, we set out our ambitious mid-term (four to six years) growth plans in grocery, and we look forward to expanding into the wider ASRS opportunity-set in the near future. Read more about our mid-term targets in our 'Ocado Group modelling seminar' (May 2022) and 'Ocado Group cash flow seminar' (Nov 2022) materials found on the group website.

Mid-term target (4-6 yrs)

£590m
EBITDA®

£350m
net cash flow sufficient to fund growth of >20%

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BUSINESS UNIT

UK Logistics

Our industry leading 3PL business, operating in the UK for Ocado Retail and Morrisons. Through the provision of logistics services in the warehouse and on the road, the business enables optimised efficiency and customer service in delivery of the online offering for these clients' end customers.

An interview with

Brian McClory Managing Director, Ocado Logistics

Q. What does your business do?

The Logistics business operates and optimises Ocado Group's platforms in the UK to deliver maximum client and customer value. We run a cost-plus model; costs incurred to operate the online business (in the warehouse or on the road) are recharged to clients and a fixed management fee levied on these costs.

Q. What were the highlights of 2022?

We successfully brought live Bicester CFC and three further Zooms in London and Leeds for Ocado Retail, on plan, and have consistently achieved operating efficiency in Andover and Purfleet CFCs above the targeted 200 UPH for pre Re:Imagined sites, a benefit that is passed on to clients.

Q. What were the biggest challenges?

Inflationary pressures related to utilities have been significant, requiring tight collaboration with UK partners to navigate fast rising and volatile pricing across electricity and dry ice, in particular.

Mid-term outlook (4-6 years)

c.£30m
EBITDA®

c.£40m
free cash flow

Overview of performance in the year

In a year characterised by near-term inflationary cost pressures and volume challenges for our clients, we continued to collaborate with them to navigate these challenges, whilst delivering improving efficiencies. UPH improved across our CFCs, and our latest sites delivered above our stated 200 UPH target. These underlying improvements are passed on to our clients and support their healthy long-term margin trajectory.

Reflecting the cost-plus nature of the service model, the business achieved EBITDA® of £35m, broadly consistent with 2021, on revenues (largely cost recharges) a little over £700m.

Outlook

In the near term, we will continue to collaborate with our partners to navigate through utility driven cost pressures in the UK. As we enable them to successfully scale, with improving operational efficiency and leading customer service levels, we expect the business to see consistent revenue growth, with the stable EBITDA® and cash flow generation of a 3PL model.

Read more about our mid-term (four – six years) targets in our 'Ocado Group modelling seminar' (May 2022) and 'Ocado Group cash flow seminar' (Nov 2022) materials found on the group website.

Future. Proof.

Delivering leading efficiencies for clients.

Proof: In our latest UK sites, Andover, Purfleet, and Bristol, we have already achieved above our targeted 200 UPH (before the benefits of Re:Imagined) for fulfilment efficiency, with Andover achieving around 220. As these costs are recharged to partners, the benefits of increased operating efficiency, whether in the CFC or on the road, are naturally passed on to clients as part of the operating model.

Future: We expect the increased automation benefits of Re:Imagined to enable an >300 UPH in our OSP warehouses. Building on our strong operational track record, we're confident we can deliver this for clients.

Ocado Retail

A pure play online grocery retail business serving big basket and immediacy shopping missions to 940,000 customers in the UK. A 50:50 joint venture with Marks & Spencer Group plc.

An interview with

Hannah Gibson CEO, Ocado Retail

Q. What does your business do?

We are a 50:50 joint venture between Marks & Spencer Group and Ocado Group, bringing UK consumers a leading proposition in online grocery through Ocado.com, our big basket grocery offer, and Ocado Zoom, our fast-growing immediacy service.

Q. What were the highlights of 2022?

We significantly grew our active customer base (customers who have shopped in the last 12 weeks), to 940,000 customers, +13% from 832,000 the year before, reflecting continued demand for online grocery in the UK. Our market share of the online grocery channel increased to 12.3% in 2022 from 11.7% in 2021 (Nielsen).

Q. What were the biggest challenges?

The volume headwind of customers reverting to smaller basket shops, following the pandemic, was further exacerbated by the cost of living crisis. This saw customers increasingly manage their total cash grocery spend during the year, which meant smaller baskets and reduced frequency. In addition to this, the business has been navigating near-term inflationary cost pressures, including utilities.

Mid-term outlook (4-6 years)

£270m
EBITDA®

£160m
annual cash flows, sufficient to fund growth of >20%

Overview of performance in the year

Underlying progress was encouraging, reflected in strong customer growth and efficiencies achieved in our latest sites. However, challenges associated with smaller basket shopping, increased marketing costs, and inflationary cost pressures were significant. These near-term pressures drove Retail EBITDA® to around breakeven, down from £150m and a 6.6% EBITDA® margin achieved in 2021.

Outlook

In 2023, Ocado Retail is focused on a Perfect Execution programme; delivering unbeatable choice reassuringly good value, and with leading customer service, to drive continued strong growth in active customers.

The business will also no longer be comparing against larger basket shopping behaviours in the second half of the year, which will support a return to volume growth, improved capacity utilisation and reduced costs relative to sales.

Ocado Retail is confident in the strong recovery in the mid-term (four – six years). The path to >£3.9 billion in revenue is largely invested for, and customer numbers and increased utilisation of available capacity will underpin a recovery to high-mid single digit EBITDA® margins.

Read more about our mid-term (four – six years) targets in our 'Ocado Group modelling seminar' (May 2022) and 'Ocado Group cash flow seminar' (Nov 2022) materials found on the Group website.

Future. Proof.

New leadership to navigate near-term challenges and deliver on Ocado Retail's long-term ambitions.

Proof: In September 2022, Hannah Gibson took over as CEO of Ocado Retail. She brings over 10 years of experience at Ocado Group, ranging from senior customer, commercial and technology roles, most recently as Chief Product Officer for Ocado Technology, where she set the strategy and drove forward OSP for Ocado Group's partners. Before the launch of Ocado Retail as a joint venture with M&S, she was also Head of Ocado Zoom, the leading service delivering groceries in up to 60 minutes, taking the proposition from concept to launch in two years, and Head of Product & Merchandising on the Ocado Retail leadership team.

Future: Under her experienced leadership, Ocado Retail is ready to navigate near-term challenges and deliver on Ocado Retail's long-term ambitions.

Financial Review

"In 2022, we successfully accelerated the roll-out of OSP for partners around the world and strengthened our balance sheet to support delivery of our future growth plans. Ocado Retail showed resilience navigating significant near-term trading pressures"

Stephen Daintith
Chief Financial Officer

Revenue increased 0.6% to £2,513.8m (FY21: £2,498.8m):

- **International Solutions grew strongly, up 121.9% to £147.8m**; a further eight international CFCs went live in the period. We now have 12 live international sites (FY21: 4 sites) and 38 live modules (FY21: 12 live modules).
- **UK Solutions & Logistics revenue was up 13.0% to £802.7m**; UK Logistics volumes were down 6%, but significant cost inflation resulted in a 12.5% increase in cost recharges to our UK partners, increasing to £630.7m. UK Solutions fees grew by 14.9% to £172.0m as a further 12 modules of sales capacity went live, including three in Retail's new Bicester CFC, taking us to a total of 61 live modules in our CFCs (FY21: 49 live modules).
- **Ocado Retail revenue declined by 3.8% to £2,203.0m** in a challenging market as we see the unwind of the covid impact and normalised consumer behaviour, leading to smaller baskets, exacerbated by the cost-of-living crisis. There remains strong demand for Ocado Retail with active customers growing by 13.0% over the year to 940,000 customers.

Gross profit and other income of £1,065.0m increased by 2.4% compared with the prior year (FY21: £1,040.0m), with a gross margin improvement in the period; up 0.8ppts from 41.6% to 42.4% as the growth in contribution from the higher gross margin International Solutions business offset the reduction in the Retail gross margin.

Distribution and administrative costs grew by £161.0m to £1,137.7m (FY21: £976.7m) as the business continues to expand in the UK and internationally.

EBITDAⒶ for the period was a loss of £(74.1)m (FY21: profit of £61.0m) with the £135.1m reduction driven by a £154.4m fall in Retail EBITDAⒶ.

Statutory loss before tax of £(500.8)m increased by £323.9m from the prior year's loss of £(176.9)m, reflecting the £135.1m decline in Group EBITDAⒶ, and after including depreciation, amortisation and impairment charges of £348.6m (FY21: £240.5m), net finance costs of £48.2m (FY21: £42.3m), and net exceptional costs of £(29.9)m (FY21: income of £42.8m). Each of these movements are explained below.

Strong balance sheet, with cash and cash equivalents of £1.3 billion as at the end of the period, supporting our significant UK and International growth plans. Net debtⒶ at the end of the period was £(577.1)m (FY21: £(359.8)m net debtⒶ). In June 2022, the Group successfully raised additional gross liquidity of £878.2m, comprising a £578.2m equity placing and a new three-year £300.0m revolving credit facility, providing a healthy liquidity position today of circa £1.6bn and securing the funding of our future growth plans.

Financial results

£m	FY22 Pre-exceptional	FY22 Exceptional items	FY22 Total statutory reported	FY21 Pre-exceptional	FY21 Exceptional items	FY21 Total statutory reported	Pre-exceptional change
Revenue	**2,513.8**	**–**	**2,513.8**	**2,498.8**	**(0.5)**	**2,498.3**	**0.6%**
Gross profit and other income	1,065.0	73.8	1,138.8	1,040.0	79.2	1,119.2	2.4%
Distribution and administrative costs	(1,137.7)	(103.7)	(1,241.4)	(976.7)	(34.3)	(1,011.0)	16.5%
Share of results from joint ventures and associates	(1.4)	–	(1.4)	(2.3)	–	(2.3)	(39.1)%
EBITDAⒶ	**(74.1)**	**(29.9)**	**(104.0)**	**61.0**	**44.9**	**105.9**	**(221.5)%**
Depreciation, amortisation and impairment	(348.6)	–	(348.6)	(238.4)	(2.1)	(240.5)	46.2%
Net finance costs	(48.2)	–	(48.2)	(42.3)	–	(42.3)	13.9%
Loss before tax	**(470.9)**	**(29.9)**	**(500.8)**	**(219.7)**	**42.8**	**(176.9)**	**114.3%**

Ⓐ These measures are alternative performance measures. Please refer to the section 'Alternative Performance Measures' on pages 279 to 281.

The commentary is on a pre-exceptional basis to aid understanding of the performance of the business on a comparable basis. Exceptional items are covered on pages 78 to 79 and in Note 2.6 to the Consolidated Financial Statements.

Revenue for the period increased by 0.6% to £2,513.8m (FY21: £2,498.8m). Retail revenue declined by 3.8% year-on-year in a challenging trading environment, with the cost-of-living crisis compounding the impact of a return to more normal customer behaviours compared with lockdown restrictions in the prior year (and seen in lower basket sizes). International Solutions revenue increased by 121.9% from £66.6m to £147.8m with the go-live of eight new CFCs; six additional CFCs for Kroger in the US (in Atlanta, Dallas, Chicago, Detroit, Denver and Baltimore), a second CFC for Sobeys in Canada (in Montreal) and our first CFC for ICA Gruppen in Sweden (in Stockholm). Total invoiced feesⒶ (design and capacity fees) across all international partners were £180.9m, an increase of 26.5% compared to the prior year.

Net cumulative invoiced feesⒶ to our partners and not yet recognised as revenue increased by £44.4m to £422.9m at the end of the period (FY21: £378.5m), with an increase of £51.3m for our international partners to £388.9m (FY21: £337.6m), offset by a decrease of £(6.9)m for our UK partners to £34.0m (FY21: £40.9m).

Gross profit and other income increased slightly to £1,065.0m (FY21: £1,040.0m), despite Retail gross profit declining by £82.4m to £739.9m (FY21: £822.3m), driven by a combination of lower volumes, supplier cost inflation pressure and product mix. This was offset by an increase of £87.0m in International Solutions gross profit to £145.1m (FY21: £58.1m).

Distribution and administrative costs of £1,137.7m grew by 16.5% (FY21: £976.7m) for three key reasons: 1) continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfilment solutions ("ISF"), 2) expanding our support functions to support our rapidly growing and increasingly global CFC operations and 3) significant inflationary pressures on the cost of utilities, fuel and labour.

Group Technology costs that have been expensed (and not capitalised) increased from £107.2m to £138.0m reflecting wage inflation and an increase in technology headcount from circa 2,600 to 3,000.

EBITDAⒶ loss of £(74.1)m (FY21: profit of £61.0m), a reduction of £135.1m and driven by the £154.4m reduction in Retail EBITDAⒶ to a loss of £(4.0)m (FY21: profit of £150.4m). The decline in the Retail segment's EBITDAⒶ reflects lower volumes, and inflationary cost impacts on utility, fuel and labour costs; these were partially offset by the release of long-term management incentive provisions. The Group continued to invest in our technology capability and support functions during the year to support the future growth of new and existing partners around the world.

Depreciation, amortisation and impairment increased by 46.2% to £348.6m (FY21: £238.4m), primarily due to our continued investment in our Ocado Smart Platform ("OSP") technology and also due to the roll-out of OSP hardware and software at live CFC locations. Over the last two years we have opened 14 new CFCs: 5 in FY21 and 9 in FY22; and 3 Zooms, bringing the total to 4. We now have 23 live sites; 7 live UK CFCs, 4 UK Zooms and 12 live international CFCs. Property, plant and equipment held on the balance sheet is £1,777.8m (FY21: £1,257.8m).

Net finance costs of £48.2m increased by £5.9m (FY21: £42.3m). Finance costs excluding foreign exchange gains/losses of £(90.0)m (FY21: £(71.6)m) were offset by finance income excluding foreign exchange gains/losses of £25.4m (FY21: £10.0m). Finance costs grew by £18.4m due to the increased interest on lease liabilities (an increase of £10.3m) driven by the full-year impact of the FY21 lease additions and further additions in FY22, and increased interest expense (an increase of £8.6m) due to the full-year impact of the incremental debt raised in FY21. The £15.4m increase in finance income was mainly driven by £12.5m interest income on cash balances (FY21: £1.0m), primarily due to higher interest rates. Net foreign exchange gains recognised amounted to £16.4m (FY21: £19.3).

Exceptional costs of £29.9m (FY21: £42.8m net income) includes: 1) the £58.4m reduction of contingent consideration receivable, primarily from M&S relating to the Ocado Retail joint venture. 2) litigation costs (£26.5m, FY21: £28.9m) primarily related to patent infringement litigation between the Ocado Group and AutoStore Technology AS and 3) the final settlement of insurance income from the Andover CFC (£67.4m, FY21: £78.6m).

Statutory loss before tax of £(500.8)m (FY21: loss of £(176.9)m) reflects an EBITDAⒶ loss of £(74.1)m (FY21: profit of £61.0m), depreciation, amortisation and impairment of £348.6m (FY21: £238.4m), net finance costs of £48.2m (FY21 : £42.3m) and net exceptional costs of £(29.9)m (FY21: £42.8m net income).

Financial Review continued

Segmental summary

£m	FY22	FY21	Change
Revenue			
Retail	2,203.0	2,289.9	(3.8)%
UK Solutions & Logistics	802.7	710.4	13.0%
International Solutions	147.8	66.6	121.9%
Group and other	0.8	0.4	100.0%
Inter-segment eliminations	(640.5)	(568.5)	12.7%
Group	**2,513.8**	**2,498.8**	**0.6%**
EBITDA®			
Retail	(4.0)	150.4	(102.7)%
UK Solutions & Logistics	67.2	68.5	(1.9)%
International Solutions	(113.2)	(119.3)	(5.1)%
Group and other	(21.9)	(37.5)	(41.6)%
Inter-segment eliminations	(2.2)	(1.1)	100.0%
Group	**(74.1)**	**61.0**	**(221.5)%**

Inter-segment eliminations represent the elimination on consolidation of revenue charged from UK Solutions & Logistics to Ocado Retail. For FY22, this was £640.5m (FY21: £568.5m).

Group and other includes revenue earned by Jones Food Company (£0.8m, FY21: £0.4m) and central costs (predominantly Board costs and discussed in the 'Group and other' section of this report) that are not allocated to other segments.

Group key performance indicators

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

£m	FY22	FY21	Change
No. of modules live[1,2]	**99**	61	62.3%
Cumulative no. of modules ordered[1,2,3]	**232**	213	8.9%
OSP direct operating cost (% of installed site sales capacity)[4]	**2.0%**	2.7%	25.9%

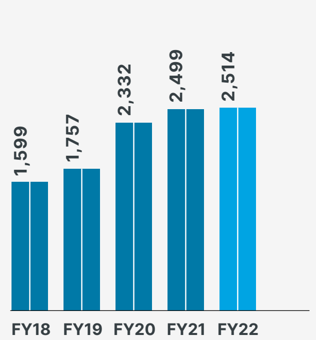
1. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and circa £70m per annum of sales capacity.
2. A module is considered live when it has been fully installed and is available for use by our partner.
3. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been issued for the associated design and access fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed upon and invoiced.
4. Direct operating costs as a % of site sales capacity reflects the exit rate position for CFCs live for at least six months at the period end. Direct operating costs include engineering, cloud, and other technology support costs.

The number of modules live has increased by 38, with further modules going live in Ocado Retail, Kroger, Sobeys and ICA.

The cumulative number of modules ordered has increased by 19, primarily driven by our two new clients Auchan Poland and Lotte.

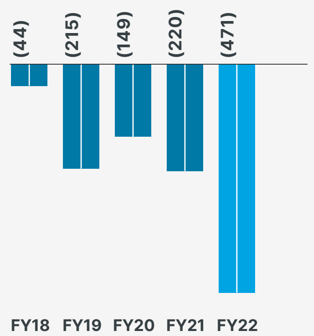
OSP direct operating cost as a percentage of installed site sales capacity is a key metric for the ongoing running cost of our CFCs that is borne by Ocado and measures the engineering, cloud computing and other operating costs of our OSP CFC operations. It has improved by 25.9% over the year as OSP performance becomes increasingly efficient.

Revenue (Group) (£m)



EBITDA® (£m)

(Loss) before Tax and Exceptional Items® (£m)



Retail

£m	FY22	FY21	Change
Revenue[2]	**2,203.0**	**2,289.9**	**(3.8)%**
Gross profit and other income[3]	739.9	822.3	(10.0)%
Distribution costs[4]	(596.6)	(536.7)	11.2%
Marketing (non-voucher) costs[5]	(57.6)	(40.3)	42.9%
Other administrative costs[4]	(89.7)	(94.9)	(5.5)%
EBITDA®	(4.0)	150.4	(102.7)%

Key drivers

	FY22	FY21	Change	FY19	Change[9]
Active customers (000s)[6]	**940**	832	13.0%	795	18.2%
Average orders per week (000s)	**377**	357	5.6%	307	22.8%
Average basket value (£)[7]	**118**	129	(8.5)%	106	11.3%
Average selling price (£)[8]	**2.55**	2.44	4.5%	2.30	10.9%
Average basket size	**46**	52	(11.5)%	46	–

Retail revenue declined by 3.8% year-on-year driven by an unwind of shopping behaviours experienced during the pandemic, only partly offset by rising item prices.

EBITDA® decreased by £154.4m to a loss of £(4.0)m (FY21: profit of £150.4m). The decline is primarily driven by investments in capacity to support future growth, investments in marketing to grow customer numbers (and relative to pandemic lows) and inflationary cost pressures. The loss includes a benefit from the release of a provision relating to the long-term management incentive plan.

We have continued to grow our active customer base, in turn driving growth in orders per week though at a lower rate, as customers reduced shopping frequency following the pandemic and in response to the cost-of-living crisis in the UK. Basket volumes have also declined, reflecting the same trends.

We opened the Bicester CFC, which will add capacity of around 30,000 orders per week at maturity and will bring the total capacity for Ocado Retail to over 600,000 orders per week. Our Bristol, Andover and Purfleet CFCs which opened in FY21 have all continued to ramp during the year. We continue to invest in our immediacy proposition, Zoom, launching three new sites in FY22, and now have four sites live: Acton, Canning Town, Leyton and Leeds. Collectively these sites will have circa £20m annual sales capacity at maturity.

Revenue

Retail revenue declined by 3.8% year-on-year in a challenging trading environment, with inflationary pressures leading customers to reduce basket size to manage spend.

The average basket value for Ocado.com was 8.5% lower at £118 (FY21: £129), with customers ordering fewer items per shop than in the prior year. This resulted in a decline in items per basket of 11.5% to 46 (FY21: 52), which is now back in line with pre-pandemic levels (FY19: 46). We remain committed to offering customers fair value, including investment in price and expanding our value-for-money own label proposition. The business was impacted, however, by the high-cost inflation being experienced by food suppliers and others in the grocery supply chain, and this was reflected in an increase in average selling price for Ocado.com of 4.5% in the period, up from £2.44 to £2.55 per item. The decline in revenue was also driven by year-on-year growth in the use of customer discount vouchers (the costs of which are a reduction to revenue) to drive customer retention and acquisition (Ocado.com FY22: 0.9% of revenue, FY21: 0.1% revenue). In FY21 there was a lower-than-usual amount of vouchering given the increased demand for grocery deliveries during the pandemic. FY19 voucher spend for Ocado.com was 1.7% of revenue.

While there was a 3.8% decline in year-on-year revenue, there has been a steadily improving trend. Revenue declined by 8.3% in the first half of the year (with pandemic volumes as the comparator) and was followed by growth of 1.4% in the second half of the year as volumes started to trend towards a more normal basket size; this was driven by improved customer acquisition and through price inflation.

1. The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group.
2. Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. The revenue decline in FY22 excluding Fetch was (3.5)%.
3. FY21 other Income includes £4.4m income from the Transitional Services Agreement relating to the sale of Fetch in FY21.
4. Distribution and administrative costs exclude depreciation, amortisation and impairment.
5. Marketing costs exclude the cost of vouchers given to customers, these are included in cost of sales.
6. Active customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks.
7. Average basket value refers to the results of Ocado.com.
8. Average selling price is defined as gross sales divided by total eaches.
9. Represents variance between FY22 and FY19 to reflect pre-pandemic movement.

Financial Review continued

Customer acquisition has remained strong in the year as we invested in market activity to drive long-term growth. Active Ocado.com customer numbers increased year-on-year by 13% to 940,000 (FY21: 832,000), driving a 5.6% increase in average orders per week, up from 357,000 to 377,000 orders per week. As a result, our share of the larger online grocery market, following the pandemic, has grown to 12.3% (Nielsen, FY21: 11.7%). Though there has been some unwind from peak levels experienced during the pandemic, the online channel's share of the total UK grocery market appears to be stabilising around 11%, compared with 6% before the pandemic (IGD).

Gross profit and other income

Gross profit and other income declined by 10% to £739.9m (FY21: £822.3m) with gross profit margin declining from 35.9% to 33.6% driven by lower volumes, the element of supplier cost inflation that could not be passed on to consumers, increased promotion costs and adverse product mix.

Distribution costs

£m	FY22	FY21	Change
CFC costs	214.0	180.1	18.8%
Trunking and delivery	261.5	250.8	4.3%
Other operating costs	121.1	105.8	14.5%
Total distribution costs	**596.6**	**536.7**	**11.2%**

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

CFC costs mainly include labour and utility costs in our CFCs and increased by 18.8% to £214.0m (FY21: £180.1m) compared to a growth in average orders per week in the period of 5.6%. The higher rate of cost growth (up 18.8%) compared to order volume growth (up 5.6%) is driven by three key factors: 1. the cost inefficiencies related to newer sites (Purfleet and Bicester) as they ramp to full capacity, 2. the inflationary pressures across utility and labour costs that we have experienced during the year, and 3. the impact on operating leverage due to capacity investment to support future growth.

Productivity improvements partly offset the inflationary pressures, with units picked per hour ("UPH") in mature sites (Hatfield, Dordon, Erith and Bristol) improving by 2.9% to an average of 175 UPH. Our five OSP CFCs (all CFCs except Hatfield and Dordon) achieved an average UPH of 184, with the newer sites of Andover, Bristol and Purfleet all exceeding 200 UPH.

Trunking and delivery costs comprise people and fleet costs relating to trunking and delivery operations and increased by 4.3% to £261.5m (FY21: £250.8m) driven by the increase in the number of average orders per week (up 5.6%), by high fuel inflation and smaller average baskets. This is offset by an improvement in operating efficiency, evidenced by higher deliveries per van shift, which is the average number of deliveries achieved per driver shift.

Other operating costs of £121.1m (FY21: £105.8m) include OSP capacity fees and capital recharges from UK Solutions & Logistics to Ocado Retail. Capacity fees have increased significantly due to the recent increase in modules, including the CFC in Bicester (which went live during FY22), and the CFCs in Bristol, Andover and Purfleet (which all went live in FY21).

Marketing costs

Marketing costs increased by 42.9% to £57.6m (FY21: £40.3m). Marketing activities were focused on driving increased awareness of the value proposition that Ocado offers. We continued to invest in above-the-line marketing, particularly seen with the 'there's an Ocado just for you' brand campaign. Marketing spend increased as a percentage of revenue in the year to 2.6% (FY21: 1.8%) and contributed to a 13% increase in the number of active customers to 940,000 (FY21: 832,000).

Administrative costs

Administrative costs decreased by £5.2m to £89.7m from £94.9m, with an increase in people and property costs offset by a release relating to the long-term management incentive plan. Total labour costs increased, driven by an increase in headcount and wage inflation. Property costs increases were primarily due to the write-off of certain costs related to the pausing of the north-west and south-east CFCs announced previously.

EBITDAⓐ

EBITDAⓐ for the Retail business was £(4.0)m (FY21: £150.4m). As described in detail above, the EBITDAⓐ loss was driven by higher fixed costs for our new CFCs while they grow to maturity; lower volumes; the reduction in gross margin; utilities, fuel and labour inflation; and increased marketing to drive customer acquisition.

UK Solutions & Logistics

£m	FY22	FY21	Change
Fee revenue[1]	172.0	149.7	14.9%
Cost recharges[2]	630.7	560.7	12.5%
Revenue	802.7	710.4	13.0%
Other income, net of cost of sales	3.6	3.5	2.9%
Distribution costs[3]	(621.5)	(562.1)	10.6%
Administrative costs[3]	(117.6)	(83.3)	41.2%
EBITDAⓐ	67.2	68.5	(1.9)%

Key drivers

£m	FY22	FY21	Change
Total eaches (million)	1,196.3	1,273.3	(6.0)%
Orders per week (000s)	493.6	462.0	6.8%
Mature site UPH[4,5]	175	170	2.9%
Average deliveries per van per week[6]	176	177	(0.6)%

UK Solutions & Logistics full-year revenue increased by 13.0% from £710.4m to £802.7m, reflecting continued capacity investments to support current and future partner growth in the UK, and the impact of inflationary pressures on cost recharges, which more than offsetting volume declines and improvements in underlying efficiency.

EBITDAⓐ decreased slightly from £68.5m to £67.2m. Higher capacity fees relating to the three new CFCs that went live in the prior period were offset by the year-on-year reduction in capital recharges for shared use sites (Dordon and Erith) and the continuing investment in and roll-out of OSP that is included within administrative costs. As noted above, the recharges to Ocado Retail for the lease costs of sites and assets used exclusively by Ocado Retail are now accounted for as finance income and excluded from EBITDAⓐ.

Revenue

Revenue from the UK Solutions & Logistics business increased by 13.0% to £802.7m (FY21: £710.4m).

Fee revenue comprises the fees charged to our UK partners Ocado Retail and Morrisons for access to Ocado's technology platforms, capital recharges, management fees, and research and development (the portion of these fees that are charged to Ocado Retail are eliminated on consolidation of the Group).

Total fees grew by 14.9% to £172.0m (FY21: £149.7m), as we continued to invest in capacity to support our UK clients' current and future growth. Fees to Ocado Retail grew broadly in line with overall live module capacity growth from the new CFCs delivered in the current and prior periods. An additional 12 modules of sales capacity went live in the year, including three in our new Bicester CFC.

Fees to Morrisons grew following its return to the Erith CFC in February 2021. This resulted from the end of an agreement to temporarily free up the Morrisons' Erith capacity for Ocado Retail to use following the Andover CFC fire in February 2019.

Live CFCs at the end of the year will have a total capacity at maturity of circa 800,000 orders per week across Ocado Retail and Morrisons. There are now seven live CFCs in the UK and 61 live modules (FY21: 49).

Cost recharges represent the relevant operational variable and fixed costs recharged by UK Solutions & Logistics to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on consolidation of the Group). These predominantly relate to fulfilment and delivery operations included in distribution costs but also include certain central, head office activities, and transitional services fees to Ocado Retail that are reported within administrative costs.

Total throughput in CFCs decreased by 6.0% to 1,196m individual items picked (eaches) (FY21: 1,273m), while average orders per week increased by 6.9% to 494,000 orders per week (FY21: 462,000) across Ocado Retail (average of 377,000 orders per week in FY22) and Morrisons (average of 117,000 orders per week in FY22). The decline in eaches reflects the changing customer shopping behaviour trends towards shopping smaller baskets.

Cost recharges grew by 12.5%, compared to a decline in total CFC throughput of 6.0%, as customers reverted to shopping smaller baskets following the pandemic and in response to the cost-of-living crisis. This increase in recharges reflects the full-year impact of operations at our newer CFCs at Bicester, Andover, Bristol and Purfleet as they ramp up to full capacity; together with higher utility, dry ice and labour costs. The impact of cost inflation was partly offset by improvements in efficiency.

1. Fee revenue includes fees charged to Ocado Retail of £140.9m (FY21: £120.5m) which eliminates on consolidation.
2. Cost recharges include cost recharges to Ocado Retail of £497.6m (FY21: £445.8m) which eliminates on consolidation.
3. Distribution and administrative costs exclude depreciation, amortisation and impairment.
4. Measured as units dispatched from the CFC per variable hour worked by operational personnel.
5. Mature sites include Hatfield, Dordon and Erith with FY22 also including Bristol as it has been operational for more than 18 months and is considered mature
6. Average deliveries per van per week represents Ocado Retail only, which is total deliveries by the average number of vans in the fleet

Financial Review continued

Other income, net of cost of sales

Other income, net of cost of sales, was £3.6m (FY21: £3.5m) and primarily relates to Erith and Dordon property rental costs that are charged to Morrisons.

Distribution and administrative costs

Total distribution and administrative costs of £739.1m (FY21: £645.4m) comprise £621.5m distribution costs (an increase of 10.6%; FY21: £562.1m) and £117.6m of administrative costs (an increase of 41.2%; FY21: £83.3m).

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

Total distribution costs grew by 10.6% to £621.5m (FY21: £562.1m), against a reduction in eaches of 6.0% to 1,196m (FY21: 1,273m). Distribution costs grew despite the reduction in eaches delivered due to 1) the higher costs from new sites as they ramp up to full efficiency; and 2) the impact of significant cost inflation in respect of energy, fuel costs, dry ice and wage inflation.

Productivity improvements saw the average number of units per hour ("UPH") in mature CFCs (Hatfield, Dordon, Erith and Bristol) improve year-on-year to 175 in the period (FY21: 170). Since opening in FY21, our first mini-CFC in Bristol has achieved a UPH of over 200, and our newer sites in Andover and Purfleet are already well ahead of our original expectations and each exceeding our target of 200 UPH.

Distribution costs also include the engineering costs of operating CFCs for which the OSP fee is charged to our UK partners. These costs increased over the year due to the full year of operations of those CFCs which opened during FY21, together with the impact of the opening of Bicester in September FY22. UK OSP CFCs that were live at the start of the year all saw engineering cost per each reduced by at least 20%.

Administrative costs grew by 41.2% from £83.3m in FY21 to £117.6m in FY22. These costs include direct and centrally allocated head office costs (which are largely recharged to Ocado Retail and Morrisons) and an allocation of central technology costs that are incurred to support the continued development of OSP, primarily as a result of the allocation of additional headcount and technology resources to support and improve OSP, together with ongoing investment in recruitment.

EBITDA®

EBITDA® from UK Solutions & Logistics activities was £67.2m, a decrease of £1.3m. This reduction largely resulted from the continuing investment in and roll-out of OSP, which is not recharged to customers; and a year-on-year reduction in capital recharges to Ocado Retail as the lease costs of CFCs and equipment used exclusively by Ocado Retail are accounted for as finance income and excluded from EBITDA®. These are eliminated on Group consolidation.

International Solutions

£m	FY22	FY21	Change
Revenue[2]	**147.8**	66.6	121.9%
Cost of sales	**(2.9)**	(8.5)	(65.9)%
Gross profit and other income	**145.1**	58.1	149.7%
Distribution costs[3]	**(54.7)**	(25.6)	113.7%
Administrative costs[3]	**(203.6)**	(151.8)	34.1%
EBITDA®	**(113.2)**	(119.3)	(5.1)%

Key drivers

£m	FY22	FY21	Change
Fees invoiced® (£m)	**180.9**	143.0	26.5%
No. of modules live[4,6]	**38**	12	216.7%
Cumulative no. of modules ordered[5,6]	**162**	145	11.7%

1. Fees invoiced represent design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments. These are recognised in the Income Statement according to IFRS 15 from the time when the CFC/ISF operation goes live
2. Revenue includes £11.5m revenue (FY21: £9.6m) from Kindred Systems, and £4.6m of data centre fees and equipment sales (FY21: £8.1m) to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in cost of sales.
3. Distribution and administrative costs exclude depreciation, amortisation and impairment
4. A module is considered live when it has been fully installed and is available for use by our partner.
5. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed upon and invoiced.
6. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and circa £70m per annum of sales capacity.

Our international operations significantly expanded during the year with eight new international CFCs going live. These include a further six CFCs for Kroger in the US (in Atlanta, Dallas, Chicago, Detroit, Denver and Baltimore), the second CFC for Sobeys (in Montreal) and our first CFC for ICA Gruppen (in Stockholm). We now have 12 live international sites (FY21: 4 sites) and 38 live modules (FY21: 12 modules). As a result of this growth in live CFCs and in live modules, revenue increased by 121.9% to £147.8m (FY21: £66.6m).

We have a strong pipeline of further CFC commitments in addition to significant in-store fulfilment ("ISF") capabilities to be delivered across a number of our existing partners, and two new partnerships, Auchan Poland (signed in March 2022) and Lotte Shopping (signed in November 2022).

Distribution costs increased by 113.7% to £54.7m (FY21: £25.6m) and include the engineering, maintenance and technology costs required to support the increase in live CFC operations. EBITDA® losses in the period reduced by £6.1m, to £(113.2)m from £(119.3)m in FY21.

Fees and revenue

Fees invoiced grew by 26.5% from £143.0m in FY21 to £180.9m in FY22. These fees include the design and capacity fees invoiced across a number of clients relating to existing and future CFC and ISF commitments, including our new partnerships with Lotte Shopping and Auchan Poland, and fees associated with the live operations, primarily Kroger, Sobeys and ICA.

Under revenue recognition rules, design and access fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the CFC goes 'live'. At the end of the period, cumulative fees® not yet recognised as revenue, but instead recorded on the balance sheet within contract liabilities, amounted to £388.9m (FY21: £337.6m). The £51.3m net increase in this balance includes £69.1m of invoices relating to future CFCs (£92.6m in FY21) during the year offset by £17.8m of the balance being released to revenue during the year (£10.6m in FY21). £1.1m of the revenue released relates to equipment sales (a portion of the £4.6m in footnote 2 above).

Revenue in the period of £147.8m (FY21: £66.6m) reflects ongoing capacity fees of £117.2m (FY21: £37.2m) and £14.5m (FY21: £11.0m) previously recorded on the balance sheet relating to design and upfront fees across our current operational partners, Groupe Casino, Sobeys, Kroger and ICA, that has been released to revenue during the year (as the relevant sites are now 'live'). Revenue also includes £11.5m (£9.6m in FY21) from Kindred and £4.6m (FY21: £8.1m) from the sale of equipment (at cost) and data centres to certain partners.

Distribution and administrative costs

Distribution and administrative costs grew by 45.6% to £258.3m (FY21: £177.4m) as a result of increased engineering support and technology costs reflecting the go-live of operations and annualised costs for our 12 live international client sites (end of FY21: 4), and continued investment in the development of OSP as we build our capabilities for our partners across both CFC and in-store fulfilment solutions.

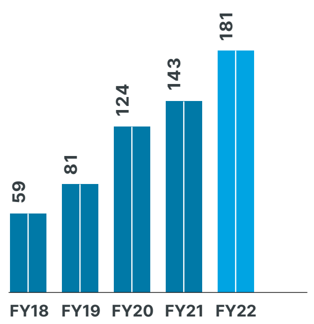
Distribution costs primarily consist of the engineering and technology costs of operating the OSP platform and CFCs for our international clients. These costs grew from £25.6m in FY21 to £54.7m in FY22 as a result of increased engineering operations and cloud costs to support the growing number of international CFCs. Distribution costs are also impacted by the annualisation of costs relating to the two international CFCs that went live during FY21 as they continue to ramp up.

Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised technology costs to maintain and further develop the OSP platform. We continue to invest in OSP and build support functions to support rapid international expansion. As a result, these costs grew by £51.8m from £151.8m in FY21 to £203.6m in FY22 as we continued to increase our investment in building long-term OSP capabilities for our partners.

EBITDA®

International Solutions EBITDA® improved by £6.1m from a loss of £119.3m in FY21 to a loss of £113.2m in FY22. This result reflects the increased revenue from our growing international business offset by 1) our investment in technology to support our international growth ambitions; and 2) the central support costs for our international partners. EBITDA® will turn positive as we scale up our international CFC platform.

International Solutions Invoiced fees



Financial Review continued

Group and other

£m	FY22	FY21	Change
Board costs	(11.8)	(12.1)	(2.5)%
Share-based payments[1]	(16.9)	(29.3)	(42.3)%
Jones Food Company and other ventures[2]	(4.3)	(5.6)	(23.2)%
Inter-segment eliminations[3]	(2.2)	(1.1)	100.0%
Other[4]	(3.8)	(5.7)	(33.3)%
Group and other costs	**(39.0)**	(53.8)	(27.5)%
MHE rental income[5]	10.1	10.3	(1.9)%
Research and development credit ("RDEC")[6]	4.8	4.9	(2.0)%
Group and other EBITDAⒶ	**(24.1)**	(38.6)	(37.6)%
Group and other EBITDAⒶ ex. eliminations[7]	(21.9)	(37.5)	(41.6)%

This segment represents revenue and costs which do not relate to the Retail, UK Solutions & Logistics and International Solutions segments. This primarily includes Board costs, the costs of Group-wide share-based payments, the consolidated results of Jones Food Company and other ventures, and MHE JVCo rental income. This segment reported an EBITDAⒶ loss of £(24.1) m (FY21 EBITDAⒶ loss: £38.6m). The £14.5m improvement is largely due to a £12.4m reduction in share-based Senior Management incentive charges (reflecting the lower Ocado Group plc share price) and a reduction in losses in our ventures businesses following the disposal of our interest in Infinite Acres Holding B.V. in October FY21 (FY21 loss: £1.9m).

Board costs of £11.8m (FY21: £12.1m) include 1) salaries, bonuses and fees for both Executive and Non-Executive Directors of £8.4m (FY21: £9.4m), which reduced by £1.0m, primarily due to a reduction in bonus costs; 2) other Board costs of £1.8m (FY21: £0.9m), which have increased largely due to higher travel costs following the relaxation of covid travel restrictions and 3) Directors' insurance costs of £1.6m (FY21: £1.8m).

Share-based payments reduced by £12.4m from £29.3m in FY21 to £16.9m in FY22, primarily due to the lower Ocado Group plc share price. We established a new share-based management incentive scheme during the year for certain senior managers who lead the development of OSP. The costs of this scheme are excluded from the 'Group and other' segment but are instead allocated to the relevant business segments (see footnote 1 below).

Exceptional items

£m	FY22	FY21
Andover CFC		
Insurance reimbursement income	67.4	78.6
Other exceptional costs	(3.4)	(5.6)
Total Andover exceptional item	64.0	73.0
Erith CFC		
Insurance reimbursement income	6.4	2.0
Other exceptional costs	–	(10.1)
Total Erith exceptional item	6.4	(8.1)
Litigation costs	(26.5)	(28.9)
Litigation settlement	–	1.8
Ocado Group Finance transformation and SaaS implementation costs	(7.0)	(13.3)
Ocado Retail IT systems transformation	(4.0)	(4.6)
(Loss)/gain on disposal of Speciality Stores Limited ("Fetch")	(1.4)	1.0
Gain on disposal of investment in Infinite Acres Holding B.V.	–	5.0
Changes in fair value of contingent consideration	(58.4)	16.9
Organisational restructure	(3.0)	
Total exceptional items	(29.9)	42.8

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 were formally accepted by the insurers.

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses. The reimbursement has been recognised as other income.

The Group reached an agreement with the insurers during the year for the final settlement of the insurance claim for a total of £273.8m, which resulted in an additional insurance reimbursement income of £67.4m in the year. This concluded the Andover insurance fire claim.

Other exceptional costs of £3.4m (FY21: £5.6m) include, but are not limited to, the write-off of certain assets, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative exceptional costs, across all prior periods, amounted to £124.9m.

1. Of the total share-based payment charges for the Group (excluding ORL) of £34.9m (FY21: £36.8m), £18.0m are allocated to the relevant business segment (FY21: £7.5m) and £16.9m (FY21: £29.3m) remains in the Group segment.
2. Ventures relates to the profits and losses on our share of investments and joint ventures during the period. The most significant is Jones Food Company where we recorded losses of £3.0m (FY21: £3.3m loss). The others are: Infinite Acres (which we sold to 80 Acres, of which we hold a c.2% share), which was disposed of in October FY21 (FY21: £1.9m loss); MHE JVCo, for which we recorded losses of £0.2m (FY21: £0.2m profit) and Karakuri, for which we recorded losses of £1.2m (FY21 loss: £0.6m).
3. In FY21 Inter-segment eliminations and 'other' were shown as one line, which totalled £6.8m.
4. Other costs include a small allocation of Group support and central costs.
5. Rental income totalling £10.1m was received from MHE JVCo, a joint venture with Morrisons.
6. Research and development (R&D) subsidies were £4.8m (FY21: £4.9m) and are granted by HMRC as a fixed percentage on the value of qualifying R&D expenditure.
7. Inter-segment eliminations represent the elimination due to the consolidation of intercompany transactions.

Erith CFC

In July 2021, a fire destroyed part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims were formally accepted by the insurer.

An agreement was reached with the insurers during the year for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3m, £6.4m was received during the period and was recognised as an insurance reimbursement income in FY22. The receipt of the £6.4m concluded the Erith fire claim.

Other exceptional costs of £nil (FY21: £10.1m) include, but are not limited to, stock write-offs, customer goodwill refund and the impairment of certain fixed assets and labour costs. The cumulative exceptional costs, across all periods, amounted to £10.1m.

Litigation costs and litigation settlement

Litigation costs during the year were exclusively the costs incurred on the patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). Further details are provided in note 3.14 to the Consolidated Financial Statements. The costs during the year were £26.5m (FY21: £28.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against certain former employees and Project Today Holdings Limited ("T0day"), concerning misappropriation and unlawful use of the Group's confidential information and intellectual property, which was settled in FY21. The Group received £1.8m as part of the settlement of that litigation which was recognised as exceptional income in FY21.

Ocado Group Finance transformation and SaaS implementation costs

As part of the Group's Finance transformation programme, the Group implemented various software as a service ("SaaS") solutions, primarily Oracle Fusion, which went live in FY21, across the business. Following the IFRS Interpretations Committee ("IFRIC") accounting guidance in FY21, the Group updated its accounting policy for the treatment of SaaS configuration and customisation-related costs under IAS 38 Intangible Assets. The cumulative Finance transformation and SaaS implementation costs expensed to date amount to £28.6m and include £7.0m in FY22 (FY21: £13.3m).

These amounts have been disclosed as exceptional items in both FY21 and FY22 because they are material and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

The Finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related Finance processes to improve efficiency across the business. Incremental costs incurred concerning the ongoing programme will continue to be disclosed as exceptional items. Ongoing licence fees for SaaS arrangements will be treated as ordinary operating costs and are not treated as exceptional items.

Ocado Retail IT systems transformation

In FY21, Ocado Retail Limited ("ORL") initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable ORL to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until the end of FY23, includes the development of both on-premises and SaaS solutions. The IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition will be expensed as exceptional items. The cumulative costs expensed to date amount to £8.6m.

(Loss)/gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings"), resulting in a gain on disposal of £1.0m in FY21.

During the period, a provision of £1.4m was made against the deferred consideration based on the likelihood of receipt.

Gain on disposal of investment in Infinite Acres Holding B.V. ("Infinite Acres")

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres' issued share capital, resulting in a gain on disposal of £5.0m.

Change in fair value of contingent consideration

In FY19, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks and Spencer Group plc ("M&S"). Part of the consideration 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. A loss on revaluation of £58.4m (FY21: £16.9m gain) is reported through exceptional items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to note 3.7 to the Consolidated Financial Statements for details.

Organisational restructure

During the current year, the Group undertook a partial reorganisation of its head office functions resulting in redundancies and related costs of £3.0m. Further organisational restructuring was announced in January 2023, affecting around 250 people and incurring total related costs of £7.0m.

Tax impacts on exceptional items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £0.8m (FY21: tax charge of £0.5m). A further tax charge of £6.4m (FY21: charge of £3.7m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Financial Review continued

Below EBITDA®

Depreciation, amortisation and impairment

Total depreciation, amortisation and impairment costs were £348.6m (FY21: £238.4m), an increase of £110.2m, or up 46.2% year-on-year, and includes depreciation of property, plant and equipment of £154.4m (FY21: £84.4m), depreciation of right-of-use assets of £66.0m (FY21: £65.6m), amortisation expense of £114.7m (FY21: £78.0m), and impairment costs of £13.5m (FY21: £10.4m).

The increase was principally driven by the full-year depreciation of the 5 CFCs that went live in FY21 and the partial-year depreciation of the 9 CFCs that went live in FY22 (£48.5m including right-of-use leases). The remaining movement is driven primarily by the amortisation of technology projects going live in the period (£13.0m) and the prior period (£36.5m).

Net finance costs

Net finance costs of £48.2m increased by £5.9m (FY21: £42.3m). Finance costs excluding foreign exchange gains/losses of £(90.0)m (FY21: £(71.6)m) were offset by finance income excluding foreign exchange gains/losses of £25.4m (FY21: £10.0m). Finance costs grew by £18.4m due to the increased interest on lease liabilities (an increase of £10.3m) driven by the full-year impact of the FY21 lease additions and further additions in FY22, and increased interest expense (an increase of £8.6m) due to the full-year impact of the incremental debt raised in FY21. The £15.4m increase in finance income was mainly driven by £12.5m interest income on cash balances (FY21: £1.0m), primarily due to higher interest rates. Net foreign exchange gains recognised amounted to £16.4m (FY21: £19.3).

Share of results from joint ventures and associates

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo is a 50/50 joint venture with Morrisons and holds Dordon CFC assets, which Ocado uses to service the Ocado Retail and Morrisons' online business. The Group's share of MHE JVCo loss after tax in the period amounted to £(0.2)m (FY21: £0.2m profit). The Group's interest in Infinite Acres Holdings B.V. was disposed of in October FY21 and contributed £nil to the Group's results in the period (FY21: £(1.9)m). The Group's interest in Karakuri Limited contributed a loss of £(1.2)m in the period (FY21: £(0.6)m loss). The Group recognised a reduction in the value of Karakuri due to the reclassification of £1.9m of the purchase price to warrants.

Loss before tax

The loss before tax for the period was £(470.9)m (FY21: loss of £(219.7)m) after including the impact of depreciation, amortisation and impairment costs of £348.6m (FY21: £238.4m), and net finance costs pre-exceptionals of £48.2m (FY21: £42.3m).

Taxation

The Group reported a total tax credit in the Income Statement for the period of £19.5m (FY21: £8.8m reported tax charge). This amount includes a UK corporation tax credit of £8.4m (FY21: £7.7m charge) in respect of the Retail business. The tax credit in Retail is due to the availability of the 'super-deduction' of capital allowances on our investment in fixed assets. A deferred tax credit of £11.3m (FY21: £0.4m deferred tax charge) was recognised in the period mainly arising from the recognition of losses for utilisation in Retail.

At the end of the period, the Group had £973.9m (FY21: £677.7m) of unutilised carried-forward tax losses. We are not expecting to pay UK tax within our five-year outlook.

Dividend

During the period, the Group did not declare a dividend (FY21: £nil).

Loss per share

Basic and diluted loss per share was (58.93)p (FY21: (30.18)p).

Capital expenditure

£m	FY22	FY21
UK CFCs & Operations	**212.0**	250.0
International CFCs	**357.1**	273.2
Technology, fulfilment development and innovation	**228.2**	157.2
Total capital expenditure (including MHE JVCo)	**797.3**	680.4

Capital expenditure totalled £797.3m in the period (FY21: £680.4m) as we continued to develop new CFCs both in the UK and with our international retail partners. We also continued to invest in technology to support our OSP growth ambitions, and within our Group support functions.

UK CFCs & Operations

In the period we invested £212.0m in our UK CFCs & Operations (FY21: £250.0m), of which, £164.1m (FY21: £166.8m) relates to our CFC and Zoom sites in the UK. This includes the Bicester CFC, which went live during the year and the Luton CFC, which will go live in 2023. The opening of these sites will increase the total potential capacity across our UK retail partners to over 850,000 orders per week at maturity. Approximately half of the total spend is in the Retail business (largely land & buildings) and half is in the UK Solutions & Logistics business (largely material handling equipment, "MHE").

The balance of UK capital spend of £47.9m (FY21: £83.2m) relates to operational spend in the normal course of the UK Logistics business and spend in support of our Group central functions; this comprises patent and IP capitalisation, refurbishing buildings for our technology teams, system transformations across finance and supply chain, and upgrades to our talent acquisition technology.

International CFCs

International CFC investment in the year was £357.1m (FY21: £273.2m), which includes the launch of the eight CFCs which went live in the period. £120.5m of the total spend relates to the four international CFCs that we expect to go live in 2023.

Technology, fulfilment development and innovation

We continue to invest in the development of our own technology, particularly OSP. We invested £228.2m (FY21: £157.2m) driven by the continued investment in OSP with a focus on the innovation we announced at Ocado Re:Imagined in January 2022. Re:Imagined includes seven key innovations: the 600 series bot, the 600 grid and optimised site design, Automated Frameload, On-Grid Robotic Pick, Ocado orbit, Ocado swift router and Ocado flex.

Notes

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 FY22 of £1.6m and in FY21 of £2.8m

Technology headcount grew to around 3,000 colleagues to support the business' strategic initiatives. Total technology expenditure in the period was £343.7m (FY21: £255.0m), of which £205.7m was capitalised (FY21: £147.8m). We continue to focus on enhancing our customer proposition to deliver world-class end-to-end grocery ecommerce and fulfilment solutions. OSP includes ecommerce, order management, forecasting, routing and delivery, automated storage and retrieval systems (ASRS), dexterous robotics and other material handling elements.

The **CFC** is the basis of our product proposition, it is the grid and bots (our ASRS and the robots on the grid) and its peripheral material handling equipment. We have invested £94.3m this year (FY21: £66.1m), approaching half of the £205.7m of capitalised spend, focused on reducing both the capital cost and the ongoing running costs of the CFC for the partner and Ocado Group.

This development spend has been invested in a number of key propositions, a few of which are: our lowest cost and lightest bot ever, the 600 series and grid; the development of an automated freezer solution; the development and client deployment of automatic frame loading for our vehicles; and initial investment into modifying our ASRS for the non-grocery market. Alongside these investments, the investment in and subsequent acquisition of Myrmex Inc. enabled us to deliver our automatic frame-loading product into the Purfleet site.

We are committed to the development of **advanced technologies** where they enhance our product proposition. A good example here is the use of additive manufacturing in the 600 series bot. We are also focused on generalised dexterous robotic manipulation and autonomous vehicles. In FY20 we acquired Kindred and Haddington for their vision, machine learning and dexterous robotics capabilities; and we have invested in Wayve and Oxbotica to provide a strategic advantage in autonomous vehicle innovation. We have invested £33.9m (FY21: £13.3m) this year to further develop these propositions. This has enabled the testing and development of a dexterous picking solution for our clients that can pick a significant proportion of our clients' ranges and perform at a speed that allows the product to compete with human performance. We have continued to work towards ultimately having an autonomous delivery solution, both by conducting on-road autonomous driving testing with our partners and through testing and development of the customer-facing aspects.

OSP is a client and shopper-focused proposition, to that end, we have invested £27.7m (FY21: £20.5m) in developing our **ecommerce** platform. OSP ecommerce made strong progress across every aspect of the shopper journey. Shoppers will benefit from improvements to the search and browse experience, and the introduction of shoppable recipes and delivery pass subscriptions. Of particular note, we introduced new onsite monetisation opportunities with new content spaces and featured products, allowing partners to create more engaging experiences for shoppers whilst earning retail media income.

Financial Review continued

One of the core benefits of OSP is our deep expertise in **logistics and supply chain**, where we have invested £18.8m in these propositions this year (FY21: £16.5m). These developments help to ensure that goods in and goods out of our CFCs operate in the most effective way. We focus investment on the planning, optimisation and execution of delivery; which includes the Re:Imagined swift router product now live enabling retailers to offer short lead time slots to customers with CFC range and economics. We also focus on the optimisation of the grocery supply chain, including ensuring that products are not substituted with alternatives, are accurately forecasted to avoid waste and that supply chain systems are easy to use.

The balance of the spend relates to investment in technology platforms, core UK infrastructure and Jones Food Company where its second vertical farm is due to go live later this year.

Cash flow

£m	FY22	FY21
EBITDA®	**(74.1)**	61.0
Movement in contract liabilities	**78.7**	107.0
Other working capital movements	**32.0**	(134.5)
Insurance proceeds relating to business interruption	**54.3**	30.0
Finance costs paid	**(55.8)**	(34.8)
Taxation received/(paid)	**13.4**	(26.2)
Other non-cash items	**(40.6)**	(18.5)
Operating cash flow	**7.9**	(16.0)
Capital expenditure	**(785.9)**	(690.7)
Acquisition of subsidiaries, net of cash acquired	**(5.5)**	(189.7)
Insurance proceeds relating to rebuilding Andover CFC and Erith claim	**57.0**	2.0
Proceeds from additional investment in Jones Food Company	**–**	20.0
Dividend from joint venture	**8.0**	7.7
Net proceeds from interest-bearing loans and borrowings	**37.2**	266.6
Repayment of lease liabilities	**(57.4)**	(48.6)
Proceeds from share issues	**567.3**	10.6
Movement of short-term deposits	**–**	370.0
Other investing and financing activities	**9.0**	10.6
Movement in cash and cash equivalents (excl. FX changes)	**(162.4)**	(257.5)
Effect of changes in FX rates	**21.8**	19.3
Movement in cash and cash equivalents (incl. FX changes)	**(140.6)**	(238.2)

Cash and cash equivalents (including FX changes) reduced by £140.6m (FY21: reduced by £238.2m), a £97.6m improvement compared with the prior year.

EBITDA® (as explained above) declined by £135.1m from £61.0m in FY21 to a loss of £(74.1)m in FY22.

Operating cash flow, improved by £23.9m, despite the decline in EBITDA® (from an outflow of £16.0m in FY21 to an inflow of £7.9m in FY22). The key drivers of this improvement are explained below:

- **Contract liabilities: cash inflow of £78.7m** reflecting upfront fees paid by partners in relation to CFCs and new module commitments and which have not yet been recognised as revenue in accordance with IFRS 15. The cash inflow of £78.7m is lower than the prior year inflow of £107.0m primarily due to fewer modules ordered by our clients and the timing of cash received.
- **Working capital: cash inflow of £32.0m**, an improvement of £166.5m compared with the prior year outflow of £134.5m, largely driven by improved management of supplier payment terms (£122.0m of the total improvement). Trade and other receivables increased by £50.7m (a net cash outflow, £26.9m lower than FY21), principally due to prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction and the release of insurance accrued income related to the Andover fire. There was a £10.9m outflow (£44.3m lower than FY21) related to growth in inventory levels, primarily due to low-value spares (previously expensed) now recorded in inventory.
- **Insurance proceeds relating to business interruption: cash inflow of £54.3m** (FY21: £30.0m) related to the reimbursement of business interruption losses and associated costs in relation to the fires at our Andover and Erith CFCs.
- **Finance costs: cash outflow of £55.8m** (FY21: £34.8m) comprise £27.9m interest paid on borrowing (FY21: £16.8m) and £27.9m for the interest element of leases (FY21: £18.0m). The £11.1m increase in interest paid on borrowing is driven by the incremental funding secured in October FY21, whereby the Group issued £500m of senior unsecured notes (SUNs), with part of the proceeds used to repay the £225m 2017 senior secured notes.
- **Taxation: cash inflow of £13.4m** (FY21: taxation paid of £26.2m) relates to a tax refund received by Ocado Retail in relation to an overpayment in FY21, partially offset by taxation payments by foreign subsidiaries. No UK tax was paid in the period, reflecting the impact of the acceleration of tax relief for capital expenditure in Ocado Retail as a result of the 'super-deduction', combined with the decline in Retail EBITDA®.
- **Other non-cash items: outflow of £40.6m** (FY21: cash outflow of £18.5m) relates to adjustments for the following non-cash elements of EBITDA®:
  - £(26.2)m (FY21: £4.2m increase) reduction in management incentive plan provisions (primarily within the Retail segment);
  - £(24.7)m (FY21: £(15.2)m) revenue recognised from long-term contracts;
  - £42.0m (FY21: £35.5m) of share-based payments;
  - £10.8m (FY21: £nil) non-cash write off of property, plant and equipment;
  - £(43.9)m (FY21: £(45.3)m) is the adjustment for non-cash exceptional items;
  - £1.4m (FY21: £2.3m) share of losses from joint ventures and associates.

The movements above result in an **Operating cash inflow for the year of £7.9m** (FY21: cash outflow of £16.0m. **The following movements explain the overall movement in cash and cash equivalents an outflow of £140.6m** (2021: an outflow of £238.2m):

- **Capital expenditure of £785.9m** during the year (FY21: £690.7m) primarily includes the MHE of both UK and International partner CFCs. Capital expenditure also includes our continued investment in OSP, including the products announced in Ocado Re:Imagined, and investment in our central support capabilities.
- **Acquisition of subsidiaries, net of cash acquired of £5.5m** (FY21: £189.7m), reflecting the acquisition of materials handling robotics start-up Myrmex Inc. in June to accelerate the development of intelligent asset handling systems for OSP.
- **Insurance proceeds relating to rebuilding of £57.0m** (FY21: £2.0m) relates to the reimbursement of costs for the rebuild of our CFCs at Andover and Erith which includes machinery costs.
- **Dividends from joint ventures of £8.0m** (FY21: £7.7m) relate to the MHE JVCo, in which Ocado Group and Morrisons engaged in a joint venture that owns material handling assets in our Dordon shared CFC.
- **Net proceeds from interest-bearing loans and borrowings of £37.2m** (FY21: £266.6m) reflects the drawdown by Ocado Retail of 1) a shareholder loan facility and 2) of its revolving credit facility, partially offset by the costs of the new credit facility with HSBC.
- **Lease liability repayments of £57.4m** (FY21: £48.6m), an increase of £8.8m due to an increase in motor vehicle leases, the full-year impact of the leases relating to the CFCs that went live in FY21 and lease payments for the new Bicester CFC.
- **Net proceeds from share issue of £567.3m** relate to the £578.2m equity raise (net £564.1m after £14.1m costs) that was carried out in June FY22 together with a small amount in respect of employee share schemes.
- **Movement of short-term deposits** in the prior year (FY22: £nil) represents a drawdown of £370.0m of treasury deposits which matured during the period and were not defined as cash and cash equivalents at the start of the FY21 financial year.
- **Other investing and financing activities of £9.0m** (FY21: £10.6m) include £9.6m of interest income on bank deposits (FY21: £1.0m) offset by £0.6m of loans made to investee companies (FY21: £12.5m). The FY21 inflow was driven by cash contingent consideration received relating to the Ocado Retail joint venture with M&S (£33.9m), which was offset by loans to investee companies (£12.5m) and investments in Wayve and Oxbotica (£11.4m).
- **Effect of changes in FX rates of £21.8m** (FY21: £19.3m) relates to the FX gain (reported under net finance costs) and translation FX on cash balances (predominantly USD cash balances held to fund the expansion of our Solutions business in the US).

Balance Sheet

£m	FY22	FY21	Movement
Assets			
Goodwill	**164.7**	144.8	19.9
Other intangible assets	**377.2**	345.2	32.0
Property, plant and equipment	**1,777.8**	1,257.8	520.0
Right-of-use assets	**493.9**	494.6	(0.7)
Investment in joint ventures and associates	**15.6**	26.5	(10.9)
Trade and other receivables	**329.3**	324.4	4.9
Cash and cash equivalents	**1,328.0**	1,468.6	(140.6)
Other financial assets	**185.4**	212.6	(27.2)
Inventories	**106.8**	86.7	20.1
Other assets	**34.5**	22.4	12.1
Total assets	**4,813.2**	4,383.6	429.6
Liabilities			
Contract liabilities	**(422.9)**	(378.5)	(44.4)
Trade and other payables	**(508.2)**	(393.2)	(115.0)
Borrowings	**(1,372.8)**	(1,300.0)	(72.8)
Lease liabilities	**(532.3)**	(528.4)	(3.9)
Other	**(42.7)**	(74.1)	31.4
Total liabilities	**(2,878.9)**	(2,674.2)	(204.7)
Net assets	**1,934.3**	1,709.4	224.9

Assets

Goodwill of £164.7m (FY21: £144.8m) increased by £5.7m as a result of the acquisition of Myrmex Inc, as detailed above. The remaining increase in goodwill of £14.2m relates to the foreign exchange benefit of the revaluation of the (predominantly USD-denominated) goodwill of £144.8m that was held at the start of the reporting period. Goodwill represents the future benefit to Ocado Group from the acquisitions of Myrmex in the current year and the acquisitions of Kindred, Haddington and Jones Food Company in prior years. This future benefit derives from the development of new technology, the ability to attract new customers and cost synergies.

Other intangible assets of £377.2m increased by £32.0m (FY21: £345.2m) primarily due to capitalised internal development costs relating to the build-out of our technology capabilities for our partners, across both CFC and ISF solutions, along with the capitalisation of software costs.

Financial Review continued

Property, plant and equipment net book value increased by £520.0m to £1,777.8m (FY21: £1,257.8m) and comprise fixtures, fittings, plant and machinery of £1,577.2m (FY21: £1,143.9m), land and buildings of £197.5m (FY21: £113.1m) and motor vehicles of £3.1m (FY21: £0.8m).

- Fixtures, fittings, plant and machinery predominantly comprise the material handling and other operating equipment within our CFCs and spokes.
  - This increased by £433.3m (FY22: £1,577.2m, FY21: £1,143.9) driven by £494.4m of additions (FY21: £489.9) relating to the go-live of 12 sites (9 CFCs and 3 Zooms) for our Client Partners including Ocado Retail, Kroger, Sobeys and ICA.
  - We capitalised £63.9m (FY21: £35.0m) of internal development costs related to OSP technology development and deployment.
  - These increases were partly offset by £(148.5)m of depreciation (FY21: £(81.0)m) due to the increased net book value of assets live, impairment of £(9.2)m (FY21: £(11.4)m) and disposals at net book value of £(5.3)m (FY21: £(0.2)m).
- Land and buildings comprise our CFCs in the UK, spokes and offices. This increased by £84.4m (FY22: £197.5m, FY21 £113.1m) largely comprising the land and buildings for Ocado Retail's UK sites.
- Motor vehicles predominantly comprise the vehicles owned by Ocado Group in relation to CFC and head office operations.

Right-of-use assets of £493.9m (FY21: £494.6m) represents the asset value of assets held under long-term leases, comprising land and buildings £415.0m (FY21: £409.0m), motor vehicles £63.1m (FY21: £60.1m) and fixtures, fittings, plant and machinery £15.8m (FY21: £25.5m). During the year the Group entered into new leases for assets of £70.5m (FY21: £182.8m) and comprise land and buildings of £43.4m (FY21: £152.0m), motor vehicles of £24.9m (FY21: £30.8m) and fixtures, fittings, plant and machinery of £2.2m (FY21: £nil). Certain leases were terminated during the year with a net book value of £4.6m (FY21: £7.6m), and the depreciation charge for the year was £66.0m (FY21: £65.6m).

Investment in joint ventures and associates includes the Group's 50% investment in MHE JVCo and the Group's 26.3% investment in Karakuri (both no change in percentage holding from the prior year). The decrease in carrying value in the period of £10.9m to £15.6m (FY21: £26.5m) is due to the full-year dividend received from MHE JVCo of £8.0m (FY21: £7.7m), losses for the year in Karakuri and a reduction in the value of Karakuri due to the reclassification of £1.9m of the purchase price to warrants.

Trade and other receivables increased by £4.9m to £329.3m (FY21: £324.4m), comprising the following:

- Trade receivables (net of expected credit loss allowance) of £124.2m (FY21: £124.6m), which predominantly comprise balances due from Solutions customers and commercial and media income in Retail.
- Other receivables increased by £21.3m to £82.7m (FY21: £61.4m) driven by the reclassification of Retail VAT receivable (previously in other payables), partly offset by a reduction in customer balances due for our US subsidiary, Kindred. Other receivables largely comprise tax refunds and credits due, receivables expected from contract manufacturers for components we have sourced on their behalf and receivables in our US subsidiary, Kindred.
- Prepayments increased by £7.1m to £76.5m (FY21: £69.4m) due to increased forward purchasing of components key to the construction of our CFCs. Prepayments typically include CFC components, software maintenance payments and vehicle maintenance payments.
- Accrued income decreased by £23.1m to £45.9m (FY21: £69.0m) due to the cash receipt of insurance proceeds relating to the Andover fire, partly offset by an increase in accrued Solutions income. The balance primarily relates to accrued income for Solutions capacity fees, and media and promotional income.
- Amounts due from suppliers in respect of commercial and media income is £71.2m (FY21: £70.7m). £52.5m (FY21: £50.9m) of the total is within trade receivables and £18.7m (FY21: £19.8m) is within accrued income.

Cash and cash equivalents are £1,328.0m (FY21: £1,468.6m) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,905.1m (FY21: £1,828.4m), with net debt[Ⓐ] at the period-end of £(577.1)m (FY FY21: £(359.8)m). In June FY22, the Group successfully raised additional gross liquidity of £878.2m, comprising a £578.2m equity placing (£564.1m net of costs) and a new £300.0m revolving credit facility. We believe this provides sufficient liquidity in the short to medium term as we move closer towards being cash flow positive.

Note:

1) Total internal development costs capitalised across other intangible assets and property, plant and equipment are £181.4m (2021: £130.6) comprising £63.9m of internal development costs relating to property, plant and equipment (FY21: £35.0m) and £117.5m (FY21: £95.6m) of internal development costs relating to intangible assets. The increase of £50.8m is primarily driven by the continued investment in OSP and the innovations announced with Re:Imagined that include the further development of our grid and bots, dexterous robotics, our ecommerce platform, and fulfilment and supply chain propositions.
2) Total capital work-in-progress, relating to projects where spend has been capitalised but the asset is not yet in use is £544.4m (FY21: £482.3m) and included across intangible assets (£76.9m, up from £45.9m in FY21) and property, plant and equipment (£467.5m, up from £436.4m in FY21).

Other financial assets decreased by £27.2m to £185.4m (FY21: £212.6m). This decrease was driven by a £57.6m reduction, from £152.6m (FY21) to £95.0m, in the contingent consideration receivable from Marks and Spencer Group plc (M&S) on the 50% sale of Ocado Retail.

We estimated the fair value of the contingent consideration at the year-end based on the probability weighting of a series of scenarios that consider the current market uncertainty in the grocery sector and Retail's current trading performance (see note 3.7 to the Consolidated Financial Statements). This decrease was partly offset by a £39.4m increase in other financial assets mainly related to an improvement in the fair value of our investments in Oxbotica and Wayve, two autonomous vehicle start-ups. The increase in value for these two assets is a result of Oxbotica's successful series C fundraise; and the completion of Wayve's series B fundraise, which triggered the conversion of our loan note to equity.

Inventories of £106.8m (FY21: £86.7m) increased by £20.1m and mostly comprise goods held for resale (largely Retail grocery inventory) which increased by £7.4m to £89.2m (FY21: £81.8m) due to higher cost prices and increased stock holding across the larger number of Retail sites (three new sites in FY21 and four new sites, including Zooms, in FY22).

We also adopted a new inventory accounting policy for low-value spares (items below £500), which had previously been expensed. Under the new accounting policy, low-value spares are now initially recognised as inventory and expensed as used. £7.3m of low-value spares have been recognised within inventories at the period end (FY21: £nil).

Other assets of £34.5m (FY21: £22.4m) relate primarily to share warrants that have a carrying value of £27.4m (FY21: £9.6m), and which have increased by £17.8m due to a revaluation of the share warrants for Oxbotica and 80 Acres. Other assets include £4.4m of assets held for sale (FY21: £4.2m), predominantly the Dartford spoke, and £1.9m of deferred tax assets (FY21: £7.2m) relating to the historical losses of the group, which have decreased due to a revised view of the timing of future profit flows.

Liabilities

Contract liabilities of £422.9m (FY21: £378.5m) primarily relate to the consideration received in advance from UK and International Solutions customers where revenue is recognised when the performance obligation is satisfied, typically when a CFC goes live. Contract liabilities reflect amounts invoiced to partners for their contracted contribution towards the initial MHE investment made in a CFC, and increased by £69.1m during the year (FY21: £94.4m). This was partly offset by £24.7m (FY21: £15.2m) in respect of prior receipts recognised as revenue in the year. The current contract liabilities balance of £29.1m (FY21: £21.8m) represents amounts due to be recognised as revenue within 12 months of the year-end.

Trade and other payables increased by £115.0m to £508.2m (FY21: £393.2m) mainly due to the improved management, in line with contractual terms, of supplier payment terms (trade payables increased by £83.3m to £176.9m FY21: £93.6m). The remaining increase relates to US property taxes due, which are increasing in line with the growth of equipment in the jurisdiction, and an increase in accruals, primarily relating to the timing of payroll.

Borrowings increased by £72.8m to £1,372.8m (FY21: £1,300.0m) largely due to a £30.0m shareholder loan provided by M&S (the non-controlling interest) to the Retail business and the £10.0m draw down by Retail of an existing revolving credit facility. The remaining increase in borrowing is largely due to the unwind of the liability element of the two unsecured convertible bonds, which are held at amortised cost.

Lease liabilities increased by £3.9m to £532.3m (FY21: £528.4m) and comprise land and building £441.4m (FY21: £431.6m), motor vehicles £65.5m (FY21: £62.0m) and fixtures, fittings, plant and machinery £25.4m (FY21: £34.8m). New lease liabilities within this total that were entered during the year were £64.2m (FY21: £176.9m) and largely comprised land and buildings, with the balance across motor vehicles and fixtures, fittings, plant and machinery. Lease liabilities decreased by payments made of £85.7million (FY21: £66.6m) and lease terminations (predominantly underutilised office space), partly offset by £28.3m of accrued interest (FY21: £18.0m).

Lease liabilities due to third parties were £514.8m (FY21: £494.4m) and excludes £17.5m (FY21: £34.0m) payable to MHE JVCo in which the Group holds a 50% interest.

Other liabilities of £42.7m (FY21: £74.1m) principally relate to dilapidation provisions and deferred tax liabilities. The £31.4m reduction in other liabilities is largely driven by the release of various employee incentive plan accruals of £26.6m, of which the majority relates to the cancellation of the Ocado Retail management incentive scheme. Deferred tax liabilities reduced by £9.7m to £14.7m (FY21: £24.4m) primarily due to tax losses in Retail offsetting the liability relating to fixed assets.

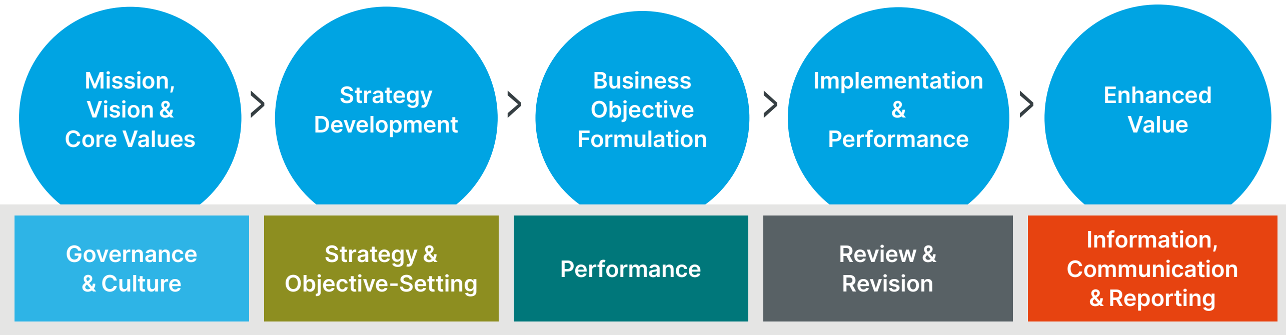
Stephen Daintith
Chief Financial Officer

How we manage our risks

Ocado Group's Enterprise Risk Management ("ERM") enhances our resilience and improves confidence in the delivery of our strategy and business objectives.

Our approach is underpinned by the ERM process and internal control framework that help us to identify, evaluate and manage our threats and opportunities.

COSO Enterprise Risk Management Framework

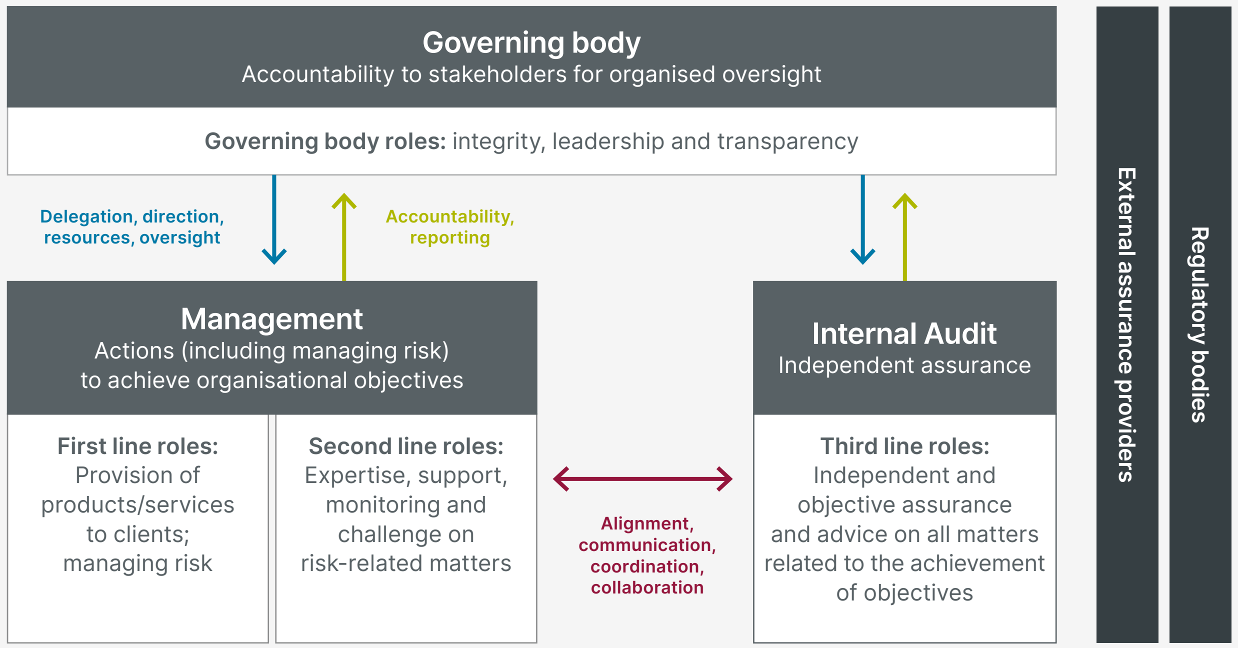


Source: COSO Enterprise Risk Management Framework

Risk management principles and culture

During the year we continued the evolution of our risk management approach, embedding foundational principles based on the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") ERM Framework. This aims to improve governance and operations, and enhance our stakeholder value.

Risk organisation three lines model framework



Source: The Institute of Internal Auditors Three Lines Model

Risk management operation

The Ocado ERM process is designed to identify, assess, manage and monitor key threats and opportunities arising from our strategic direction, our business model and our business environment.

Organisation

Our risk organisation is structured around a collaborative three lines model, with the participation of the underlying teams continually evolving to meet our changing business needs.

Our second line teams provide targeted monitoring and guidance to ensure effective identification, assessment, management and monitoring of our risks across the full span of the business.

Architecture

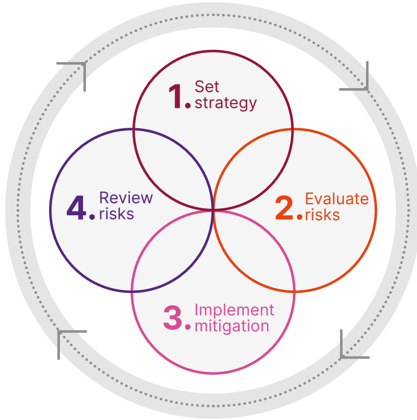
During the year we introduced an Enterprise Tier 2 key risk register to our architecture, to improve transparency, provide improved clarity of understanding around principal risks and ensure consistent and effective risk management across all segments of the business.

This register is monitored holistically by the Enterprise Risk team. Each second line team monitors the key risks associated with the principal risks they have responsibility for, to ensure the principal risk remains aligned with our strategic and operational priorities and continues to reflect the wider business context.

Process

Our process starts with our strategy to identify, understand and manage the threats and opportunities that influence our ability to deliver on the objectives.

Ocado risk management process



1. Set strategy

Our strategy informs the setting of objectives across the business.

Executive Directors determine and evaluate the principal risks and associated risk appetite for the Group.

2. Evaluate risks

Segment directors and second line teams identify risks significant to each of their areas. This is captured in local operational risk registers.

These risk registers are reviewed to create a consolidated set of key risks for the enterprise.

3. Implement mitigation

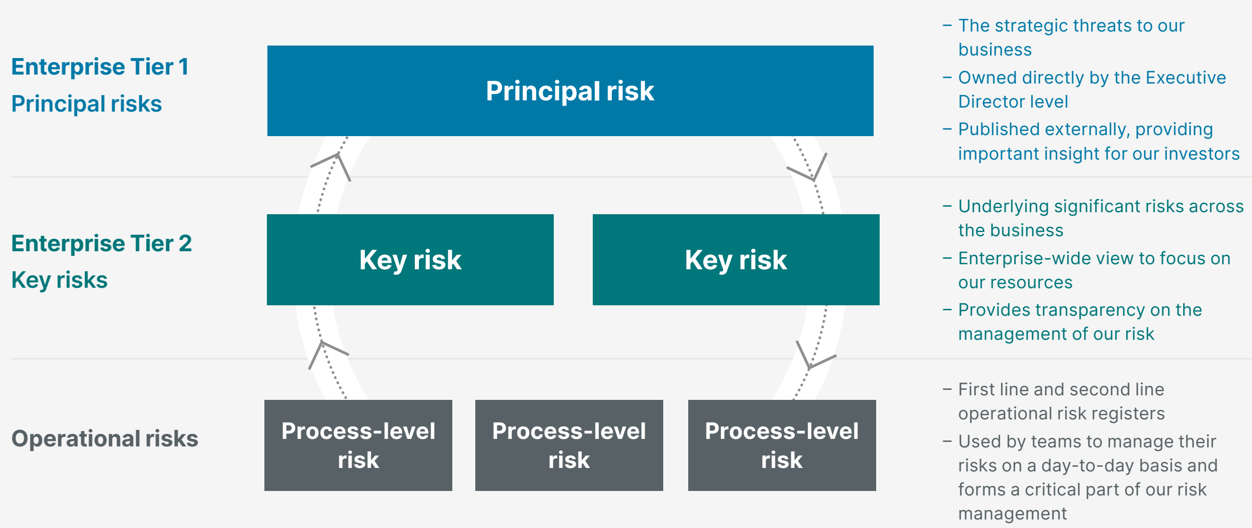
Taking account of risk appetite, management determines how risks will be managed. Mitigation information is added to the operational and key risk registers as appropriate to determine residual exposure.

4. Review risks

The Enterprise Risk team in conjunction with the Risk Committee oversees the risk management process. Group-wide risks and mitigation processes are regularly reviewed by the Risk Committee and Audit Committee.

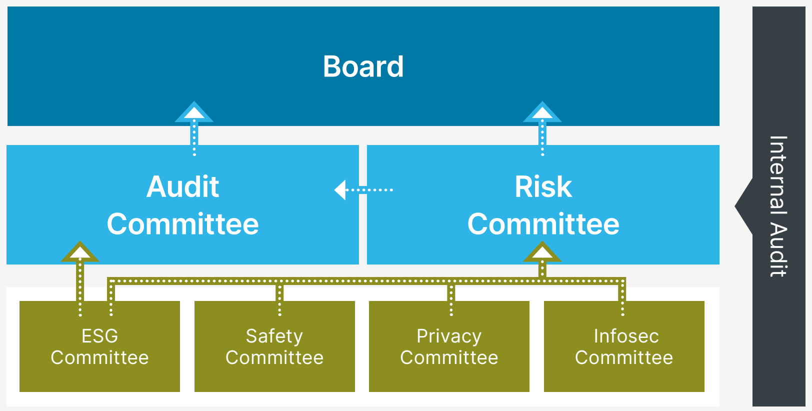
This process for identifying, evaluating and managing the principal risks faced by the Group operated during the period and up to the date of this Annual Report. Such a system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Enterprise Tier 1 and Tier 2 and operational risks



How we manage our risks
continued

Overview of risk management governance structure



Risk management governance

Risk management delivery is governed by a structured set of Committees:

- The Board is responsible for the review and approval of the risk management framework and Ocado Group's key strategic and emerging risks. Our risk management 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. As part of its annual strategy review, the Board also reviews and approves the associated risk appetite.
- The Audit Committee, delegated by the Board, is responsible for the review of the effectiveness of risk management, the system of internal control, the monitoring of the quality of financial statements and consideration of any findings reported by the external auditor. The review covers all significant controls, including financial, operational and compliance controls and risk management systems.
- The Risk Committee reviews, inputs, and challenges principal and emerging risks, monitors effectiveness of risk management across the Group and provides governance over programmes to strengthen our risk culture. The Committee is chaired by an Executive Director. Attendees include other executives, the Chair of the Audit Committee and the Committee is directly supported by the Enterprise Risk team. The Committee reviews a full enterprise risk report twice a year which 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 taking account of mitigation activities. The risk appetite is also assessed to ensure that it reflects the level of risk that the business is willing to accept in order to achieve our strategic objectives.

The Risk Committee is supported by specialist risk committees and supporting second line teams covering risk areas such as information security, safety, ESG and data privacy. In addition the Treasury Committee manages Ocado Group's cash and deposits, investments, foreign exchange and interest rates, so as to ensure liquidity and minimise financial risk.

Internal Audit supports the Audit Committee and Risk Committee in reviewing the effectiveness of the risk management framework and the management of individual risks driven by a risk-based audit plan.

We have an ERM Policy which covers the management of risks, encompassing ESG matters. This has the purpose of protecting and enhancing enterprise value. The Company has a number of other policies which cover specific ESG topics. You can find further detail on certain of these policies on page 99.

Strengthening our framework

The Board's review found the Company's risk management and internal control systems to be effective. As part of our continuous improvement of risk management and resilience, we continue to develop our approach to support effective decision-making.

Achievements during the year:

- Aligned more closely with the COSO ERM Framework to enhance our guiding principles.
- Introduced Enterprise Tier 2 key risks to focus risk management resource and oversight across the segments – assessed by our Internal Control Effectiveness review.
- Introduced deep dives to surface understanding in areas of significant concern and drive engagement within broader stakeholder groups.
- Piloted scenario analysis to support the identification and assessment of risks, as well as informing risk management actions.
- Further enhanced coordination across our second line operations and our delegated risk governance to enable us to meet emerging challenges with greater resilience.
- Strengthened the coverage of ESG risks within our remuneration incentives.

Continuous improvement activity underway:

- To further embed scenario analysis, including climate-related scenario analysis, within ERM.
- To increase operational maturity of our second line functions which were assessed as part of our Internal Control Effectiveness review.
- To enhance our management of opportunities.

The strengthening of the financial control environment remains an area of focus for the Audit Committee and further activity was undertaken during the period to improve our controls; this is explained on page 140 of the Audit Committee Report.

Principal and emerging risks

The principal and emerging risks are discussed and monitored throughout the year to identify changes to the risk landscape. The Board carried out its assessment of principal and emerging risks towards the end of the period informed by recommendations from the Risk Committee, ensuring that procedures are in place to manage and mitigate risks. Significant ESG matters, and climate-related risks and opportunities were taken into account as part of the Board's risk review.

We consider ESG as being the environmental, social and governance work we do, which is critical to building our sustainable value. As noted on page 26, monitoring and managing our material ESG issues are a strategic imperative. From a risk management perspective, ESG elements are considered individually in identifying and assessing the principal risks and are embedded throughout.

Set out overleaf are details of the principal risks and uncertainties for the Group, our risk appetite, and the key mitigating activities used to address them. The risks are not set out in any order of priority or importance. Risk appetite is the level of risk that we are willing to accept in pursuit of our strategy, before any action is determined to be necessary in order to reduce that risk. We monitor our risk levels against appetite at the Audit and Risk Committees. In line with the prior year, we evaluate our risks against our strategic objectives and our ESG materialities to consider both the risk and opportunity perspectives associated with these priorities. The residual (or post-mitigation) risk movement during the year for each principal risk and uncertainty has been assessed and is included in the disclosure.

Details of consideration given to finance risks by the Company are set out on pages 96 to 99 and 243 to 245.

Details of consideration given to climate-related risks by the Company are set out on pages 47 to 55 and 95.

Ocado Retail

In addition to the principal risks impacting the Group, we also consider risk in relation to our activities and investment in Ocado Retail. Ocado Group's Audit Committee and Risk Committee formally review the Ocado Retail principal and key risks as part of their half year and full year risk reviews. Risks of significance are set out below:

- Geopolitical and economic uncertainty given the current situation with higher fuel, utilities and cost prices, and continuing events in Ukraine.
- Failure to maintain a retail proposition that appeals to a broad customer base.

Changes to our principal risks

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

- The risk described in the 2021 Annual Report addressing Product (OSP) Innovation, Quality and Safety has been realigned with Quality included in Product Performance, and Safety within Fire & Safety.
- The risk described in the 2021 Annual Report addressing Business Interruption and Catastrophic Events has been incorporated within Product Performance and Cybersecurity.

Emerging risks

In analysing Ocado Group's risk universe, utilising both internal and external sources, emerging risks which have been identified are set out below:

Market volatility risk (including competition): We continue to monitor the ongoing situation including industrial action and inflation, and consider mitigation activities as part of the Geopolitical & Economic Uncertainty principal risk (page 95).

Business transformation risk: We continue to transform our business to take advantage of new markets and opportunities, and our emerging risk process seeks to ensure that we are aware of risks and opportunities arising from business transformation.

How we manage our risks
continued

Linking principal risks with strategy

The table below shows the primary link between our principal risks and strategy, which enables us to be a more resilient business.

In 2022 we clarified our fifth priority and renamed it 'Responsible business approach'. This priority provides a foundational bedrock to the other four 'pillars' in the strategy, enabling us to continue our focus on resilience and ensure that our risk management activities fully underpin our strategy.

Principal Risk	Strategic link
Product Commercial Proposition	
Product Performance	
Product Innovation	
Intellectual Property	
Supply Chain	
Talent & Capability	
Cybersecurity	
Fire & Safety	
Regulatory & Compliance	
Geopolitical & Economic Uncertainty	
Climate	

Strategic pillars key

1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Deliver on our client commitments
5. Responsible business approach

Product Commercial Proposition

What is the risk?

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

Key risk drivers

- Commercial viability
- Commodity and cost inflation
- Partner dependency
- Partner market volatility
- Food waste

How we manage it

- Pricing model approved by Chief Commercial Officer, Ocado Solutions and Board.
- All deals are modelled and reviewed before signing
- Quarterly pricing review.
- Monthly monitoring of project P&Ls undertaken by Finance.
- Diversified pipeline of deals with new partners in new territories.

Risk owner
Luke Jensen

Risk appetite
Cautious

Movement

Link to strategy

Responsible business approach link

Product Performance

What is the risk?

Failure to provide clients with timely, consistently reliable performance at a level of quality to meet the needs of their end customers. Partners may not have the necessary knowledge, guidance, or capabilities to operate OSP efficiently and cost-effectively. These issues could lead to increased costs, reduced revenue or penalties for Ocado and its clients.

Key risk drivers

- Partner (operational) performance
- Contractual obligation and change
- Platform implementation delays
- Product quality
- Operational disruption (including technical and software failures)

How we manage it

- Governance teams monitor individual projects.
- Monthly reviews of partner performance undertaken, including KPIs and partner engagement.
- Partner Success Teams share knowledge and advise on improved ways of working.
- New products are tested at dedicated development sites.

Risk owner
James Matthews and Luke Jensen

Risk appetite
Cautious

Movement

Link to strategy

Responsible business approach link

Product Innovation

What is the risk?

Failure to respond to emerging technology or disruptive business models could undermine our ability to attract and retain clients.

Key risk drivers

- Disruptive technology
- Product strategy and roadmap

How we manage it

- Quarterly product planning meetings assess product development against functionality, target KPIs, timelines and budget.
- Ongoing market research to identify our partners' needs and market trends.
- Establishing our identity as a technology business, international platform provider and innovation factory.

Risk owner
James Matthews

Risk appetite
Open

Movement

Link to strategy

Responsible business approach link

Responsible business approach key

- Our people and skills for the future
- Environment and natural resources
- Platform resilience and innovation

Risk movement key

- Increased
- Decreased
- No change

Risk appetite key

Open – Will take justified risks to achieve highest return and accept possibility of failure.

Flexible – Will take strongly justified risks and will manage impact of possible failure.

Cautious – Preference for safe delivery and will accept if trade-off is limited, and heavily outweighed by benefits.

Minimal – Extremely conservative and will accept only if essential and limited possibility of failure.

Averse – Avoidance of risk is a core objective, and will always select the lowest risk option.

RISK MANAGEMENT

How we manage our risks
continued

Intellectual Property

What is the risk?

Third party IP infringement or failure to protect our own IP could result in loss of use of the Group's assets, financial damages or harm to the Company's reputation or relationships.

Key risk drivers

- Infringement
- Protection

How we manage it

- Conduct Freedom to Operate searches on relevant technologies and in selected jurisdictions.
- Monitor IP filings and grants by a large number of competitor companies.
- Specialist patent attorneys work with the development streams to identify new innovations and provide training and guidance.
- Combine internal and external legal counsel management of litigation and other IP proceedings.

Risk owner
Neill Abrams

Risk appetite
Cautious

Movement

Link to strategy

Supply Chain

What is the risk?

Disruption in our extended and complex supply chain may adversely affect product availability and responsible sourcing. This could result in increased costs and fines, delays to contractual commitments and loss of revenue.

Key risk drivers

- Contract performance
- Responsible sourcing
- Supplier dependency
- Power shortages/blackouts
- CO_2 shortage

How we manage it

- Steering group monitors supply chain demand against supplier capacity constraints.
- Dedicated procurement teams with specific market and product knowledge.
- Supplier assessments, due diligence and site audits undertaken during product development process.
- Quarterly business review of all major suppliers covers performance, product quality, cost and market assessment.
- Responsible Sourcing Working Group monitors multiple work streams, reporting to the ESG Committee.

Risk owner
James Matthews

Risk appetite
Cautious

Movement

Link to strategy

Talent & Capability

What is the risk?

Difficulty in filling key positions, a loss of top performers and an inability to embed diversity could undermine business operations and growth plans.

Key risk drivers

- Retention and rewards
- Attraction
- Training and development
- Diversity and inclusion
- Succession planning
- Culture and wellbeing (employee engagement and relations)
- Organisational structures

How we manage it

- Workforce planning undertaken to identify current and future landscape.
- Periodic review of remuneration and incentive plans to align with market trends.
- Talent development programmes implemented to support resourcing plans.
- Employee surveys to analyse opinions
- Succession plan developed.

Risk owner
Claire Ainscough

Risk appetite
Flexible

Movement

Link to strategy

Cybersecurity

What is the risk?

Disruption or loss of critical assets and sensitive information as a result of a cyber attack, insider threat or a data breach within our Group network or our supply chain, could result in business disruption, reputational damage and regulatory impacts, for us and our clients.

Key risk drivers

- Cybersecurity breach
- Commercial data loss
- Personal data loss
- Infrastructure outage
- Third party compromise

How we manage it

- IT infrastructure established to operate with resilience and security.
- Regular testing by third parties and cyber incident contingency planning.
- Data Protection Officer oversees Group's privacy compliance programme.
- No customer payment card data is held in Ocado Group's databases.
- Dedicated Information Security team monitors security issues and responds to security incidents.

Risk owner
James Matthews

Risk appetite
Minimal

Movement

Link to strategy

Strategic pillars key

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4. Deliver on our client commitments
5. Responsible business approach

Responsible business approach key

- Our people and skills for the future
- Environment and natural resources
- Platform resilience and innovation

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- Decreased
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How we manage our risks
continued

Fire & Safety

What is the risk?

Fire, or harm to a worker or customer, caused by product design or operating failures could result in business disruption, loss of assets and reputational loss.

Key risk drivers

- Fire safety
- Product safety
- Food safety
- People safety (construction and logistics)

How we manage it

- Health and safety governance programme overseen by the Safety Committee.
- Experienced technical experts monitor and audit compliance against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health, fire and construction.
- Training, risk assessments and safe systems of work undertaken by qualified staff to raise awareness and knowledge.
- Regulatory changes actively monitored and supported by external expertise and advice.

Risk owner
James Matthews

Risk appetite
Minimal

Movement

Link to strategy

Responsible business approach link

Regulatory & Compliance

What is the risk?

Failure to comply with local and international regulations could lead to loss of trust, penalties, and undermine our ability to operate.

Key risk drivers

- Statutory compliance
- Fraud, bribery and industry specific compliance
- New geographies
- Governance

How we manage it

- UK, EU and rest of world regulatory monitoring tracker.
- Perform due diligence and territory research and seek specialist advice for regulatory issues.
- Monitor regulatory developments to ensure that changes are identified.
- Implement compliance framework of policies and procedures and employee training.

Risk owner
Neill Abrams

Risk appetite
Minimal

Movement

Link to strategy

Responsible business approach link

Strategic pillars key

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Responsible business approach key

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Risk movement key

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- Decreased
- No change

Geopolitical & Economic Uncertainty

What is the risk?

Global economic and political crises may undermine customer demand, our access to skills and our supply chain. This could impair operations and delivery of new capacity.

Key risk drivers

- Sanctions
- War and conflict
- Cost of living
- Pandemic
- Civil unrest/activism

How we manage it

- Risk assessments prior to entering new geographical markets or undertaking new ventures.
- Scan of government and media channels for emerging threats.
- Maintain financial and physical reserves to cushion any operational impact for an extended period.
- Update business continuity management plans in response to threats.

Risk owner
Stephen Daintith

Risk appetite
Flexible

Movement

Link to strategy

Responsible business approach link

Climate

What is the risk?

Extreme weather events and climate-related regulation could disrupt our supply chain, operations and demand for our products.

Key risk drivers

- Climate reporting
- Fleet transformation
- Energy costs
- Climate impact on supply chain
- Natural disasters

How we manage it

- ESG Committee oversight of ESG and climate programmes.
- Risk workshops and scenario analysis to identify financial impact, and mitigations over extended timeframe (see TCFD disclosure note – pages 47 to 55).
- KPI monitoring.
- Climate and Net Zero roadmap planning.
- Horizon scanning to identify regulatory developments.

Risk owner
Neill Abrams

Risk appetite
Flexible

Movement

Link to strategy

Responsible business approach link

Risk appetite key

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Going Concern and Viability Statements

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 14 and 15, and 26 to 35, and our risk management framework is described on pages 86 to 95.

The Group's planning cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group, covering the five successive financial years from FY23 to FY27.

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 and other members of the Divisional Management Team. The Board undertook a detailed review of the plan during its annual Strategy Day in June 2022, which was approved by the Board. The plan was then updated to reflect the outcome of the Group FY23 Budget, which was approved by the Board in December 2022.

In preparing the plan the Board considered the impact of Covid-19, both the positive impact to online grocery retail demand through lockdown, supporting the longer-term case for online grocery retail, and the potential normalisation of consumer buying patterns in a post-Covid-19 economy.

The Board continues to assess these factors, including the extent to which consumer buying patterns may have normalised, along with other factors such as the availability and cost of labour and other key requirements for the business.

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

Liquidity and financing position

Following completion of the £578m capital raising in June 2022, the Group has cash and cash equivalents of £1.3 billion and net debt of £0.6 billion as at the end of the period, compared to cash and cash equivalents of £1.5 billion and net debt of £0.4 billion at the end of FY21. The Group also has access to additional liquidity through its £0.3 billion Revolving Credit Facility ("RCF") until June 2025 with options to extend for an additional two years subject to agreement with the banking syndicate.

The Group's Senior Unsecured Notes ("SUNs") contain typical high yield covenants, including a Fixed Charge Cover Ratio ("FCCR") which provides greater financial flexibility when greater than 2.0x, and a Consolidated Net Leverage Ratio ("CNLR") which governs the Groups ability to make certain restricted distributions. In both cases, the covenants are only tested on an "incurrence" basis (i.e. when accessing additional funding) and apply to the Restricted Group – the consolidated group excluding Ocado Retail and Jones Food and the results of the Group's captive insurance entity. Whilst no additional funding requirement is indicated in the modelling below, we expect the FCCR to be maintained above 2.0x throughout the assessment period maintaining our ability to access additional funding if required.

The RCF also contains a net leverage covenant similar to the CNLR covenant in the SUNs, which needs to be met in order to be able to draw down under the facility. We have considered the need and ability to access this RCF over the going concern and viability assessment period in each of the base case, downside and severe downside scenarios and we have assumed that the option to extend the RCF is exercised to cover the full viability assessment period.

Current borrowing facilities mature in FY26 and FY27 with repayment due in December 2025 (£600m convertible bond), October 2026 (£500m SUNs) and January 2027 (£350m convertible bond). Whilst these fall out of the viability period it is anticipated that replacement funding would be obtainable as required to refinance existing facilities.

Assessment of longer-term viability

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

Whilst there are a number of factors which could support a longer term time-horizon – notably the five-year duration of the Group's annual strategic planning process; the four to six years (medium-term) considered in the cash flow modelling seminar; the open-ended duration of our Solutions contracts; and the Group's financing profile which extends out to 2026 (Senior Unsecured Notes) and 2025 and 2027 respectively (Convertible Bonds) – the rapid pace of strategic and technological development for the Group, both in the UK and Internationally, are strong indicators that would support a shorter time frame.

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

The scenarios modelled do not make allowance for other mitigating actions available to the Board that could be taken in response to the crystallisation of one or more of the significant risks. These mitigating actions include:

- Reducing or temporarily slowing down our investment in Technology
- Disposing of all or part of our 50% holding in Ocado Retail
- Disposing of some or all of our strategic ventures investments

Financial Modelling

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

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

	Stress test scenario	Group Principal Risk
1	Downside scenario: Limiting growth in CFCs to those either currently committed or under construction (e.g. assuming no new international Client Partners are added) with a corresponding impact on fees, together with a small reduction in the level of operational efficiencies assumed in the base case scenario and reflecting the potential receipt of contingent consideration to be outside the assessment period.	Product Commercial Proposition and Product Innovation – inability to attract new clients Geopolitical & Economic Uncertainty – reduced customer demand impacting client growth Product Performance and Supply Chain – increasing costs of solution delivery
2	Severe downside scenario: As per (1) above, but also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. This is modelled by assuming that there will be no further reduction in costs as a percentage of client sales beyond those currently being achieved at our mature sites. This also covers potential costs of an adverse litigation outcome.	Product Commercial Proposition and Product Innovation – inability to attract new clients Geopolitical & Economic Uncertainty – reduced customer demand impacting client growth Product Performance and Supply Chain – increasing costs of solution delivery Intellectual Property – adverse litigation outcome resulting in increased costs (e.g. licensing)

The Base Case

The Going Concern and Viability assessments use as their base the five-year strategic plan approved by the Board, updated to reflect the FY22 outturn financial performance and the Group FY23 Budget.

The Convertible Bonds issued with a maturity date of 2025 are assumed to remain in place and to convert at maturity and those with a maturity date of 2027 are assumed to remain in place and unconverted throughout the assessment period.

The Group has a cash position of £1.3 billion as at the end of FY22, and under the base case is forecast to retain positive cash headroom throughout the assessment period.

The base case assumes a continuation of the trends seen in FY22, including further normalisation of customer buying patterns and heightened input cost pressures in the UK Retail business. Growth is forecast to continue in the UK with the addition of further CFCs and Zoom sites, and internationally with CFC orders from both existing and new clients.

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

Based on the operational cash flows assumed in the plan, our expectation is that no further fundraise would be required within the viability period in order to support ongoing capital expenditure requirements.

The Directors have therefore concluded that going concern and viability would be maintained under the base case scenario. Given the significant liquidity headroom under the base case, no further stress test was undertaken with respect to Going Concern.

Downside Stress Tests

A downside stress scenario was undertaken to determine the sensitivity to viability, as noted in the table above.

Under this scenario, there is a decrease in the cash position of the Group compared to the base case such that the Group would have minimal cash headroom by the end of the viability period. In such a scenario, mitigating actions (such as described above), agreement with lenders to relax or change financial covenants of the RCF or an additional fundraise, may be required. The Directors are satisfied that any such mitigating measures, revisions or fundraise would be available to support the Group under this scenario.

The Directors have therefore concluded that viability would be maintained under the Downside stress test.

Going Concern and Viability
continued

The Severe Downside Case

This case applies the Downside stress test as above, and also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. We have modelled this by assuming that there will be no further reduction in costs beyond those currently being achieved at our mature sites. This would represent a significant increase in the cost base of the business.

Under this scenario, there is a more significant decrease in the cash position of the Group compared to the base case, indicating that mitigating actions (such as described above), agreement with lenders to relax or change financial covenants of the RCF or an additional fundraise, would be required towards the end of the assessment period. The Directors are satisfied that any such mitigating measures, revisions or fundraise would be available to support the Group under this scenario.

The Directors have therefore concluded that viability would be maintained under the Severe Downside case.

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 86 to 95 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.

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 viability assessment period.

Going Concern Statement

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.

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Finance Review on pages 70 to 85. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Strategic Report on pages 1 to 85, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors as set out on pages 86 to 95.

After reviewing the Group's liquidity and financial positions, the Directors considered it appropriate to adopt the going concern basis of accounting, with no material uncertainty identified, in the preparation of the Company's and Group's financial statements.

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	Additional information
1 Business model		Our Business Model, pages 14 and 15
2 Principal risks and impact of business activity	Our **ERM Policy** covers the management of risks.	Risk Management, pages 86 to 95 Audit Committee Report, pages 132 to 143
3 Non-financial KPIs		Our Strategy, pages 26 to 35 Key Performance Indicators, pages 62 to 65
4 Our employees	Our **Code of Conduct** sets out the principles of how we expect our employees to conduct themselves. Our **Whistleblowing Policy** provides guidance on how to report suspected wrongdoing. Our **Equal Opportunities Policy** sets out our commitment to treat all our employees fairly and equally. Our **Work from Anywhere Policy** provides flexibility for our employees to work remotely in another country or location. Our **Board Diversity Policy** confirms the Board's commitment to support and promote diversity and inclusion across the Group. Our **Health and Wellbeing Strategy** is focused on supporting and enhancing the wellbeing of our employees.	Responsible Business, pages 36 to 61 People Committee Report, pages 127 to 131 Directors' Remuneration Report, pages 144 to 170
5 Respect for human rights	Our **Human Rights Policy** sets out requirements for all persons working for us or on our behalf to ensure their human rights are respected. Our **Modern Slavery Statement** confirms our commitment to human rights and safe and secure working environments.	Responsible Business, pages 36 to 61
6 Social matters	Our **Code of Conduct** guides our behaviour in line with our values and provides a framework for responsible business practices.	Responsible Business, pages 36 to 61
7 Anti-bribery and anti-corruption	Our **Anti-Bribery Policy** and **Anti-Money Laundering Policy** set out expected standards of behaviour and guidance on how to deal with bribery and corruption issues. Our **Conflicts of Interest Policy** provides guidance regarding the management of conflicts of interests.	Responsible Business, pages 36 to 61
8 Environmental matters	Our **ESG Strategy** sets out our objectives with respect to our impact on the environment, including reducing the climate impact of our operations.	Responsible Business, pages 36 to 61

Strategic Report Approval

The Company's Strategic Report is set out on pages 1 to 99.

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

Neill Abrams
Group General Counsel and Company Secretary
28 February 2023

Contents

Our Governance.

Governance at a Glance

Key Board decisions

New OSP partnerships with Auchan Polska and Lotte Shopping and the extension of our partnership with Groupe Casino

Further investment into Oxbotica and Inkbit ventures

Mark Richardson's new role as CEO of a new ASRS business focused on extending our product offering into new market sectors

Climate risk strategy and TCFD reporting processes

Capital raise and new revolving credit facility

Acquisition of Myrmex, our partner in the development of the Automated Frameload

Five-year financial plan and strategic focus to enable delivery

Restructuring of the size and shape of the organisation to be able to deliver against the five-year plan

Development of the client success function to provide specialised support to Client Partners

The role of the Board

Provide effective leadership, establishing the Group's purpose and values and monitoring its culture.

Determine and review the Group's strategy, assessing performance against it and overseeing the execution of strategic actions.

Review and approve all significant transactions or financial commitments and any major changes to corporate, capital and management structures.

Set the Group's risk appetite and review its principal and emerging risks, and maintain sound risk management and internal control systems.

Ensure effective engagement with key stakeholders to enable the Board to understand their views and take these into consideration in decision-making.

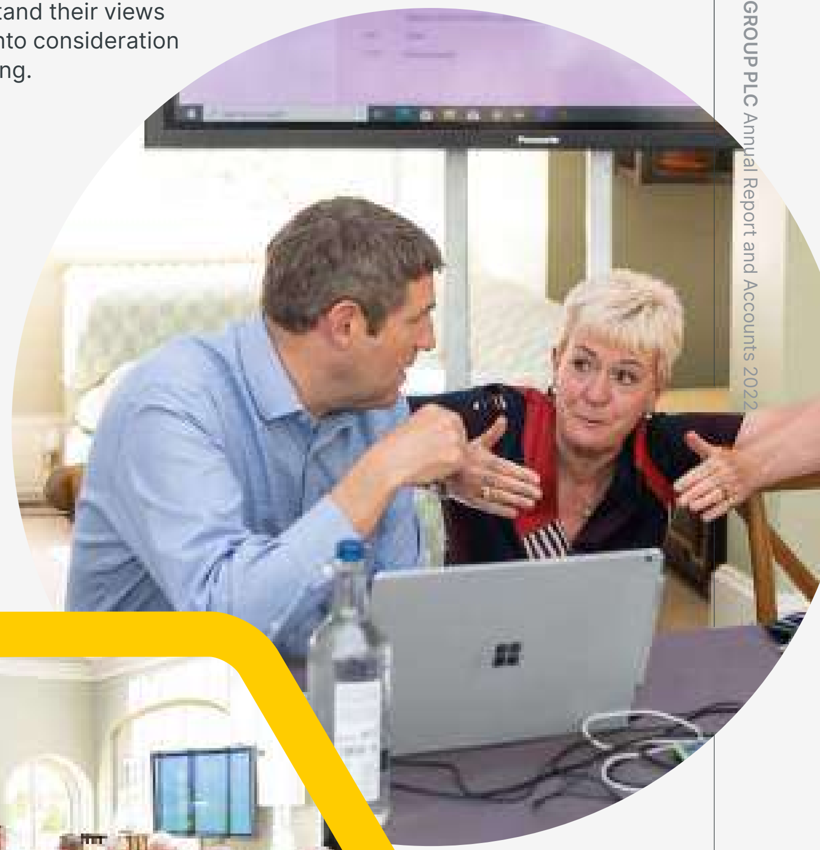
Key governance developments

Increased transparency regarding the operation of different parts of the business and improved setting and monitoring of targets.

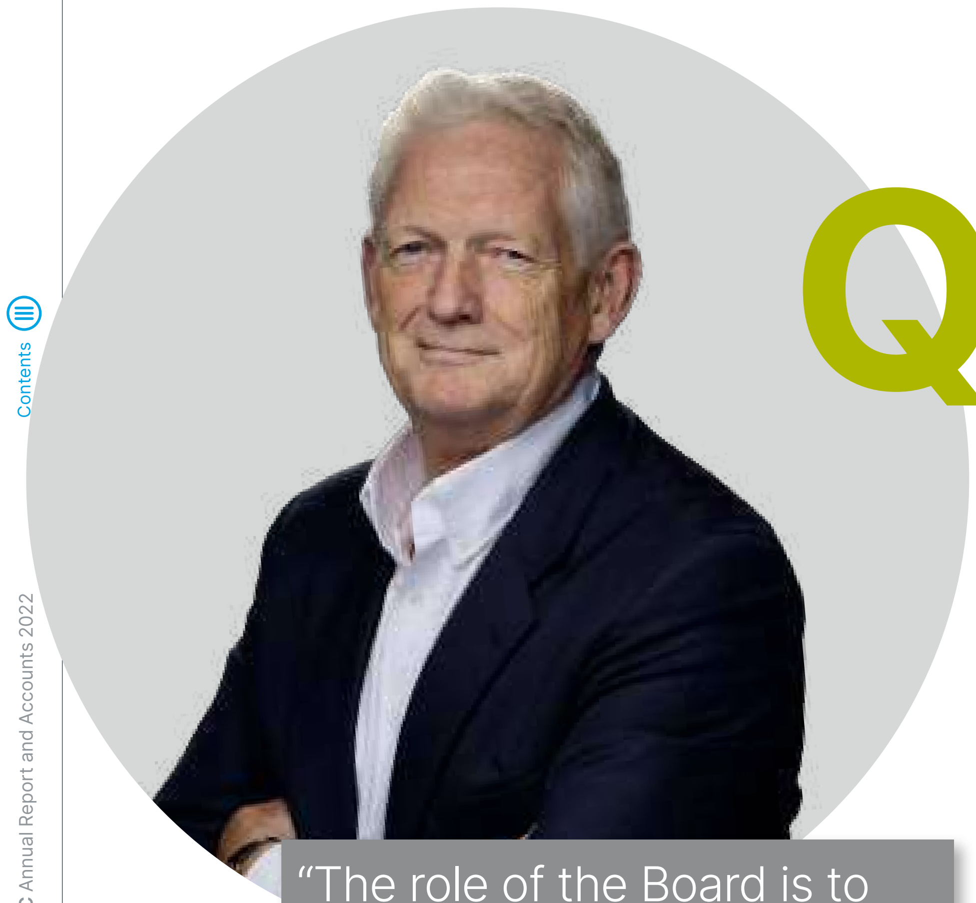
Treasury risk management review and new electricity procurement arrangement.

More mature safety strategy.

Improvements in maturity of the compliance and governance framework, a key to the first successful SOC audit.



Chair's Governance Overview



Q&A.

We're structured for **success** and led by a Board primed to take us there.

> "The role of the Board is to set a tone that promotes the purpose and values of the Group."
>
> **Rick Haythornthwaite, Chair**

Q. As the Chair, what is your view on the role of governance?

A. I believe that strong corporate governance, which supports effective decision-making and enables us to control risk and ensure compliance, is critical to our long-term success. The governance structure should provide transparency, accountability and fairness. This gives confidence to our stakeholders regarding the operation of our business and provides an environment for our people to understand their roles and be able to act with confidence.

The role of the Board is to set a tone that promotes the purpose and values of the Group, as well as underpin its reputation for honesty, reliability, competence and, thus, trustworthiness. We are responsible for ensuring the necessary processes and practices are in place and to keep the governance structure under review. The framework is not static and must be able to adapt as our business develops and in response to external changes, such as new regulations, to support our continued success.

Q. What have been the key governance highlights this year?

A. This year we undertook a reorganisation of the size and shape of the Group to ensure the business is appropriately resourced to deliver on our five-year plan and meet our strategic objectives. This included the development of our client success function providing specialised ongoing support to our Client Partners and setting up a new dedicated team, led by Mark Richardson, to expand the use of our solutions into new markets beyond grocery. We have also continued to make improvements to our compliance and governance framework, including developing an improved fraud prevention framework, updating key policies to reflect global requirements and focusing on employee awareness and training. The strengthening of our compliance structure was key to achieving our first successful SOC audit this year. Lastly, we have improved the setting and monitoring of targets across the business, leading to a better understanding of delivery requirements and ability to track progress. These developments have all contributed to strengthening our governance structure and better equipping the Group to deliver on our key strategic objectives.

Q. What engagement with stakeholders has the Board had during the year?

A. We understand the need to build and maintain successful relationships with a wide range of stakeholders to enable the Group to achieve long-term sustainable success. Understanding stakeholders' views and considering the potential effects of actions is an important aspect of the Board's decision-making process. I have met with senior management at Morrisons and our Client Partners Coles, Kroger and Groupe Casino, as well as ICA with the whole Board. This year we held a number of events to enable greater dialogue with our investors and other stakeholders, including the Group modelling and cash flow seminars, a governance breakfast and the Ocado Re:Imagined launch, receiving valuable feedback from investors.

Q. How does the Board maintain and monitor the culture of Ocado?

A. The Board reviews and approves all key workforce policies and we are responsible for ensuring our policies and practices reinforce our culture. The culture is monitored and assessed by the Board using a range of metrics and reporting from across the business, alongside engagement with our people and other stakeholders. We understand the role of the Board and senior management in setting the tone for our people and strive to lead by example in our behaviour. As the Group continues to grow and our international workforce increases we will continue to monitor closely to ensure our culture is embedded across the Group. We recognise the importance of diversity and inclusion and the value this brings to our business and the Board is focused on this area as we acknowledge that more can be done, both at the Board and senior management level, and throughout the Group. The expansion of the People Committee remit this year, to provide oversight to people engagement across the Group, provides the opportunity to better understand the views of our people and to monitor the culture.

Q. What were the key outcomes and actions from the external Board evaluation undertaken this year?

A. I was pleased that the external evaluator reported on the strong Board dynamics and found the culture of the Board to be positive, entrepreneurial and engaging, as this mirrors what I perceive. One of the key outcomes was the strong endorsement of the significant changes made over the past year to improve the effectiveness of the Board, illustrated by the clarity and alignment of the Board on strategic priorities and the Board's role in Ocado's continuing development. We will seek to further embed these processes, including the focus on strategic topics and allowing sufficient time for free-flowing discussion, and also ensure the Non-Executive Directors continue to strongly challenge the Executive Group. We will also continue to focus on ensuring that there is appropriate review regarding the delivery of objectives and performance against our strategy and, in particular, the five-year plan. This includes making sure that relevant information from across the business is provided to the Directors, through focused Board papers and the provision of information outside of the meeting cycle as appropriate.

Q. What is the Board's role from a sustainability governance perspective?

A. The Board's role in setting the strategy and values for the Group, overseeing the governance structure, monitoring risk and understanding stakeholders' views is key from a sustainability governance perspective. The Board is responsible for ensuring there is a strong governance framework in place, grounded in the principles of transparency, accountability and integrity, which fosters the trust and confidence in our stakeholders that supports our sustainability. The long-term sustainable success of the Group, through value creation and a positive contribution to the wider society, is a key consideration of the Board in setting our strategic priorities and objectives.

In its decision-making the Board considers the impact of actions, including environmental, social, and economic, and the long-term consequences of decisions, as opposed to merely focusing on short-term financial value. The Board oversees Ocado's ESG strategy and monitors progress against the agreed objectives, and I am pleased that we are reporting against the TCFD framework in depth for the first time in this report. We will continue to assess our impact on the environment and wider society and what actions we can take to create positive outcomes, whilst ensuring robust and transparent reporting.

Q. What are your future priorities?

A. Above all, delivering on our short-term promises so that we might earn the right to push our long-term vision forward. We will also continue to monitor our governance structure including the practices and policies that ensure it as our business develops, and to build on our engagement with stakeholders and keep under consideration the most effective ways to encourage a constructive dialogue with those stakeholders. Following the reorganisation of the Group this year, and in consideration of our increasingly global workforce, we must also continue to reassure ourselves that the culture of the Group remains aligned with our values and supports our strategic objectives.

Rick Haythornthwaite
Chair
28 February 2023

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Corporate Governance Report

How the Directors Formally Report to Shareholders and take Responsibility for this Annual Report

Communication and shareholder engagement are important to the Board. Therefore, the Group follows a regular reporting and announcement agenda, including the formal regulatory news service announcements, in accordance with the Group's reporting obligations. The Group reports trading performance, including information on the growth of the Retail revenue and average order numbers and size, on a quarterly basis; recognising that it is important to regularly update the market due to the emphasis shareholders place on receiving regular communications about sales and the current competitive pressures in the market.

Other announcements include the Half Year Report, the preliminary announcement of annual results, the Annual Report and investor presentation slides and videos. These documents are available on the Group's corporate website. Shareholders can choose to receive the Annual Report in paper or electronic form.

The Directors take responsibility for preparing this Annual Report and make a statement to shareholders to this effect. The Statement of Directors' Responsibilities on page 178 of this Annual Report is made at the conclusion of a robust and effective process undertaken by the Group for the preparation and review of this Annual Report.

The Directors believe that these well-established arrangements enable them to ensure that the information presented in this Annual Report complies with regulatory requirements, including those in the Companies Act 2006, and is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In addition to this Annual Report, the Group's internal processes cover (to the extent necessary) the preliminary announcement, the Half Year Report, Trading Statements and other financial reporting.

When forming its opinion on whether the Annual Report is fair, balanced and understandable, the Board considered a number of factors. These included:

Fair

- the whole story has been presented and no material information has been omitted (positive or negative);
- reporting on the business in the narrative reporting section is consistent with the reports in the financial reporting and Financial Statements;
- the key messages in the narrative are reflected in the financial reporting; and
- the key performance indicators are disclosed at an appropriate level based on the financial reporting.

Balanced

- there is a good level of consistency between the front-end narrative and the financial reporting, with both sections conveying the same message;
- the Annual Report is truly a document for shareholders;
- the statutory and adjusted measures are explained clearly with appropriate prominence; and
- the key judgements and significant issues in the Audit Committee Report are consistent with the disclosures of key estimation uncertainties and critical judgements set out in the Financial Statements, and whether these compare with the risks that the auditor includes in its report.

Understandable

- there is a clear and understandable framework to the report;
- the important messages are highlighted appropriately throughout the document; and
- the layout is clear with good linkage throughout which reflects the whole story.

Report preparation

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 management highlighting how reporting, regulatory and governance issues had been addressed in this Annual Report;
- Board and Audit Committee review of management reports on assessments of 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;
- checking of report electronic tagging;
- specific Board review of Directors' belief statements and key statements; and
- separate approval by the Group General Counsel and Company Secretary, the Board Committees and the Board.

The statement by the external auditor on its reporting responsibilities is set out in the Independent Auditor's Report from page 180.

The Group receives reporting and information from the Ocado Retail joint venture. The Ocado Retail board and audit committee review and approve 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 Act Statement, Tax Strategy Statement, Gender Pay Gap Statement and supplier payments.

The Company's Annual General Meeting 2023

Ocado Group plc's 2023 Annual General Meeting will be held on 2 May 2023 at 2.30 pm at Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF. This will be an in-person meeting. Shareholders will have the opportunity to question all of the Directors at the AGM and to submit questions in advance of the meeting.

A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Meeting. Shareholders who are unable to attend the AGM are encouraged to vote in advance of the meeting, either online at www.ocadoshares.com or by using the proxy card which is sent with the Notice of Meeting (if sent by post) or can be downloaded from the corporate website, www.ocadogroup.com.

The outcome of the resolutions put to the AGM will be published on the London Stock Exchange's and our corporate website once the AGM has concluded.

OUR BOARD

Board of Directors

Rick Haythornthwaite
Chair

Appointment: 1 January 2021

Independent: On appointment

Committee memberships:

P

Nationality: British

Skills and experience
Rick held the role of chair of Mastercard Inc. from 2006 until the end of 2020. He is currently the chair of QiO Technologies Ltd, an advanced analytics and AI software company; Railsr, an embedded finance technology company; and the AA. He is also a non-executive director of Globant SA. Rick has previously held the position of chair at Centrica plc and Network Rail Limited, CEO at Blue Circle Group plc and Invensys plc, and non-executive directorships at Land Securities Group plc, Imperial Chemical Industries plc, Lafarge SA and Cookson Group plc.

External appointments
Non-Executive Chair of The AA plc; Chair and Cofounder of QiO Technologies Limited; Non-Executive Director of Globant SA; Non-Executive Chair of Railsr; Non-Executive Director of Goodwood, Amazing Curated Experiences.

Tim Steiner OBE
Chief Executive Officer

Appointment: 13 April 2000

Independent: No

Committee memberships:

N/A

Nationality: British

Skills and experience
Tim is the founding Chief Executive Officer of Ocado, which he started in 2000. He is one of an elite group of founders to have built a FTSE 100 business from scratch. In 2018, Tim was awarded The Sunday Times Business Person of the Year. He was awarded an OBE in the Queen's Birthday Honours List in 2016.

External appointments
None.

Stephen Daintith
Chief Financial Officer

Appointment: 22 March 2021

Independent: No

Committee memberships:

N/A

Nationality: British

Skills and experience
Stephen joined Ocado as Chief Financial Officer of the Group from Rolls-Royce in 2021, bringing with him a deep understanding and experience of international business across various sectors. Having worked in the UK and internationally, Stephen held many senior roles including at Daily Mail and General Trust plc, Dow Jones & Co, and News International. Stephen has also held senior positions at British American Tobacco, Forte and the Civil Aviation Authority. He graduated from the University of Leeds with a BA in Economics and Accounting and qualified as a Chartered Accountant at Price Waterhouse (now PwC).

External appointments
Non-Executive Director of 3i Group plc.

Mark Richardson
Chief Executive Officer, Ocado ASRS*

Appointment: 3 February 2012

Independent: No

Committee memberships:

N/A

Nationality: British

Skills and experience
Mark was Head of Technology at Ocado from 2001 until he joined the Board in 2012. Since then he ran MHE development until 2019 and the Ocado Logistics operation and CFC construction until 2022. Mark was Ocado's Chief Operating Officer until August 2022. He currently leads a new business inside Ocado, selling Ocado's proprietary technology to companies outside of grocery. Mark is a director of Paneltex Limited, a company in which the Group holds a 25% shareholding. Prior to joining Ocado, Mark held a number of IT positions at the John Lewis Partnership, including Head of Selling Systems at Waitrose. He graduated from University College, London with a degree in Physics.

External appointments
Non-Executive Director of Paneltex Ltd**.

* In August 2022, Mark Richardson, previously COO of the Group, took up a new role as the CEO of Ocado's new Automated Storage & Retrieval Systems (ASRS) business which will bring Ocado's technology and after-sales support to a wide range of new clients in the broader ASRS space.

** Ocado owns 25% of Paneltex Ltd.

Luke Jensen
Chief Executive Officer, Ocado Solutions

Appointment: 1 March 2018

Independent: No

Committee memberships:

N/A

Nationality: British and French

Skills and experience
Luke joined Ocado as Chief Executive Officer of Ocado Solutions in 2017, before joining the Board in 2018. Prior to joining Ocado, Luke was a Senior Advisor at Boston Consulting Group and previously Group Development Director at Sainsbury's, where he was responsible for online and digital and all customer-facing digital activities. During his career, Luke has also worked at OC&C Strategy Consultants where he was Partner and Head of the Retail and Consumer practice. He graduated from ESCP and holds a Master of Business Administration from INSEAD.

External appointments
Non-Executive Director of Hazel Parentco SAS, registered in France (parent company of Hana Group).

Neill Abrams
Group General Counsel and Company Secretary

Appointment: 8 September 2000

Independent: No

Committee memberships:

N/A

Nationality: British

Skills and experience
Neill was on the founding team of Ocado, joining the Board in September 2000. He has Board responsibility for the Group Operations departments – Legal, Governance, Intellectual Property, Real Estate, Government Relations and ESG. Prior to Ocado, he was a barrister in practice at One Essex Court and spent nine years at Goldman Sachs in London in the investment banking and legal divisions. Neill holds degrees in Industrial Psychology and Law from the University of the Witwatersrand in Johannesburg and a Masters in Law from Sidney Sussex College, Cambridge. He is admitted as a barrister in England & Wales, an attorney in New York and an advocate in South Africa.

External appointments
Alternate Non-Executive Director of Mr Price Group Limited, listed in South Africa.

Andrew Harrison
Senior Independent Director and Designated Non-Executive Director

Appointment: 1 March 2016

Independent: Yes

Committee memberships:

R P A

Nationality: British

Skills and experience
Andrew is a partner at Freston Road Ventures which invests in consumer brands that challenge the status quo. He chairs a number of the investments, including Strike Ltd, an online estate agent, and advises and works with others such as Five Guys. Andrew previously served as chair of Carphone Warehouse Ltd and was formerly Group CEO of Carphone Warehouse PLC before its merger, which he led, with Dixons Group plc. During his career he has successfully grown numerous new businesses, has international retail experience and developed and ran a global services business. Andrew graduated from the University of Leeds with a BA (Hons) in Management Studies in 1992.

External appointments
Chair of Trustees of The Mix; Director of Strike Ltd (Chair); Partner of Freston Ventures Management LLP; Director of Chik'n Ltd (Chair); Director of Whocanfixmycar.com Ltd. (Chair); Director of Smiles and Smiles Holding Limited.

Jörn Rausing
Non-Executive Director

Appointment: 13 March 2003

Independent: Yes

Committee memberships:

P

Nationality: Swedish

Skills and experience
Jörn has over 30 years' experience in corporate development and international mergers and acquisitions. Jörn has been a valued member of the Board since before the Group was listed and his in-depth knowledge and understanding of the business is a great asset to the Board. Jörn holds a degree in Business Administration from Lund University, Sweden.

External appointments
Group Board Member of Tetra Laval; Board Member of Alfa Laval AB; Board Member of DeLaval Holding AB.

Committee membership

A Audit P People R Remuneration ● Committee chair

Board of Directors
continued

John Martin
Non-Executive Director

Appointment: 1 June 2019

Independent: Yes

Committee memberships:

A P

Nationality: British

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. John was appointed CFO of Vertical Aerospace in February 2023. Previously, John was chair of Countryside Properties plc, until July 2022, and CEO of Ferguson plc, stepping down in November 2019. He was also a partner at Alchemy Partners, and prior to that he was CFO at Travelex Group and Hays plc. John graduated from Imperial College, London in 1987 and qualified as a Chartered Accountant with Arthur Andersen, where he worked for nine years in audit, operational consulting and corporate finance. He was also Group Controller of The Stationery Office Group after its privatisation in 1996.

External appointments
CFO of Vertical Aerospace.

Julie Southern
Non-Executive Director

Appointment: 1 September 2018

Independent: Yes

Committee memberships:

A R P

Nationality: British

Skills and experience
Julie was appointed as non-executive director and chair designate of RWS Holdings plc in July 2022. Previously a finance director at Virgin Atlantic and at Porsche Cars Great Britain, Julie has both significant financial expertise and board-level experience. She has chaired audit committees at various FTSE-listed companies with operations both in the UK and internationally and brings significant proficiency to the Audit Chair role at Ocado. She is also an experienced remuneration committee chair. Julie will be standing down from the easyJet plc Board this year and will complete her nine-year term at Rentokil Initial plc during the year. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a Chartered Accountant.

External appointments
Non-Executive Director and Chair Designate of RWS Holdings plc; Non-Executive Director and Chair of the Audit Committee of Rentokil Initial plc; Non-Executive Director and Chair of the Audit Committee at NXP Semiconductors N.V.; Non-Executive Director and Chair of the Audit Committee of easyJet plc; Non- Executive Director of Shilton Midco 2 Limited.

Emma Lloyd
Non-Executive Director

Appointment: 1 December 2016

Independent: Yes

Committee memberships:

R P

Nationality: British

Skills and experience
Emma is VP Business Development, EMEA at Netflix, responsible for commercial partnerships across the region. She joined Netflix in September 2021 and previously held the position of Chief Business Development Officer at Sky Group, where she was responsible for key strategic relationships with Sky's technology and content partners. Emma oversaw the creation of Sky's start-up venture investment function and US presence, leading to investment in over 30 technology start-ups. Her knowledge of venture investment is invaluable to the Group as new opportunities are identified and invested in to increase innovation. Emma graduated with a BA Joint Hons in Management Studies and Geography from the University of Leeds in 1992.

External appointments
VP, Business Development EMEA, Netflix.

Michael Sherman
Non-Executive Director

Appointment: 5 October 2020

Independent: Yes

Committee memberships:

A P

Nationality: American

Skills and experience
Michael brings a wealth of experience in growth strategy and improving operational efficiency in the technology and telecommunications industry. He is currently Managing Director for Customer Strategy and Commercial Delivery for Barclays UK, having joined in 2022. As an experienced technology executive with strong transformation experience, Michael brings a vital skill set to the Board as the Group completes its transformation into a global technology-led Group. Michael has a BS in Computer Science and Electrical Engineering from Duke University and an MBA from Duke University's Fuqua School of Business.

External appointments
Managing Director of Customer Strategy and Commercial Delivery of Barclays plc.

Nadia Shouraboura
Non-Executive Director

Appointment: 1 September 2021

Independent: Yes

Committee memberships:

A P

Nationality: American

Skills and experience
Nadia founded and served as the CEO of Hointer, Inc. & Vice President, Technology, Worldwide Operations at Amazon.com, Inc and was a Non-Executive Director of Cimpress plc. Nadia is an industry leader in the field of machine learning and robotics, holding a PhD in Mathematics from Princeton University.

External appointments
Non-Executive Director of Ferguson plc; Senior Advisor to New Mountain Capital LLC; Non-Executive Director of Mobile TeleSystems PJSC.

Julia M. Brown
Non-Executive Director

Appointment: 1 January 2023

Independent: Yes

Committee memberships:

R P

Nationality: American

Skills and experience
Julia has led significant cultural, operational, and organisational change initiatives and business turnarounds, delivering billions in value during her career in consumer products and hospitality. Julia began her career at Procter & Gamble in Toronto, where she played a key role in the consolidation and creation of the North American business. Previously she has been the Chief Procurement Officer of Mars Wrigley, Carnival Corporation & Plc, Kraft Foods, Mondelez International and Clorox. Julia has also served in global leadership roles at Procter & Gamble, Diageo and Gillette. Julia's board service includes non-profit organisations, currently serving as a trustee for the Chartered Institute for Purchasing and Supply and the Perez Art Museum.

External appointments
Non-Executive Director of Molson Coors Beverage Company; Non-Executive Director of Solo Brands, Inc; Non-Executive Director of The Honest Company, Inc.

Changes to the Board
During the period and up to the date of signing of the Financial Statements the following change to the composition of the Board took place:

- Julia M. Brown was appointed as Non-Executive Director on 1 January 2023.

Committee membership

A Audit P People R Remuneration ● Committee chair

Our Corporate Governance Statement 2022

In respect of the year ended 27 November 2022, Ocado Group plc was subject to the UK Corporate Governance Code 2018 (the "Code"). This Corporate Governance Statement 2022, together with the rest of the Corporate Governance Report and Committee Reports, provides information on how the Group has applied and complied with the principles and provisions of the Code and meets other relevant requirements, including provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The Corporate Governance Statement as required by the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTR") forms part of the Directors' Report, and has been prepared in accordance with the principles of the Code. A copy of the Code and further information on the Code can be found on the Financial Reporting Council's ("FRC") website, www.frc.org.uk.

Compliance with the Code

For the year ended 27 November 2022, the Board considers that it has applied all the principles and complied with the provisions of the Code.

The key requirements under 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 86 to 95.
- Information with regard to share capital is presented in the Directors' Report on pages 171 to 178.
- Information on Board and Committee composition can be found on pages 122 to 126 and information on their operation is included across the Corporate Governance Report and in the individual Committee reports.
- The Board Diversity Policy is discussed on page 131.

Board approval

This separate Corporate Governance Statement 2022 is approved by the Board and signed on behalf of the Board by its Chair and the Group General Counsel and Company Secretary.

Rick Haythornthwaite
Chair

Neill Abrams
Group General Counsel and Company Secretary

28 February 2023

Code principles

The layout of the Corporate Governance Report follows the structure of the principles of the Code and illustrates how the Code principles have been applied.

Board Leadership and Company Purpose

Division of Responsibilities

Composition, Succession and Evaluation

Audit, Risk and Internal Control

Remuneration

Board Leadership and Company Purpose

Key Board activities

	Activity	Link to strategy	Stakeholders considered
Strategy and financing	Held a two-day strategy offsite to discuss medium and long-term strategy and growth opportunities, including challenges and risks, and determine key strategic objectives.		
	Reviewed and approved the five-year financial plan.		
	Approved undertaking a capital raise and entering into a new revolving credit facility.		
	Approved new OSP partnerships with Auchan Polska and Lotte Shopping and the extension of the existing partnership with Groupe Casino.		
	Approved the acquisition of Myrmex, a materials handling robotics company.		
	Approved increased investment in Oxbotica, an autonomous vehicle software company, and Inkbit, a 3D printing company.		
	Approved a role change for Executive Director Mark Richardson to lead a newly-created and resourced business to extend our product offering into new market sectors.		
Performance and operations	Received reports from the CEO and CFO at every Board meeting, including progress against strategic objectives, and throughout the year from business areas, including Ocado Retail, on trading, business performance, financing and strategy implementation.		
	Received regular reports on OSP partner operations and the implementation of CFC projects, and progress updates on the project to migrate UK partners to OSP.		
	Reviewed and approved the annual Group budget, business plan and individual capital expenditure projects.		
Risk management and internal control	Completed the annual review of principal and emerging risks and consideration of the risk appetite.		
	Reviewed the effectiveness of the Group's systems of internal control and risk management framework.		
	Reviewed updates on cybersecurity, including risks and mitigation and the Group's cybersecurity program.		
	Considered the impact on supply chains as a result of the Russian invasion of Ukraine and sanctions on Russia.		

1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Deliver on our client commitments
5. Responsible business approach

People · Investors · Partners · Suppliers · Environment, Society and Community · Regulatory Bodies

Board Leadership and Company Purpose
continued

Key Board activities continued

		Link to strategy	Stakeholders considered
Leadership and people	Approved the reorganisation of the Group to ensure it is structured to deliver the five-year plan and strategic priorities, including the development of the client success function to focus on Client Partner success through specialised ongoing support.		
	Reviewed and discussed the outcomes of externally-facilitated Board evaluation and reviewed progress against the 2021 Board evaluation action plan.		
	Considered the composition and effectiveness of the Board, including approval of the appointment of Julia M. Brown and changes to Committee membership.		
	Reviewed the people experience materiality review and EY Global Equality Standard report, including planned actions, and received updates on progress.		
	Monitored the payroll improvement project implemented to reduce payroll issues for employees.		
Governance and corporate responsibility	Reviewed various ESG-related matters including the annual stakeholder analysis and corporate responsibility update.		
	Reviewed the ESG objectives for the year and progress against the ESG strategy, including reporting on the Task Force on Climate-related Financial Disclosures recommended disclosures.		
	Reviewed and approved corporate statements including the Gender Pay Gap Statement, Modern Slavery Act Statement and GHG Assurance and Basis of Reporting 2022.		

1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Deliver on our client commitments
5. Responsible business approach

People
Investors
Partners
Suppliers
Environment, Society and Community
Regulatory Bodies

Effective Board

The primary role of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value for investors and other stakeholders and to contribute to the wider society. The Ocado Board defines the Group's purpose and strategy and ensures that the business model remains capable of delivering on the Group's strategic priorities to generate sustainable growth.

The Board understands the importance of clearly-defined roles and responsibilities and recruits and develops Directors who will provide a positive contribution as the business evolves. The Board operates through strong governance which relies on an open and inclusive environment where all Directors feel able to provide constructive challenge. The Board recognises the importance of monitoring and reviewing the independence, skills, knowledge and diversity of the Board as a whole and ensuring that, as a Board, it truly understands the Group's business model.

Purpose, strategy, values and culture

The Board is responsible for setting the strategic direction of the Group, establishing the Group's purpose and values and taking a leading role in laying the foundations of the Group's culture. The Board recognises that a clearly-established purpose and strategy, alongside strong values and a positive culture, are essential for the Group's long-term sustainability and success.

The strategy of the Group, set by the Board and subject to an in-depth annual review, is designed to create long-term sustainable growth and the ability of the Group to deliver on strategic priorities is continuously monitored.

The strategy is reviewed to ensure it is able to deliver our purpose in line with our values. The five-year financial plan approved by the Board this year provides a framework to monitor progress in the medium term against strategic and financial goals.

Our purpose and strategy are key considerations in the actions and decision-making of the Board and the oversight of the implementation of these by the business. The decision to undertake a capital raise and enter into a new revolving credit facility and the reorganisation of the Group were taken to ensure the business is suitably resourced to deliver on the strategic objectives.

The link between the Group strategy and the Board's actions and decisions this year is shown in the Key Board activities table on pages 111 and 112. Examples include the development of the client success function to provide specialised resources to focus on ongoing partner success that supports our strategic objective to deliver on client commitments and the entry into two new OSP partnerships, which furthers our strategic objective to grow our revenue.

Our values guide how the Board and workforce behave, individually and collectively, and underpin our culture. Our people are key to realising our purpose and through our values of innovation, inclusivity and support, and pride in delivering great service we are able to deliver on our strategy and ultimately meet our purpose to solve complex problems through efficient solutions.

Our values are reflected in our culture, which is open and collegiate, engaged, innovative and entrepreneurial. Our culture enables us to find new solutions to challenges and pursue opportunities with innovative thinking. The benefits of embedding our values and an entrepreneurial culture were demonstrated this year with the launch of Ocado Re:Imagined, seven key OSP innovations that will support our Client Partners' growth and the long-term success of the Group.

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. 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.

The Board monitors the culture of the Group through engagement with the workforce, reporting on employee matters, compliance and health and safety, and the review of policies and procedures. Together with reports regarding our partners, suppliers and other external stakeholders this allows the Board to assess the culture and ensure it aligns with our values. Our increasingly global workforce and the reorganisation of the Group this year provided challenges to ensuring the culture is embedded across the Group. To support this there was a focus on channels of communication, to provide information from the Board and senior management and support collaboration and connection across the business, and consideration of the changes in the review of policies and procedures.

The table on the following page demonstrates how the Board monitored and assessed the culture of the Group this year.

GOVERNANCE
Contents
OCADO GROUP PLC Annual Report and Accounts 2022

Board Leadership and Company Purpose
continued

Our culture and decision-making

Board action	Link to culture
Provided with updates from the People team on employee matters including engagement, recruitment, retention, diversity and mental wellbeing.	Provided information on recruitment and retention and feedback from employees through the Peakon listening tool regarding the employee experience at Ocado to enable a broad assessment of the culture in line with our values.
Reviewed the people experience maturity assessment and EY Global Equality Standard report, both undertaken this year, and progress updates on actions taken.	Enabled oversight of the assessment of the current culture in terms of diversity and inclusion and areas where greater focus should be placed for development to further our value of inclusivity.
Reviewed and approved workforce-related policies, including updated policies on fraud, anti-tax evasion and conflicts of interest and the updated Code of Conduct.	Enabled assessment and oversight to ensure the policies continue to reflect our values and the desired behaviours that help to embed the culture.
The Designated Non-Executive Director for workforce engagement reported to every Board meeting on workforce issues raised, initiatives being undertaken and other matters from his engagement across various employee platforms.	Provided direct updates on concerns and issues raised by employees to assist in monitoring the culture, including the cost of living crisis, payroll administration and health and wellbeing at work.
Reviewed quarterly compliance reports including statistics on compliance training completion, use of compliance tools, and whistleblowing reports received through the 'Speak Up' hotline or management.	Provided information on workforce engagement with the regulatory requirements and compliance, including risks and concerns identified across the workforce.
Reviewed health, safety and wellbeing metrics and reports including injury rates, safety incidents, and risk assessment results.	Enabled the assessment of the effectiveness of safety practices and behaviours and possible risks, and any actions required.
Reviewed and approved the Gender Pay Gap Statement and the Remuneration Committee reviewed the annual Group-wide report on remuneration, including share plans and benefits.	Enabled oversight to ensure remuneration reflects and supports a culture where our people feel valued and motivated to achieve our objectives.
Reviewed and approved the Group's Modern Slavery Act Statement.	Provided oversight of steps taken to prevent modern slavery and human trafficking within the Group and our supply chain.
The People Committee received reports on senior management and leadership development, including training on diversity and inclusion-related matters.	Enabled assessment of the support provided to management to enable them to take an appropriate lead on the expected behaviours that promote a culture that reflects our values.
Reviewed the report and recommendations from the Board effectiveness review undertaken by an external evaluator.	Enabled assessment of the Board in fulfilling its role to lead by example to promote a positive culture in line with our values.

Prudent and effective controls and Board resources

Good governance is essential to be able to deliver the Group strategy and to ensure that the business is run well for the benefit of all stakeholders. 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.

Our governance framework, as detailed on page 118, provides the structure to make decisions and achieve our strategic objectives within an established framework of prudent and effective controls. Our values are embedded into the policies and processes of the Group, which therefore helps to strengthen the corporate culture and enable risk to be assessed and managed. The framework of Board and governance 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 and ensures responsibilities are clear. There is a strong flow of information, which means that the Board is well informed and also that strategic priorities and relevant information to enable decision-making are clearly articulated through the business.

The Board maintains a formal schedule of matters reserved for the Board, including decisions regarding strategy, financing, capital structure and risk appetite, and a delegations of authority policy. During the year, the Board reviewed and approved an updated Schedule of Matters Reserved for the Board. There is a robust risk management and internal control system in place which allows the Board to assess and manage risks to the business.

The Board provides support to senior management in implementing strategic priorities, as well as oversight and constructive challenge on the running of the business. Through reporting, including the use of both financial and non-financial metrics, the Board is able to evaluate and guide the progress and performance of the Group. Reports from all areas of the business are provided at Board meetings to update the Board and enable effective discussion.

The Chair is responsible for ensuring that 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, Directors receive appropriate information, including briefing papers distributed in advance of the Board meetings. The Directors access Board papers and other relevant documents using a secure electronic platform. Board materials, the quality of information and resources as a whole are reviewed each year as part of the annual effectiveness review.

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.

During the year, no Director raised any concerns about the operation of the Board or the management of the Company.

Stakeholder engagement

The Board recognises the role of investors and other key stakeholders in the long-term success of the Group and undertakes an annual review of stakeholder engagement to ensure it remains effective. The engagement mechanisms used are assessed to ensure that they provide opportunities for a two-way dialogue, for example through participation in stakeholder events where the Group is able to provide updates on the business and listen to and discuss stakeholder views. In addition, it is considered whether the outcome of engagement, both direct and as reported from across the business, provides the Board with a good understanding of the views of a wide range of stakeholders.

Information regarding stakeholder engagement and the consideration of stakeholders in Board activities can be found in the Stakeholder Engagement section on pages 16 to 22, the Section 172(1) statement on pages 23 to 25 and the Key Board activities on pages 111 and 112.

Board Leadership and Company Purpose
continued

Employee engagement

The Board understands the central role our people have in the long-term success of the business and is committed to ensuring that it understands the composition and views of employees. The range of direct and indirect engagement methods used and the consideration of employee interests by the Board in its discussions and decision-making is detailed in the Stakeholder Engagement section on pages 16 and 17, the Key Board activities on pages 111 and 112 and the Section 172(1) statement on pages 23 to 25.

The Board continues to consider the Designated Non-Executive Director for workforce engagement, currently Andrew Harrison, as the most appropriate method of workforce engagement. The responsibilities of the role are set out in the Board's Division of Responsibilities and the DNED reports to the Board on employee feedback and issues and concerns are raised as a standing item at every Board meeting. Through active engagement with a range of employee forums and the People team the DNED is an important link between the Board and the wider workforce.

Workforce policies and practices

The Board takes responsibility for all workforce policies and practices to ensure they are consistent with the Group's values and support its long-term sustainable success.

Our people bring a diverse range of experience, expertise and perspectives that contribute to the values and culture of Ocado and are essential for the delivery of our strategic objectives. A positive environment where our people feel valued, motivated and able to thrive is essential to the Group's continued success. The Board recognises the value of, and supports, significant investment of time and resources in our workforce to allow the Group to attract and retain talent and develop the skills of our employees. More information on the Group's investment in our people is included in the Our People and Skills for the Future section on pages 38 to 45.

The Board reviews and approves all significant policies that impact our workforce to ensure that policies and practices support the Group's purpose and reflect our values. This year in response to feedback from employees the flexibility and choice of our benefits package was enhanced and our health and wellbeing provision was further developed. 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 Group'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, where reports can be made anonymously. The Board receives quarterly reports on submissions through the system, and raised outside the system through management, including the issues raised, investigations undertaken and outcomes including actions taken.

Engagement with suppliers, customers and others

Delivering our strategy requires strong mutually beneficial relationships with all of our stakeholders and in particular our partners, suppliers and customers. Our engagement with suppliers and partners and the Board's consideration of these business relationships in discussions and decision-making is detailed in the Stakeholder Engagement section on pages 19 and 20, the Section 172(1) statement on pages 23 to 25 and the Key Board activities on pages 111 and 112.

The global supply chain challenges and the effect on our suppliers has been a significant consideration in Board discussions this year. With more Client Partners going live with operations, a key focus this year has been the provision of suitable support to enable growth and optimal use of the OSP platform, which resulted in the development of our client success function.

Engagement with investors

The Board is committed to engaging with investors to inform and aid understanding of our business and strategy and, through dialogue, to understand the views and concerns of investors. More detail on the Board's direct and indirect engagement with investors and the impact of this engagement on decision-making is provided in the Stakeholder Engagement section on page 18, the Section 172(1) statement on pages 23 to 25 and the Key Board activities on pages 111 and 112.

Key investor questions

- The implications of Ocado Re:Imagined on future expenditure for Ocado Group and our Client Partners.
- Prospects of new OSP partnerships and further orders from current Client Partners.
- The impact of the cost of living crisis on Ocado Retail Limited and Ocado Group.
- Opportunities for Ocado within non-grocery markets.
- Actions being taken and planned regarding climate issues.
- The Group's approach to improving diversity and inclusion.

2023 Annual General Meeting

The Ocado Group 2023 Annual General Meeting will be held in person. The AGM gives shareholders the opportunity to engage with the Group and the Board regarding the matters before the meeting. Shareholders can also submit questions electronically in advance of the meeting.

Shareholder voting at the 2022 Annual General Meeting

At the 2022 Annual General Meeting, all resolutions were passed with votes in support ranging from 70.73% to 99.98%.

There was a significant minority vote against two resolutions: Resolution 2 (Directors' Remuneration Policy) and Resolution 20 (Amendments to the Value Creation Plan). The Company understands that this outcome was broadly attributable to concerns around the non-standard nature of the Value Creation Plan ("VCP") and the approach to executive remuneration.

Prior to the meeting, the Chair of the Remuneration Committee engaged extensively with major shareholders and the Committee made changes to the proposals to reflect feedback received. However, it was apparent from the consultation exercise that shareholders held divergent views on our proposals and some did not feel able to support them. In February 2022, the Chair again wrote to shareholders to solicit any further feedback but shareholders indicated they had registered their views fully in the earlier consultation. This extensive shareholder consultation process means the Remuneration Committee understands the voting outcomes and the reasons why some shareholders were unsupportive of these resolutions. The Remuneration Committee will continue to engage with shareholders and keep our executive remuneration structures under review.

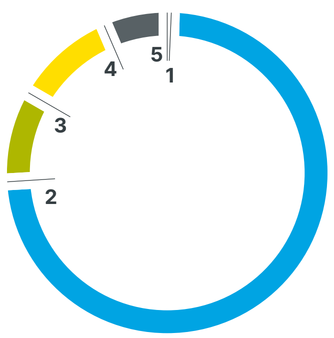
In keeping with the Investment Association guidance, an update statement on the Company's response to the outcome of the 2022 Annual General Meeting significant votes against was sent to the Investment Association and can be found on the corporate website, www.ocadogroup.com.

Investor activity this year

January	Launch of Ocado Re:Imagined
February	Full Year 2021 results presentation followed by a series of one-to-one and group meetings with over 200 institutional investors, including all top 20 Ocado Group institutional shareholders
April	North American live roadshows including New York, Baltimore, Montreal, Toronto, Denver, San Francisco and Los Angeles; participated in Berenberg and Goldman Sachs-hosted conferences; Chair-hosted governance breakfast
May	Annual General Meeting; Ocado Group Modelling Seminar; Financial Capital Markets Day
June	Presented at the Exane and Deutsche Bank conferences in Paris
July	FY22 Half Year results presentation followed by a virtual roadshow including one-to-one meetings and group calls
September	Scandinavian live roadshows including Stockholm, Oslo and Helsinki; participated in DNB TMT & Consumer and Bernstein Pan European Strategic Decisions conferences
November	Ocado Group Cash Flow Seminar

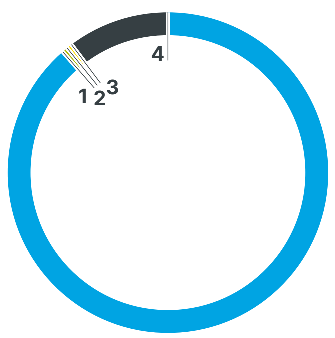
Throughout the year held one-to-one and group meetings and calls and hosted group investor tours around UK CFCs

Shareholders by type



1. Private shareholders	0.4%
2. Nominee companies	73.8%
3. Bank and bank nominees	9.4%
4. Limited companies	10.2%
5. Other institutions	6.2%

Shareholders by geography



1. United Kingdom	89.6%
2. Europe	0.06%
3. United States	0.04%
4. Rest of the world	10.3%

*Figures show % of total share capital held

Division of Responsibilities

The Board is responsible for providing leadership to the Group. The structure of the Board, management, roles and Committees ensures controls and oversight with a balanced approach to risk aligned with Ocado's culture. The structure assists the Board with carrying out its responsibilities and is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, risk and control issues.

Governance framework

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, which may exercise all of the powers of the Company. The Board has a formal schedule of matters reserved for the Board's decision-making. 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.

Indicates delegation

Indicates Board support

Board Committees

The Board Committees consist of Non-Executive Directors; each Committee Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issues that require Board attention. The terms of reference for each Board Committee are reviewed annually and are available on the corporate website. The reports of each Board Committee are given in this Annual Report.

Audit Committee

Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems. Monitors the independence and effectiveness of the external auditor and the effectiveness of the internal audit function.

Remuneration Committee

Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chair, the Company Secretary and senior management. Oversees the remuneration and workforce policies and takes these into account when setting the policy for Directors' remuneration.

People 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. Oversees senior management succession planning and people engagement issues.

Executive Group

The Executive Group is responsible for the day-to-day running of the business, carrying out and overseeing operational management, and implementing the strategies the Board has set. The Executive Group meets at least weekly. The Executive Group is also supported by the Technology Solutions Leadership Group which is responsible for running the Technology Solutions segment of the business.

Governance Committees

The governance committees report to the Executive Group, and the Board or Board Committees as appropriate.

Risk Committee

Oversees the Group's risk register, risk control processes and disaster recovery plans.

Information Security Committee

Monitors the Group's information security measures and oversees changes to security systems.

Treasury Committee

Oversees and reviews compliance with the Treasury Policy, concerning cash and deposits, investments, foreign exchange and interest rates.

Global HSE Committee

Oversees the Group's health, safety and environment standards and systems and monitors compliance.

Disclosure Committee

Assists the Board in discharging its obligations under the Market Abuse Regulation and Listing Rules with regard to the disclosure of inside information, and ensures timely and accurate disclosure of all trading and financial statements.

Capital Expenditure Group

Reviews and authorises capital expenditure projects, overspends and property expenditure, in accordance with agreed limits.

Personal Data Committee

Supports and drives data privacy governance and provides assurance that best practice mechanisms are in place.

IT Operating Committee

Oversees the work of, and provides a strategic steer to, the Group IT function.

ESG Committee

Defines the Group's strategy relating to ESG matters and is responsible for governance over its ESG programme and for implementing the ESG strategy.

Board Roles

Non-Executive Directors

- Support and constructively challenge the Executive Directors
- Monitor the delivery of the Group's strategy within the risk and control framework set by the Board
- Provide an external perspective and bring a diverse range of skills and experience to the Board's decision-making
- Meet with the Chair regularly without Executive Directors present
- Oversee the appointment and removal of Executive Directors

Executive Group

- Day-to-day management of the Group's operations
- Executes the strategy once agreed by the Board
- Undertakes certain detailed aspects of the Board's responsibilities as delegated to the Executive Group
- The Executive Group carries out some of these responsibilities through Executive-led Committees

Chair

- Leads the Board
- Promotes high standards of governance and ensures the effectiveness of the Board in directing the Company
- Sets the Board's agenda
- Responsible for encouraging and facilitating engagement by the Directors to ensure all Directors make an effective contribution
- Promotes a culture of openness, constructive debate and challenge on the Board

Senior Independent Director

- Supports and acts as a sounding board for the Chair
- Available to the shareholders

Designated Non-Executive Director for Workforce Engagement

- 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 the CEO, Chair, Senior Independent Director and Designated Non-Executive Director for workforce engagement are set out in writing and provide a system of checks and balances to ensure no individual has unfettered decision-making power.

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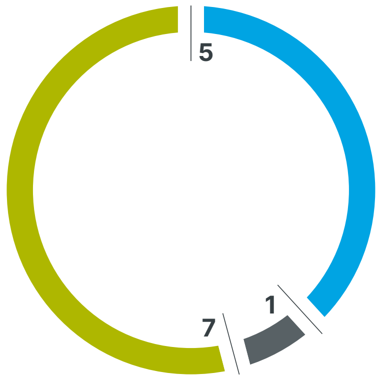
Division of Responsibilities
continued

Board independence

At the end of the financial year, the Board comprised 13 Directors, including seven Non-Executive Directors, excluding the Chair (who was independent on appointment), all determined by the Board to be independent, and five Executive Directors. This complies with the Code recommendation that independent non-executive directors should make up at least half of the Board, excluding the Chair. The independence of the Non-Executive Directors is assessed annually, including the length of tenure and relationships or other circumstances that are likely to, or could appear to, impair a Director's judgement. Similarly, the composition of the People Committee, Audit Committee and Remuneration Committee complied in all respects with the independence provisions of the Code during the period.



Executive Director	5
Chair	1
Non-Executive Director	7

Figures as at 27 November 2022

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 19 years, 12 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 Jörn's continuing directorship to benefit the Group and support the principles of the Code. His 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 as the Group continues to expand globally. 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.

Change in Directors' commitments

Director	Change in commitment	Effective date of change
John Martin	Resigned as non-executive director and interim CEO of Countryside Properties plc	12 July 2022
Julie Southern	Appointed as non-executive director of RWS Holdings plc	27 July 2022
Luke Jensen	Resigned as non-executive director of ASOS plc	31 October 2022
Rick Haythornthwaite	Appointed as non-executive chair of Railsr	31 August 2022
John Martin	Appointed as CFO of Vertical Aerospace	20 February 2023 (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 Chair and the Board are then kept informed by each Director of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to fulfil their obligations and Chair approval is required prior to a Director taking on any additional external appointment.

Each Director's biographical details and significant time commitments outside of the Company are set out in the Board biographies on pages 106 to 109. There have been a number of changes to the Directors' external appointments during the period, as set out in the table below. Prior to approving the new appointments, consideration was given to the additional time commitments of the roles and the Chair (and Board regarding the Chair's new role) was satisfied they would still have sufficient time to fulfil their obligations to the Company.

Conflicts of interest

The Companies Act 2006 provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if their company's articles of association permit, which the Articles do.

The Board has established formal procedures, detailed in the Director Conflicts of Interest and Related Party Transactions Policy, for the declaration, review and authorisation of any conflicts of interest of Board members.

As part of the induction process, a newly appointed Director completes a questionnaire that requires them to disclose any conflicts of interest to the Company. Thereafter, each Director has an opportunity to disclose conflicts at the beginning of each Board and Committee meeting and as part of an annual review.

Whenever a Director seeks to take on additional external responsibilities, the Director will discuss the potential position with the Chair and approval will only be given once the Chair is satisfied and the Director confirms that, as far as they are aware, there are no conflicts of interest. Each Director is required to disclose conflicts and potential conflicts to the Chair and the Company Secretary as and when they arise.

No Directors declared to the Company any actual or potential conflicts of interest between any of their duties to the Company and their private interests and/or other duties, except in the case of the Executive Directors, each of whom holds the position of Director of the Company and director of a number of Group subsidiary companies. The system in place for monitoring potential Director conflicts remained effective throughout the period.

Ocado Retail Limited and conflicts of interest

Tim Steiner and Stephen Daintith are Ocado appointed directors on the Ocado Retail Limited ("ORL") board. Notwithstanding ORL's Companies Act 2006 duties and obligations under the Articles, both directors are subject to the provisions of the ORL articles of association and to the provisions within the ORL shareholders agreement on conflicts of interest and related party matters. For more information about the governance framework of ORL, see page 25.

Board and Committee meetings and attendance

During the year, the Board and its Committees conducted meetings in person, providing video conference facilities if required by any Director, with some ad hoc meetings added to the Board schedule to discuss and make time sensitive decisions taking place remotely. During the period, the Non-Executive Directors held a number of meetings without the Executive Directors present. In the event a Director was unable to attend a meeting they still received all the papers for the meeting and were updated on matters discussed at the meeting.

Board and Committee meetings and attendance

Meetings attended/possible meetings the Director could have attended

Director	Board		Audit Committee		People Committee		Remuneration Committee	
Rick Haythornthwaite (Chair)	12	12		–	4	4		–
Tim Steiner	12	12		–		–		–
Stephen Daintith	12	12		–		–		–
Mark Richardson	11	12		–		–		–
Luke Jensen	10	12		–		–		–
Neill Abrams	12	12		–		–		–
Andrew Harrison	12	12	7	7	4	4	6	6
Jörn Rausing	12	12		–	4	4		–
John Martin	12	12	7	7	4	4		–
Julie Southern	11	12	7	7	4	4	6	6
Emma Lloyd	11	12	5	5*	3	4	5	6
Michael Sherman	11	12	2	2*	4	4		–
Nadia Shouraboura	11	12	2	2*	4	4		–

* Emma Lloyd ceased to be a member of the Audit Committee on 22 July 2022. Michael Sherman and Nadia Shouraboura joined as members of the Audit Committee on 22 July 2022.

Composition, Succession and Evaluation

Appointments to the Board

The People Committee leads the process for Board appointments and makes recommendations to the Board, and also ensures that succession plans are in place for the Board and senior management. Both appointments and succession plans are based on merit and assessed against objective criteria with the promotion of diversity as a central consideration. The formal procedure for Board appointments and succession planning is detailed in the People Committee Report on pages 127 to 131.

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 2022 Annual General Meeting, all the Directors stood for appointment or re-appointment, and were duly elected or re-elected with majorities ranging from 93.16% to 99.39% of the votes cast.

At the AGM, all of the current Directors, except Julia M. Brown, will submit themselves for re-election by shareholders. Julia is subject to appointment by shareholders, having joined the Board on 1 January 2023. This report, and in particular the Board biographies on pages 106 to 109, sets forth the contribution of each Director on the Board to the Company and on this basis the Board, and specifically the Chair, believes each Director proposed for election or re-election at the AGM should be appointed or reappointed.

Board development

During the year, the Board members enhanced their professional development with the following training and development opportunities.

March	April
The Group's external legal advisers conducted a session with the Board on cybersecurity, including legal, regulatory and director duty considerations and real life experiences of a cyber attack. Ocado management also joined to discuss the cyber and data resilience of the Group.	An external legal adviser and ESG consultant provided a session on ESG, climate change and corporate reputation.

July	October	November
Senior management provided a session for the Non-Executive Directors on Ocado's technology, including current technology, strategy and future initiatives.	Senior management provided a second session for the Non-Executive Directors on Ocado's technology, including a deep dive into current areas of focus for the technology business.	An external legal adviser and ESG consultant provided a session on the Task Force on Climate-related Financial Disclosures recommendations.

The Board has based its recommendations for election or re-election, in part, on its review of the results from the Board evaluation process outlined on pages 125 and 126, on the reviews of the Executive Directors conducted at meetings of the Non-Executive Directors, the Chair's review of individual Directors and that a Director has demonstrated substantial commitment to the role (including time for Board and Committee meetings noted in this report) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof during the period. Jörn Rausing has served as a Non-Executive Director for 19 years, seven of which were before the Company's Admission. Accordingly, due to the length of tenure, the recommendation of his reappointment to the Board was subject to particular scrutiny (including the importance of maintaining Board continuity).

Board induction, training and professional development

On joining the Board, it is the responsibility of the Chair and Company Secretary to ensure that all newly appointed Directors receive a full and formal induction, which is tailored to their individual needs based on experience and background. The induction programme includes a comprehensive overview of the Group and begins with the Director attending either in person or, if appropriate, virtual standard employee onboarding to provide first hand experience of the introduction provided to all new employees. Employee onboarding covers a vast array of topics from the history of the Group, to the joint venture with Marks & Spencer, the investment in technology and the OSP platform, through to our values, diversity and inclusion and the Ocado culture.

The next phase of the induction programme focuses on the incoming Director getting to know and understand the full business of the Group. They meet with the Executive Director or appropriate senior management from each area of the business.

Each new Board member is given training on the role and responsibilities of a Director including, but not limited to, the following:

- Duties under the Companies Act 2006 and compliance with the Code, Listing Rules and other regulatory framework considerations.
- Market Abuse Regulation including their responsibilities as a person discharging managerial responsibilities ("PDMR") and other matters pertaining to the Ocado Share Dealing Code and insider dealing.
- Investor relations and understanding our investor base and share register.
- Board policies including: Anti-Bribery; Anti-Money Laundering; Fraud Prevention; Whistleblowing and Conflicts of Interest and Related Parties.
- Board and Committee procedures and constitutional documents including Matters Reserved for the Board and Committee Terms of Reference.

Ongoing training needs are assessed as part of the Board effectiveness process and any training is typically arranged by the Company Secretary in consultation with the Chair or relevant Board Committee Chair.

The Remuneration Committee received updates from the Committee's remuneration advisers including on governance and the market for executive remuneration. 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 also received briefings from external advisers on a range of strategic matters detailed in the Board development table on the previous page.

Board composition

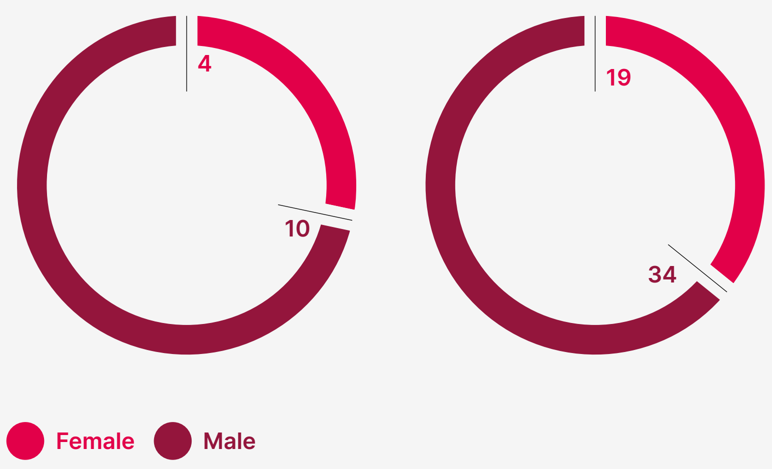
The composition of the Board and Board Committees is continually assessed by the Chair and kept under review by the People Committee, to ensure an appropriate balance of skills and experience is maintained, and more formally annually by the People Committee and as part of the Board evaluation process. For more information see the People Committee Report on pages 127 to 131. Each Board member is asked to identify their own skills, experience and diversity characteristics annually as part of the year-end process. The results for 2022 are shown on page 124.

Board diversity

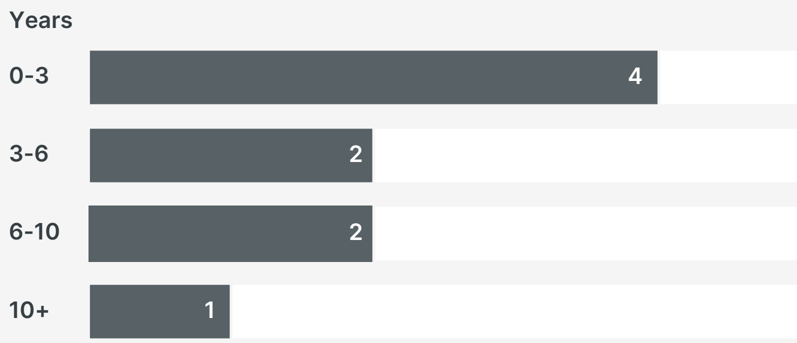
The Board believes that diversity, of gender, ethnicity and social backgrounds, leads to better outcomes and improved decision-making and is committed to improving diversity on the Board and for senior management. For more information on the Board's approach to diversity, including the Board Diversity Policy, see the People Committee Report on pages 130 and 131. For more information as to how the Group as a whole considers diversity and inclusion see the Our People and Skills for the Future section on pages 41 and 42 or have a look at the corporate website www.ocadogroup.com/diversity-and-inclusion

Board Gender Diversity*

Senior Management Gender Diversity**



Length of Tenure of Chair and Non- Executive Directors*



* Figures as at 1 January 2023

** Figures as at 31 October 2022

Composition, Succession and Evaluation
continued

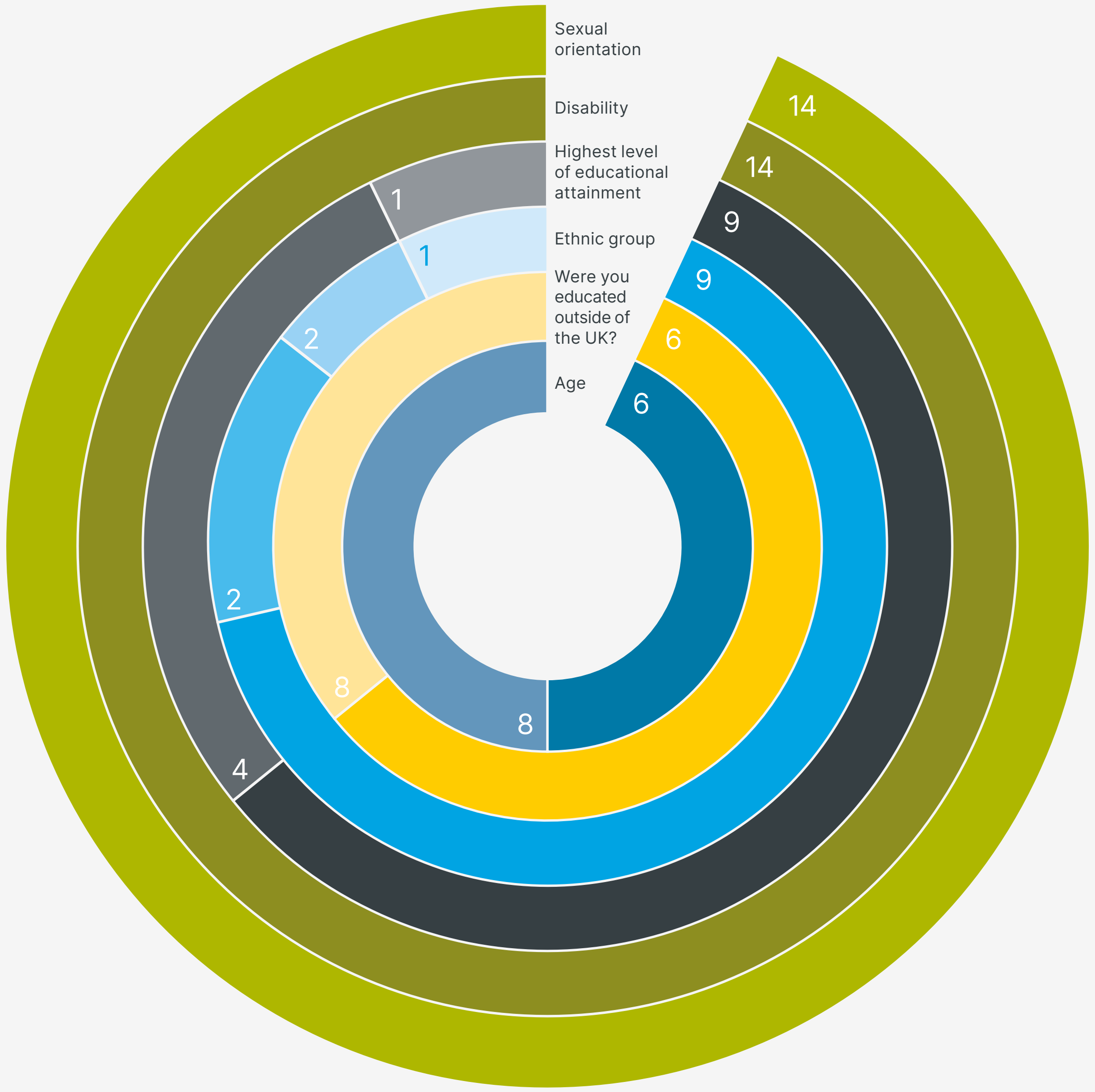
Combination of skills and experience as identified by the Board*

Number of Directors — Highly competent / Competent

Skill	Highly competent	Competent
Chairship	1	7
Risk management	5	6
Climate governance	1	5
Workforce engagement	6	7
International board experience	9	5
Prior FTSE board experience	4	2
Financial acumen	7	6
Technology	3	7
Investor relations	3	5
Retail industry	4	4
Marketing	2	5
Governance	7	5
Grocery industry	3	5
Business development	8	3
Operations management	4	8
Change management	5	7

Board diversity characteristics*

The Board participated in a process to identify their own diversity characteristics taking into account less tangible factors, such as life experience and personal attitudes



Sexual orientation
- Heterosexual/Straight

Disability
- No

Highest level of educational attainment
- Level 6 – Bachelor's degree
- Level 7 – Master's degree
- Level 8 – Doctorate

Ethnic group
- White
- Mixed/Multiple ethnic groups
- Black/African/Caribbean/Black British
- Other ethnic group

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

Age
- 41–55
- 56–70

* Figures as at 1 January 2023

Review of Board effectiveness

The Board undertakes an annual review of its own and its Committees' performance, with a formal externally-facilitated effectiveness review carried out at least every three years in compliance with the Code. Last year's evaluation was carried out internally. The last external performance review was in 2020.

The Directors consider the evaluation of the Board and its Committees and members to be an important aspect of corporate governance and it was agreed that the 2022 Board evaluation process should be externally facilitated, to provide an in-depth independent review of how the Board has evolved since the appointment of Rick Haythornthwaite as Chair and its current performance.

External Board evaluation results 2022

Key observations

The findings of the independent performance review were positive. They found that the Ocado Board was functioning well, with strong Board dynamics. The Board was found to be open, collegiate, supportive and engaged, with a clear vision and purpose and strong leadership. Significant time was spent by Non-Executive Directors on Ocado business between formal meetings to ensure that the Board is adding as much value as possible. The culture was entrepreneurial, innovative, can-do, positive, supportive and engaging.

There was clarity and alignment on the role of the Board in the next phase of Ocado's development. All Directors wanted to focus on the most important issues, including delivery of objectives and notably the profit and cash flow commitments made to shareholders. Alongside this was more focus on the customer experience, organisation structure and capability, succession, talent and culture plus important governance topics such as risk management, ESG and diversity and inclusion.

There was agreement around the immediate strategic priorities, top of the list being helping existing OSP clients succeed and improving OSP economics. Also other strategic priorities including the development of the non-grocery product range and market entry.

The Committees were working well, with enthusiasm for the new People Committee which would address key people topics that would benefit from more attention in addition to the more normal duties of a Nomination committee.

2022 Evaluation process

1. Selection of the independent provider

Several independent providers were invited to submit proposals as to how they would approach the 2022 Board effectiveness review. Meetings were held between each of the proposed evaluators and the Chair. Each of the proposals was reviewed and discussed by the Chair and the Company Secretary, Chief Compliance Officer and Senior Independent Director. Manchester Square Partners ("MSP") was selected based on its approach, cost and prior knowledge and experience of Ocado Group, as it previously carried out the external evaluations in 2020 and 2019. MSP is independent of and has no other links with the Company or its Directors.

2. Design of the review

MSP met with each of the Chair, the CEO and the SID to discuss the context for work and to finalise the approach for the review. The evaluation would be interview based, using a framework of questions to ensure objectives were met. Following the individual discussions, the Board would be observed in action, and MSP would also have sight of past Board agendas, papers and minutes.

3. Review process

Individual interviews were held with each Director, and with the CEO of Ocado Technology, the Chief People Officer and the Chief Compliance Officer. This was followed up with attendance at a full meeting of each of the Audit and Remuneration Committee, and of the Board in September 2022. Access was provided to Board and Committee papers for the prior 12 months, including the 2022 Board offsite strategy meetings.

4. Review and discussion of the report, and recommended actions

The findings of the evaluation were presented to the full Board ahead of its November 2022 meeting. MSP joined that meeting where it discussed the results of the report with the Board as a whole, and also privately with the Chair and Non-Executive Directors only. A concrete action plan was presented to address highlighted matters and agree priority actions.

Composition, Succession and Evaluation continued

Identified actions for 2023

The following outcomes arose from the 2022 external Board performance review and were identified as recommended actions:

Strategy	Whilst strategy was a key theme of Board meetings, more time should be spent on strategic matters. This included reviewing, testing and revisiting strategic plans, with more external input, carrying our performance reviews in relation to the Group's five-year plan, and carrying out more client visits.
Governance and meetings	Board papers could be further improved with tighter summaries highlighting key points for discussion. Comments and questions should be encouraged ahead of meetings, together with provision of better off cycle information between meetings.
Culture	The remit of the People Committee had been expanded to cover wider people matters, and it should be used to address not only succession and diversity and inclusion but also how the organisation and culture needed to evolve to ensure success.

Progress against 2021 Board evaluation actions

The 2021 performance review was facilitated internally, conducted by the Chair, with the support of the People Committee and the Company Secretary, and included individual discussions with each Director. The key actions identified were as set out below. Progress taken to address these points can be found within this Report as indicated:

Greater diversity of ethnicity and thought at Board level	See pages 127 to 131 regarding the appointments of Nadia Shouraboura and Julia M. Brown.
Consideration of Board and Board Committee agendas coverage to reflect the changing dynamics of the business	See pages 111 and 112 which details the matters considered by the Board and its activities during the year.
More focus on executive succession	See pages 127 to 131 which details the activities of the People Committee during the year.

Board Committees

The evaluation of Board Committee performance found that all Committees were considered to be well chaired and operating effectively. Further details of the composition, role and activities of each Committee can be found within pages 127 to 170.

Chair evaluation

MSP and the SID reviewed the Chair's performance as part of the 2022 externally-facilitated evaluation. Observations were as discussed on page 125 to 126.

People Committee Report

"It is vital the Board possesses the knowledge and skills required to provide effective leadership and deliver our strategy."

Andrew Harrison, Chair

Committee membership

The membership of the People Committee, together with the dates of their appointment to the Committee, are set out below:

Andrew Harrison
Committee Chair
Date of appointment: 1 March 2016
Date of appointment as Committee Chair: 22 July 2022
Independent: Yes

John Martin
Date of appointment: 1 June 2019
Independent: Yes

Jörn Rausing
Date of appointment: 9 March 2010
Independent: Yes

Emma Lloyd
Date of appointment: 1 December 2016
Independent: Yes

Julie Southern
Date of appointment: 1 September 2018
Independent: Yes

Rick Haythornthwaite
Date of appointment: 1 January 2021
Independent: Yes

Michael Sherman
Date of appointment: 5 October 2020
Independent: Yes

Nadia Shouraboura
Date of appointment: 1 September 2021
Independent: Yes

Julia M. Brown*
Date of appointment: 1 January 2023
Independent: Yes

* Julia M. Brown joined the People Committee in January 2023 after the end of the financial year.

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the People Committee (the "Committee") for the 52 weeks ended 27 November 2022. This is my first report as Chair of the Committee. My predecessor Rick Haythornthwaite stepped down in July but remains a member of the Committee.

This year we undertook a comprehensive review of the composition of the Board and Committees, taking into account the skills, experience, diversity and tenure of our Directors. This forms the basis of our succession and recruitment planning. As the Group continues to grow and develop it is vital the Board possesses the knowledge and skills required to provide effective leadership and deliver our strategy, as well as reflecting the diversity of our people and communities. We undertook a thorough search process for a new Non-Executive Director, resulting in the appointment of Julia M. Brown, agreed and announced on 20 October 2022, with effect from 1 January 2023. Julia brings a wealth of experience in strategic procurement across diverse consumer products and significant leadership experience in global supply chain operations at multinational consumer-facing companies. The appointment of Julia as an additional international Director on the Board reflects our continuing global outlook.

The change in name of the Committee from the Nomination Committee to the People Committee reflects the decision taken this year to expand the remit of the Committee. The Committee's responsibilities now include people engagement issues for the whole Group, which provides greater oversight of the workforce and the culture of the Group. The Committee is able to discuss wider workforce views and priorities and bring to the attention of the Board important issues raised. My appointment as Chair of the People Committee provides an opportunity to further develop the role of Designated Non-Executive Director, which I also hold, and strengthen the link between the Board and our people.

The priorities of the Committee in 2023 are to embed the expanded remit of the Committee and provide effective oversight of the engagement with the workforce. The Committee will also prioritise consideration of ways to improve diversity on the Board and meet the targets set in the Board's Diversity Policy, as well as monitoring initiatives to increase diversity and inclusion across the organisation.

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 People Committee.

Andrew Harrison
Chair
28 February 2023

People Committee Report
continued

Key responsibilities

Board composition

- Review the structure, size and composition of the Board and its Committees.
- Evaluate the combination of skills, experience, diversity, independence and knowledge on the Board and its Committees.

Succession planning

- Review the leadership needs of the organisation, both executive and non-executive.
- Give full consideration to succession planning for the Board and senior management and oversee the development of a diverse pipeline for succession.
- Identify and nominate potential candidates for Board vacancies as and when they arise, in line with succession planning.

Board effectiveness

- Review the independence and time commitment of the Non-Executive Directors.
- Review and act upon the results of the Board performance evaluation process and assess how effectively members work together to achieve objectives.

Group workforce matters

- Consider people engagement related issues for the Group.
- Support workforce initiatives that promote a culture of diversity and inclusion.

Membership

As required under the Terms of Reference, the Committee comprises all of the Non-Executive Directors and the Chair of the Board, and holds a minimum of two meetings a year. The Committee formally met four times. Andrew Harrison became Chair of the Committee on 22 July 2022 and Julia M. Brown became a member of the Committee upon joining the Board on 1 January 2023. The biography of each member of the Committee is set out on pages 106 to 109. The Chief Executive Officer and the Chief People Officer attend meetings by invitation when appropriate. The Deputy Company Secretary acts as secretary to the Committee.

How the Committee spent its time during the year

The principal matters that the Committee considered during the year were as follows.

Board composition
Review of Board and Committee composition, taking into account diversity and independence.
Review of Board skills and competencies.
Committee composition and tenure review, resulting in the change of People Committee chair, the planned transition to new chairs of the Audit and Remuneration Committees, and the appointment of Nadia Shouraboura and Michael Sherman to the Audit Committee.
Overseeing the recruitment process for a new Non-Executive Director, resulting in Julia M. Brown's appointment to the Board.
Review of the new Listing Rule, applicable to the Company in the next financial year, on diversity disclosure, setting a plan for compliance and disclosure and the review and approval of the updated Board Diversity Policy.
Succession planning
Considering the desired framework for Board composition and immediate succession priorities for moving towards this, with regard to the Listing Rule diversity targets and disclosure requirements, the skills and expertise on the Board and areas of growing strategic importance for the Group.
Review of management succession planning to meet the needs of the Group following organisational changes and support the development of a diverse pipeline.
Board effectiveness
Overseeing the externally-facilitated Board effectiveness review, including the tender process to select an external evaluator. Details of the process are included in the Review of Board effectiveness section on pages 125 and 126.
Group workforce matters
Considering and agreeing the extension of the Committee's remit to broader people and workforce issues predominantly in the area of employee engagement, including the review and approval of amended Committee Terms of Reference to reflect the broader remit.
Review of the gender balance of senior management with consideration of the new disclosure requirements for the next financial year.
Review of the EY Global Equality Standard assessment, completed by external consultants, particularly the strategic priority areas and actions identified to support and enable diversity, equity and inclusion across the Group, and review of ongoing progress reports on actions taken.
Updates on work undertaken and planned with regard to engagement and recruitment in the Logistics business.

Board appointment process

Role requirements
Evaluate the combination of skills, experience, knowledge and diversity of the Board and the strategic priorities of the business. Prepare a set of objective criteria for the role, including the capabilities, experience and personal attributes required.

Candidate search
Facilitate the search by instructing external advisers. Identify a long-list of potential candidates based on the role criteria, with consideration of the Board's Diversity Policy.

Interview process
Narrow down to a short-list of candidates and undertake an interview process facilitated by a combination of the Chair, Non-Executive and Executive Directors and senior management as appropriate.

People Committee approval
The People Committee reviews potential candidates, considering whether the required criteria are met, feedback from the interview process, due diligence results and suitability for the business, culture and Board. The Committee then 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 Committee seeks to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively and lead the Group to deliver our strategic objectives. During the year, the Committee undertook a thorough review of the Board's composition. This review took into account various considerations including the tenure of Directors, independence and diversity. A detailed skills matrix, supported by a self-assessment analysis completed by each Director, was also reviewed to examine current Board knowledge, experience and skills and any perceived gaps. This informed the criteria set for the recruitment of an additional Non-Executive Director, which resulted in the appointment of Julia M. Brown, announced on 20 October 2022, with effect from 1 January 2023.

The Committee engaged Heidrick & Struggles, an executive search agency, to assist with Julia's appointment. The Company and the Directors have no other connection with Heidrick & Struggles. Heidrick & Struggles was requested to undertake a broad search to allow for a wider pool of potential candidates that would provide greater diversity. The recruitment process was overseen by the Committee. International experience in supply chain and procurement at a complex multinational company was identified as a key requirement for the role, with increasing diversity on the Board an important consideration. Following a thorough search, nine candidates were interviewed by a combination of the Chair, People Committee members, Executive Directors, the CEO and senior management. Julia was recommended by the Committee as her capabilities and skills fulfilled the requirements set for the role.

People Committee Report
continued

The review of the composition and tenure of the Board Committees resulted in several changes to refresh the membership and support the development of our Directors and the Board as a whole. Michael Sherman and Nadia Shouraboura joined the Audit Committee with Emma Lloyd stepping down. With increasing responsibilities for the Audit Committee the larger size of the Committee will help to ensure these are met, as well as bringing fresh opinions and thought. Andrew Harrison was appointed chair of the People Committee. The plan to appoint John Martin as chair of the Audit Committee and Julie Southern as chair of the Remuneration Committee was announced in October 2022, to take effect in May 2023, to allow for a smooth succession. This will provide fresh leadership across the Board Committees.

The Committee oversees succession planning for Directors and senior management, as well as broader consideration of the leadership needs of the business and senior management development. The Committee undertook a detailed review of the Executive Director and senior management succession pipeline and talent at the start of the year, with ongoing discussions on succession planning and updates from the Chief People Officer at each meeting. The succession plan includes monitoring internal succession candidates and their level of readiness for the role and the broader talent pool for future consideration within the Group and setting priorities for leadership development. The importance of diversity in the succession pipeline is supported through the Group's leadership diversity initiative which has been further developed this year including the implementation of an Equity Monitoring Programme.

The composition of senior leadership and the succession pipeline was a key focus this year due to the reorganisation of the Group. The Committee focused on the need to ensure that the leadership and the structure of the organisation remain appropriate to match the current needs of the business and be able to drive the business forward. With regard to the development of the management team, three senior managers regularly attend 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 Committee receives regular updates on initiatives to support leadership development such as the Leadership Academy, annual executive talent reviews and Ionic Learning Live, a quarterly leadership development event.

Board diversity

The Committee recognises the importance of diversity and inclusion, both in the boardroom and throughout the organisation. Inclusivity is one of our core values as enabling our people to feel a sense of belonging as part of a team empowers them to deliver on our objectives. A diverse Board, with diversity of experience and thought, offers wider perspectives, which leads to improved decision-making. The Ocado Board considers diversity to include a broad range of factors including skills, background, gender, race, age, knowledge, experience, sexual orientation, socio-economic background and disability.

This year the Board Diversity Policy was reviewed and updated to reflect the new Listing Rule requirements for increased disclosure on diversity, applicable for financial years beginning after April 2022. The Committee also reviewed the current data collection processes and considered plans to ensure that the required data is available for reporting. The objectives have been set to enable increased diversity on the Board and to support greater diversity and inclusion across the Group. The pursuit of greater diversity will open up a wider pool of talent and a more diverse Board and workforce will lead to more innovation and new ways of thinking that will support the delivery of our strategic objectives and our purpose to solve complex problems. The updated objectives are set out in the table opposite with details of the current progress against these. The new Listing Rule requirements are not applicable for this year but we note that further improvement is required in order for us to be compliant going forward.

The charts on page 123 detail the gender diversity of the Board and senior management and the breakdown of gender diversity of all employees is shown on page 41. In addition, information on the Board members' self-identified diversity characteristics is detailed on page 124.

Board Diversity Policy

Objective	Progress
Ensure Board composition is sufficiently diverse and reflects an appropriate balance of skills, knowledge, independence and experience to enable it to meet its responsibilities, duties and strategic objectives effectively.	The Committee undertakes an annual review of the composition of the Board and its Committees, with further discussions during the year. An assessment of the Board, including skills, knowledge, independence and experience, and the strategic objectives of the Group, informs the criteria for any new appointment to the Board. This year the criteria for a new Non-Executive Director included supply chain and international experience and the need to increase diversity on the Board, resulting in the appointment of Julia M. Brown.
Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and the Board aims that: a. at least 40% of the individuals on its Board are women; b. at least one Board member is from a minority ethnic background; and c. at least one senior Board position (being the Chair, CEO, CFO and/or SID) is held by a woman.	Appointments to the Board are made on merit with an objective set of criteria based on the needs of the Board and the business, and the value and importance of increased diversity on the Board. Currently 28% of the Directors on the Board are women. The last two appointments to the Board were women and the Board intends to continue recruiting female directors in the short term to help address the shortfall in female Board representation. There are currently five Directors that self-identify as a minority ethnic background, including Julia M. Brown who joined the Board on 1 January 2023. None of the listed senior Board positions are currently held by a woman. This has been identified as an issue to address and factors into discussions on succession planning and the development of Directors. The current size of the Board provides a challenge to increasing diversity through new appointments and the Committee has acknowledged and discussed this with regard to succession planning and tenure review.
The Board will always seek to appoint the best qualified candidate, but between two candidates of equal merit the Board intends that, in recognition of any disproportionate under-representation of gender diversity on the Board, preference is given to a female candidate when making future appointments.	The Committee is committed to applying this principle. The Committee did not have to apply this with regard to the appointment to the Board this year, since Julia M. Brown was the selected candidate based on merit.
When seeking to appoint a new director, the search pool will be wide and where executive search firms are used, Ocado will only engage with those that have adopted the Voluntary Code of Conduct for Executive Search Firms or equivalent code.	This year the Committee engaged Heidrick & Struggles to assist in recruiting a new Non-Executive Director and specifically requested a wide search to provide a broader range of candidates. The recruitment process considered a long-list of 64 candidates, which was then reduced to a short-list of nine candidates involved in the interview process. Heidrick & Struggles has adopted the Voluntary Code of Conduct for Executive Search Firms.
The Board will support workforce initiatives that promote a culture of diversity and inclusion.	This year an audit and maturity assessment of the Group's approach to diversity, equity and inclusion in accordance with the EY Global Equality Standard was undertaken. The Board reviewed the results and actions planned based on the recommendations in the report, including improving data insight and shaping inclusive ways of working, and continues to monitor progress. The Board is closely connected to the Global Culture and Inclusion team and supports the initiatives being undertaken to promote inclusivity and diversity, including three Directors sitting on the Strategy and Advisory Board that is focused on diversity and inclusion.
The Board will support the Committee in identifying women and other underrepresented groups for promotion into senior management roles.	The Committee reviewed and discussed the current talent and succession pipeline and the Group's plans and outcomes regarding learning and career development programmes designed to build a pipeline of diverse individuals in leadership and senior management positions. Committee members also met with female leaders and emerging female talent within the business.

For more information on diversity in respect of all the Group's employees, see pages 41 and 42.

Audit Committee Report
Audit, Risk and Internal Control

> "Our primary focus was, and continues to be, the integrity of the Group's financial reporting activities."
> **Julie Southern, Chair**

Committee membership

The membership of the Audit Committee, together with their dates of appointment to the Committee, are set out below:

Julie Southern
Committee Chair
Date of appointment:
1 September 2018
Independent:
Yes

John Martin
Date of appointment:
1 June 2019
Independent:
Yes

Andrew Harrison
Date of appointment:
1 March 2016
Independent:
Yes

Nadia Shouraboura
Date of appointment:
22 July 2022
Independent:
Yes

Michael Sherman
Date of appointment:
22 July 2022
Independent:
Yes

Dear Shareholder

I am pleased to present the report of the Audit Committee (the "Committee") for the 52 weeks ended 27 November 2022. This report is intended to provide shareholders with an understanding of the Committee's role and the work we have done during the year.

This year marks my last full financial year as Chair of the Committee. Following the conclusion of the forthcoming 2023 AGM, I will be succeeded as Chair of the Committee by John Martin. John qualified as a Chartered Accountant, has extensive financial experience and expertise, has served on the Committee for three years and is therefore suitably qualified to discharge the role. I will continue to serve as a member of the Committee.

The Committee works to a structured agenda linked to events in the Group's financial reporting calendar and we play a key role in overseeing the integrity of the Company's financial statements and the robustness of its internal control and risk management systems.

Areas of focus and activities in 2022

Our primary focus was, and continues to be, the integrity of the Group's financial reporting activities. In considering the financial statements for 2022, the Committee considered whether suitable accounting policies had been adopted and applied consistently, whether management had made appropriate accounting judgements and disclosures, viability disclosures and the Group's ability to continue as a going concern. For 2022, some of the key areas of focus were the management judgements concerning the joint venture contingent consideration payment, the accounting for Solutions revenue and the impairment of Solutions contracts.

We are pleased with the progress in the control environment that has been made this year, evidenced by a much smoother close process. Following the identification of a number of control deficiencies in the financial reporting and closing process for the 2021 financial year and a Finance transformation programme, which included the implementation of Oracle Fusion, management introduced several improvement initiatives to address these issues. These included the Evolve programme and the pay improvement plan. A key area of focus during the year was monitoring the Evolve programme of work, to ensure progress in improving the consistency and rigour of the control environment in key areas. The Committee also oversaw a major pay remediation programme set up in October 2021 to improve and control pay impacting processes and improve pay accuracy both in the UK and overseas. During the year, risks were identified and mitigation work carried out to increase compliance to a satisfactory level.

The Board and Audit Committee ensure the appropriateness and rigour of our climate risk management framework and approach. The Committee has continued to monitor the Group's progress towards reporting on TCFD disclosures, as required by the Listing Rules, providing guidance where necessary. The Committee also reviewed and approved a strategic approach to energy management and long-term energy procurement to ensure that the Group's energy buying was optimised, following the significant increases in electricity prices from autumn 2021. The Internal Audit programme has also been reviewed, approved and monitored. The Committee oversaw the transition to the newly reorganised Internal Audit function, which was restructured to better align with the Group's principal risks and compliance aims.

Priorities for 2023

The Committee is cognisant of the proposed overhaul of the UK Corporate Governance Code and audit reform. The Committee will continue to monitor guidance as it evolves. Preparations for the potential impact of the provisions of the draft Audit Reform Bill on the Company and its external audit, together with any other regulatory changes which may impact auditing and reporting requirements, will remain a priority for the Committee throughout next year.

Committee changes during the year

Finally, there have been changes to the Committee's composition during the year. I would like to thank Emma Lloyd, who stepped down from the Committee in July, for her invaluable contribution to the Committee and to welcome Nadia Shouraboura and Michael Sherman, who joined in July 2022.

I hope that you find this report informative. I will be available at the AGM to answer any questions about our work.

Julie Southern
Chair

28 February 2023

Key responsibilities

- Monitoring the integrity of the Financial Statements of the Company and Group.
- Reviewing announcements relating to financial performance.
- Reviewing the Company's internal control and risk management systems.
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function.
- Reviewing the effectiveness of the external audit process.
- Advising the Board on the appointment, reappointment and removal of the external auditor.
- Agreeing the external auditor's terms of engagement.
- Developing and implementing policies on the engagement of the external auditor to supply non-audit services.
- Monitoring and reviewing the external auditor's independence and objectivity.
- Ensuring the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Reviewing any disclosures made by the Company in relation to the Task Force on Climate-related Financial Disclosures and climate-related emerging risks.

Membership

The 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. The biography of each member of the Committee is set out in the Board biographies on pages 106 to 109. All members have recent and relevant corporate financial experience and the Committee as a whole has competence relevant to the sectors in which the Company operates, notably the retail and technology sectors. 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. Michael Sherman and Nadia Shouraboura joined the Committee on 22 July 2022 and Emma Lloyd retired as a Committee member on the same date.

Meetings

The Committee holds a minimum of three meetings annually, as required under its Terms of Reference. During the 2022 financial year, it held seven meetings. Attendance at each Committee meeting is set out in the table on page 121.

The timing of meetings coincides with key intervals in the Group's reporting and audit cycle. The Chair of the Committee reports at each Board meeting on the business conducted at the previous Committee meeting, any recommendations being made by the Committee and the discharge of its responsibilities, as set out in this report.

Regular attendees at Committee meetings include the Chief Financial Officer, the Group General Counsel and Company Secretary, Finance Directors, the Head of Internal Audit and the external auditor. Other attendees who attend as required include the Chief Executive Officer, the Chair of the Board, a number of senior members of the Finance department, other members of senior management and Operational teams and other advisers to the Company. The Deputy Company Secretary is the secretary to the Committee.

Committee evaluation

The Committee's performance was reviewed during the year as part of the 2022 external Board evaluation process. The Committee was found to be operating effectively.

Further information on our Board evaluation can be found on pages 125 and 126.

Audit Committee Report
continued

How the Committee spent its time during the year

The responsibilities of the Committee are set out in its Terms of Reference, which are available on the Corporate website. The terms were last reviewed and updated by the Committee and approved by the Board in September 2022.

Changes were made to more closely align the Committee's Terms of Reference with the model terms published by the Chartered Governance Institute earlier in the year. The Committee sets an annual work plan, developed from its Terms of Reference, with standing items that the 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 Committee considered during the year are set out below:

Topic	Activity	Q1 Meetings held in Jan 2022 (2)	Q2 Meeting held in Apr 2022	Q3 Meetings held in Jun/ Jul 2022 (2)	Q4 Meetings held in Sep/ Oct 2022 (2)
Financial reporting	Monitoring of integrity of financial statements	●	●	●	●
	Review of the Annual Report and assessment of whether it is fair, balanced and understandable	●			
	Review of work around the Group financial year-end process, including key accounting judgements and estimates	●	●		
	Review of financial results presentations to shareholders	●		●	
	Review of progress of accounting matters conducted for the half year			●	
	Review of progress of programme Evolve		●	●	●
	Review of impairment of CGUs	●			
	Review of process for tracking spares accounting			●	●
	Review of share scheme accounting, including accruals and NIC liabilities	●		●	
	Ocado Solutions revenue recognition				●
	Review of process of capitalisation of internal development costs				●
Risk and Viability Statement	Review of going concern and viability, including key underlying assumptions	●		●	
	Recommendation to Board for approval of the Going Concern and Viability Statement in the 2021 Annual Report	●			
	Approval of Principal Risks statement for 2021 Annual Report	●			
Internal control and risk management	Assessment of the Group's risk management and internal control system	●			
	Review of principal and emerging risks and risk monitoring approach	●			
	Review of financial risk register				●
Internal audit	Review of the Group audit plan for 2022, and monitoring of progress of key programmes	●			
	Receipt and discussion of reports from Internal Audit covering Internal Audit reviews		●	●	●
	Review of results of SOC II audit			●	
	Review of the Internal Audit Charter	●			●
	Review of effectiveness of Internal Audit	●			
	Review of proposed Internal Audit plan for 2023				●
External audit	Consideration of 2022 audit plan and/or fees		●		●
	Receipt of external update from Deloitte on progress of audit work	●		●	●
	Annual assessment of external auditor and recommendation to the Board for its reappointment at the AGM, and approval of its remuneration	●			
	Review of policy on auditor's appointment, independence and provision of non-audit services	●			
	Preparation for transition to new lead audit partner	●			
	Private session with Deloitte without management present	●			

Topic	Activity	Q1 Meetings held in Jan 2022 (2)	Q2 Meeting held in Apr 2022	Q3 Meetings held in Jun/ Jul 2022 (2)	Q4 Meetings held in Sep/ Oct 2022 (2)
Tax and treasury matters	Tax update and review of Group Tax risks and strategy		●		●
	Review of electricity procurement strategy		●	●	
	Review of treasury risk framework and treasury policy				●
Governance and compliance matters	Review and approval of the framework and annual plan for governance, risk and compliance	●			
	Review of progress on TCFD reporting		●	●	
	Receipt of compliance activities update, including policy roll-outs and employee survey results	●	●	●	
	Review of Committee Terms of Reference	●			●
	Consideration of status of audit reform and other relevant regulatory developments				●
Other	Review of business continuity and disaster recovery capabilities		●		
	Review of payroll process and improvement plan	●	●		●
	Private session with management without Deloitte present	●			●
	Private session with Finance team		●		

There is an additional layer of review and oversight that occurs in the Ocado Retail business, which has its own board and audit committee, comprising Ocado Retail management and representatives from the Group and Marks and Spencer. That audit committee receives reports from Group Internal Audit on assurance reports on the Ocado Retail business and from the external auditor, as well as from the Ocado Retail management and finance function. In turn, the Committee has visibility of this largely via reports from Group management and reports from Internal Audit and the external auditor.

Financial Statements and Reporting: The 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 Committee reviewed this Annual Report, various management reports on accounting estimates and judgements, the external auditor's reports on internal controls, accounting and reporting matters, and management representation letters concerning accounting and reporting matters.

Monitoring the integrity of the Financial Statements of the Company, the financial reporting process and reviewing the significant accounting issues are key roles of the 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 Committee plays an important role in assisting the Board in reaching those conclusions.

The form and content of the Annual Report and Financial Statements was reviewed and approved, and the preparation and verification process determined to be thorough and robust. Consistency of narrative within the document was confirmed. Following review, the Committee advised the Board that it was satisfied that the 2022 Annual Report and Financial Statements, taken as a whole, met its objectives and supported the Board in making its Statement on page 178. For information concerning the process followed by the Company in preparing this Annual Report see pages 104 and 105 of the Corporate Governance Report. The 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 Committee reviewed and discussed reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. The Committee also reviewed the evaluation of complex accounting matters. This section outlines those significant issues which received particular focus from the Committee in relation to the Financial Statements for the period and how these issues were addressed.

Audit Committee Report
continued

Major Audit Committee judgements and estimates during the period

Area of focus	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
Consolidation of Ocado Retail	Ocado Retail, in which the Group holds 50% of the voting rights, requires management to exercise judgement on whether the rights granted to the Group under the Ocado Retail shareholders agreement give the Group control under IFRS 10.	The Committee reviewed and agreed with management's assessment that the Group still retained control of Ocado Retail. Under the Group accounting policies, the dispute resolution procedures (in relation to approval of the business plan and appointment and removal of the Ocado Retail CEO) in the shareholders' agreement grants the Group determinative rights. This agreement remains unchanged and there are no other indicators that control has changed. This was supported by management reports and reports from the external auditor on its audit procedures in this review area.	Ocado Retail 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.
Revenue recognition – Solutions	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 Committee reviewed and agreed with management's proposed accounting treatment and policies, reviewing each Solutions customer individually in light of IFRS 15 guidance.	The accounting treatment is included in the Consolidated Income Statement on page 192 and Note 2.1 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 milestones 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 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 these claims. Ocado has filed several patent and IP infringement actions against AutoStore.	The Committee considered the management reports on the status of litigation and costs incurred in defending these claims. In March 2022, the US ITC found in favour of Ocado, confirming the preliminary opinion handed down in December 2021. AutoStore has appealed the decision, and the appeal is likely to be heard in 2023. The UK High Court trial was heard in March and April 2022 and a judgement is awaited. Prior to the UK trial, AutoStore withdrew two of the three patent families from the infringement proceedings. The many EPO oppositions continue with so far one AutoStore patent having been revoked in its entirety, irrevocably.	There is no impact to the Financial Statements and no additional disclosures for the period. See Note 3.14 to the Consolidated Financial Statements.

Area of focus	Key accounting policies, judgements and key sources of estimation uncertainty	Factors and reasons considered and conclusion	Impact on financial information and disclosure in Financial Statements
Provisions, contingent liabilities and contingent assets – Litigation continued	AutoStore has filed several patent infringement claims against Ocado Group and action is in process to defend these claims. Ocado has filed several patent and IP infringement actions against AutoStore.	Ocado continues to have confidence in the merits of its position and to actively to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe. The trial of the claim against AutoStore in New Hampshire, USA is scheduled for December 2023. Hearings are scheduled in the German proceedings in May 2023, although the preliminary opinion of the German Patent Office is that Ocado's IP rights are valid. Litigation costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore") amounted to £26.4m. Consistent with the treatment applied in prior periods, due to the material nature of the expenditure and potential income of this litigation, costs and income arising are being treated as Exceptional Items. However, given the ongoing nature of this litigation, the outcome is uncertain, and so the Group has not recognised a contingent asset or liability in these Financial Statements in respect of this action.	There is no impact to the Financial Statements and no additional disclosures for the period. See Note 3.14 to the Consolidated Financial Statements.
Capitalisation of internal development costs	The capitalisation of internal costs of product development requires judgement in determining that the costs meet the necessary criteria for capitalisation under IAS 38.	The Committee considered the management report concerning the judgements, processes and controls in place with regard to the capitalisation of internal development costs, and agreed with the conclusion that costs are capitalised appropriately.	See Note 3.3 to the Consolidated Financial Statements.
Fair value measurement of contingent consideration	The payment of the remaining contingent consideration on the part disposal of Ocado Retail in August 2019, totalling £190.7m in cash, is contingent on certain contractually defined Ocado Retail performance measures being achieved during the FY23. Management judgement is applied in determining the fair value which has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios. Management considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance target and Ocado Retail's current trading performance. Management determined that the fair value of the contingent consideration due to M&S as at the reporting date is £95.0m, which is a reduction in fair value from prior periods.	The Committee reviewed management reports on the fair value of contingent consideration, including the assessment of Ocado Retail's expected future performance and the feasibility of the potential adjustments to the performance target. In this context, the Committee took into account the review undertaken by the external auditors of the value of the contingent consideration. The Committee agreed with the conclusion that a probability-weighted approach to assessing the fair value of the contingent consideration was appropriate, given there is a possibility that the performance of the Retail business may result in the contingent consideration not being paid. The Committee also reviewed the proposed financial statement disclosures and in particular that they sufficiently explained the estimation uncertainty and that the ultimate consideration received may be materially different to the fair value reported.	See Note 3.7 to the Consolidated Financial Statements for the fair value applied to the contingent consideration.

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Audit Committee Report
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Area of focus	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
Impairment assessment for goodwill and other fixed assets	The performance of the Group's impairment assessments requires management to make judgements in determining whether a cash generating unit ('CGU') shows any indicators of impairment that would require an impairment test to be carried out as well as identifying the relevant CGUs to be assessed. Management determined that assets directly associated with individual International Solutions contracts (i.e. partner by partner) represent the lowest level group of assets at which impairment can be assessed. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates, and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. The sensitivity to changes in key assumptions is also considered to determine at what level any headroom is eroded.	The Committee reviewed management reports concerning the annual impairment assessment of goodwill and the review of customer contract CGUs for indicators of impairment and impairment testing, together with the disclosures in the notes to the financial statements. The Committee, in agreeing with management's approach and conclusions with respect to the annual impairment assessment of goodwill, scrutinised the underlying assumptions including the module ramp-up profile over the relevant contract life. The Committee agreed with management's approach in identifying indicators of impairment for International Solutions contract CGUs as well as the approach, conclusions and disclosures with regard to the impairment review and considerations of changes in key assumptions.	See Notes 3.2 and 3.4 to the Consolidated Financial Statements for details of impairment reviews undertaken and the impairment charge recorded in the year.
Exceptional items	Management believes that separate presentation of the exceptional items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in determining the classification of certain transactions as exceptional items by considering the nature, occurrence and the materiality of the amounts involved in those transactions.	The Committee reviewed management's periodic reports on amounts being treated as exceptional items and agreed with the treatment of those amounts as exceptional.	See Note 2.6 to the Consolidated Financial Statements.

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 Committee. 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 183 to 185 of the Independent Auditor's Report. The Committee reviewed and evaluated during the year the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements and guidelines, including the European Securities and Markets Authority Guidelines on Alternative Performance Measures. The Committee considers that the Company has adopted appropriate accounting policies and made appropriate estimates and judgements.

Reporting segments

Consistent with prior years, the Committee reviewed the management determination of the reporting segments of the Group, being "Retail", "UK Solutions and Logistics" and "International Solutions", noting this still appropriately reflected the structure of the Group's activities.

Going Concern and Viability assessments

The Committee and the Board reviewed the Group's Going Concern and Viability Statements (as set out on page 98) and the assessment reports prepared by management in support of such Statements. The report on the Viability Statement included revised downside scenarios reflecting the current risks posed to the business, which the Committee considered were appropriate. The Committee gave careful consideration to the period of assessment used for the Viability Statement. It took into account a wide range of factors (see page 96) and, given the rapid pace of the development of the business, both strategically and technologically, concluded the time period of three years remained appropriate.

The external auditor discussed the Statements with management and, as outlined in its audit report, has nothing to report in respect of the conclusions reached by management regarding going concern and viability. The Board was comfortable with the disclosure set out in this Annual Report, including the explanation of some of the key assumptions and its linkages to the Group's Principal Risks Statement.

Tax review

During the year, the Committee reviewed and approved the Group's Tax Risk standard, which provides a framework for defining and measuring tax and risk, and outlines responsibilities, people, policies and processes in place for managing risk. Current tax risks were considered, including, those arising from changes to the business, international operations and changes to international and local tax legislation and practice.

The Group's tax strategy was also reviewed by the Committee during the year and approved by the Board. The strategy, which can be found at the corporate website – www.ocadogroup.com, is based around four fundamental principles:

1

to comply with applicable tax obligations and laws in all jurisdictions;

2

to pay the right amount of tax at the right time in the relevant jurisdiction;

3

to ensure that the Company meets both its legal and moral obligations when optimising gains for shareholder returns; and

4

to ensure a transparent and open relationship with all tax authorities.

Audit Committee Report
continued

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 Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of different sources to carry out its work, including Internal Audit assurance reports, the assurance provided by the external auditor and other third parties in specific risk areas, reports from Finance and other areas of the business and an annual assessment report provided by Governance, Risk and Compliance. In addition, the Committee Chair gains additional insight on the management of risk in Ocado, by attending the Group's regular Risk Committee meetings. The Risk Committee, which is chaired by the Group General Counsel and Company Secretary, receives reports from the business on a range of risk topics and discusses principal risks and risk appetite.

As outlined from page 132, the 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 build on the Group's underlying control environment.

The Group continued its plan to evolve and mature the financial control environment, with the launch of the second phase of its maturity plans, called the Evolve programme. Having transitioned to the new financial reporting systems in late 2021, the Finance function set about further embedding this new system, enhancing the reporting and controls environment and supporting the business with the cultural and processes changes required. The additional rigour and robustness of the financial control environment is important given the international expansion and growing complexity of the Group. The second part of the programme has been planned to run until 2024. One key part of improving the control environment is the pay remediation programme, which addresses the varied pay processes and controls required for a global organisation. The Committee received regular update reports from management on these programmes. The Committee discussed the progress made on key workstreams and the steps being taken by management to bring about business and culture changes necessary to support the finance transformation of the Group.

During the period, the Group continued to monitor the regulatory environment and will continue to take a proactive response to the audit and finance regulatory reforms as they emerge.

Every year the Committee focuses its attention on risk areas of particular importance, including those linked to the Group's principal risks. The Committee spent some time reviewing tax and treasury management, and the Group's business continuity plans. The Group's approach to managing treasury and tax risks continues to mature with the expansion of the policies and processes and strengthening of resources in these areas. The treasury policy was updated to include the new risk mitigations for energy procurement, which was a particularly important change given the escalating energy costs in 2022.

Group compliance programme: At the start of the year, the Committee considered and approved the 2022 annual plan for the Group compliance programme. The prior year was focused on consolidating the progress made since 2020 and continuing to evolve governance and controls to meet the changing shape of the organisation and to respond to emerging risks. Priority efforts during 2022 included the expansion of the fraud compliance framework, and update of the Anti-Tax Evasion Policy and Conflicts of Interest Policy.

2022 compliance objectives were focused on supporting the business with both functional and organisational objectives, with progress on compliance activities such as use of compliance tools and increased knowledge and awareness of compliance topics, tracked and reported with measurable KPIs. Goals included evolving the compliance framework with a targeted training and communications plan as well as maturing aspects of our existing programme.

The Group's global privacy and cyber programmes were completed by the end of 2022 and the expansion of OSP and key transactions supported in a timely way. SOC II audits were carried out during the year. The Committee continues to monitor the implementation, enhancement and effectiveness of the Group compliance programme. The Committee pays careful attention to management reporting in these areas given that they play an important role in supporting a robust overall risk and control environment for the Group.

The Group's compliance programme is explained in more detail in the Responsible Business section on pages 60 and 61.

Internal audit

The Internal Audit function is responsible for providing independent and objective assurance to the Committee. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluating the design and effectiveness of the Group's systems of internal control, risk management and governance processes through a risk-based approach.

The Head of Internal Audit has invested in initiatives through the course of the year to improve its effectiveness and skill base. During the year, the Committee approved the appointment of a new Head of Internal Audit. The Internal Audit function was reorganised and reduced in size to reflect a more targeted assurance service needed by the business, with a view to building and maintaining an appropriate mix of core audit and specialist skills to meet stakeholder expectations and the changing needs of the Group.

The Committee reviewed and approved the Internal Audit Charter and plan in January 2022. For 2022, Internal Audit's approach to setting the Internal Audit plan was to use a combination of stakeholder meetings, internal papers, external briefing papers from industry, regulatory and technical bodies, and results from previous audit work to update the audit universe. Internal Audit then met with mission owners or their direct reports to discuss business objectives and associated risks and to get feedback on possible audit activities. Audits performed in 2022 included reviews covering Finance and Operations, Technology and Programme Assurance across Ocado Technology, Ocado Retail, Ocado Logistics, Platform Implementation and Client Services. Internal Audit carried out reviews across these missions to provide coverage against the principal risks. It does this in order to add value by providing risk-based and objective assurance, advice and insight over the operational systems and processes adopted by management to ensure the Group's assets are safeguarded and data integrity is maintained.

The Committee has a standing agenda item to cover Internal Audit-related topics. This includes reviewing progress against the agreed plan, approving subsequent changes to the plan throughout the year, including the prioritisation of audit work, and reviewing the reports issued by Internal Audit. This allows the Committee to consider the issues and risks arising from reviews through discussions on key findings, recommendations and plans by management to address any areas of weakness. Progress on management action plans is tracked and the status of these actions is reviewed. During the period, the Committee met with the Head of Internal Audit without management present.

2022 Internal Audit effectiveness review: Internal Audit is usually subject to an external effectiveness review every three years, and an annual internal review each year. An external effectiveness assessment of the Internal Audit function was conducted for 2020 and an internal assessment was carried out at the start of 2022 relating to 2021. Throughout the year a number of informal discussions on effectiveness took place. Time was spent discussing the coverage of the audit plan and its linkage to the key areas in the business, as well as the content and usefulness of the Internal Audit reports and the system for enforcing and following-up actions. Given the reorganisation of the Internal Audit team under a new Head of Internal Audit during the year, it was agreed that it would be better to carry out a follow-on formal review during 2023, once the reshaped team had settled into its role.

External auditor

The Committee has primary responsibility for managing the relationship with the external auditor, including assessing its performance, effectiveness and independence, recommending to its Board its reappointment or removal and agreeing terms of engagement. Deloitte was reappointed as external auditor of the Group at the 2022 Annual General Meeting. Deloitte has been the external auditor for six 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, being ten years after the original appointment. The Committee believes conducting the competitive tender process then to be in the best interests of the Company. In making this decision, the Committee took into account the ongoing effectiveness and independence of the external auditor (discussed in detail below), the benefits of maintaining continuity with the same audit team during a period of significant change in the Group and the fact that the Deloitte audit partner was rotated at the end of five years, as required by regulation. A new lead audit partner, Dave Griffin, was appointed at the end of the 2021 audit, with his first audit being for the 2022 financial year.

Assessing the effectiveness of the external audit process and the external auditor: In assessing the effectiveness of the external auditor the 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 Committee also reviewed and approved the external audit plan, considering the extent to which it was tailored to the Group's business, and monitored whether the agreed plan was met. The Committee reviewed the audit plan and was content that the plan was sufficient to support a robust and quality audit of the year-end Financial Statements. In reviewing the audit plan the Committee considered certain significant and elevated risk areas, identified by the external auditor, which might give rise to material financial reporting errors or those perceived to be of higher risk thereby requiring further audit attention. These risk areas include those set out in the Independent Auditor's Report from page 180.

Audit Committee Report
continued

The Committee also considered the approach to reviewing the Group control environment, review of IT controls, the proposed audit scope and materiality threshold, as well as the responses of the auditor to questions from the Committee.

The Chair meets with the external auditor prior to every Committee meeting and the Committee meets 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 is seen as an important opportunity to check in with the auditor to assess achievement of key deliverables in the audit and ensure that the audit remains on track. To further facilitate open dialogue and assurance, the Committee also meets with the external auditor without management present.

2022 External audit effectiveness review:

Step 1

The Committee, the Executive team, and members of management from across Group Finance, Retail, Internal Audit, Governance, Risk and Compliance, IT and Commercial Finance completed an external audit effectiveness review questionnaire. The questionnaire asked respondents to consider the robustness of the audit process and the quality of delivery, reporting, people and service.

Step 2

The Committee reviewed and discussed the results of the questionnaire. To assist the Committee with taking a view on the external auditor's effectiveness, it also received a report on audit effectiveness from management and the external auditor and met with management, without Deloitte present, to listen to their views.

Result of review

The Committee concluded that Deloitte delivered a robust and quality audit, with effective challenge and providing the appropriate resources to the Company in the period and that, therefore, Deloitte had remained effective in their role.

Independence and objectivity: The 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 Committee monitored compliance with the Group's policy on the employment of former Deloitte employees. The 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 Committee conducted its annual review of the Policy on Auditor Appointment and Independence, which includes the Policy on non-audit services.

Approval thresholds for non-audit work	Approver
Over £10,000 and up to £30,000 per engagement	Chief Financial Officer
Over £30,000 and up to £100,000 per engagement	Chief Financial Officer and Audit Committee Chair
Greater than £100,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	Audit Committee

An additional protection is provided by way of a non-audit services fee cap. The 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 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 209. The non-audit service fees of £242,000 (2021: £506,000) paid to Deloitte during the period related solely to audit-related assurance services. All non-audit work engagements were approved in accordance with the requirements of the policy. The Committee received a regular report from management regarding the extent of non-audit services performed by the external auditor. The external auditor provided a report to the 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 Committee was satisfied this was the case and so concluded that the auditor's independence from the Group was not compromised.

Audit fees: The Committee spent time discussing the level of audit fees. The Committee was satisfied that the level of audit fees payable in respect of the audit services provided (excluding non-audit fees for assurance services), being £2.2m (2021: £1.8m), was appropriate and that an effective audit could be conducted for such a fee. The increase in fees was partly attributable to the additional audit work required for a more complex business, the audit work needed to cover the Ocado Retail business and the work needed to review the migration to the new finance system. The existing authority for the 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 2022. At the 2022 Annual General Meeting, 99.95% of votes cast by shareholders were in favour of granting the Directors this authority.

Reappointment of external auditor: The Committee is satisfied that the external auditor remains fully independent, objective and effective and that there are no contractual restrictions of the Company's choice of external auditor. Deloitte has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing Deloitte's reappointment and the determination of its remuneration by the Audit Committee will be put to shareholders at the AGM.

Statement of Compliance with the Competition and Markets Authority Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

This Audit Committee Report is approved by the Board and signed on its behalf by:

Julie Southern
Audit Committee Chair
Ocado Group plc
28 February 2023

Directors' Remuneration Report

"The Remuneration Committee is committed to ensuring the Company's leadership is motivated to deliver long-term sustainable growth through successful implementation of the Company's strategy."

Andrew Harrison, Chair

Committee membership

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

Andrew Harrison
Committee Chair
Date of appointment: 1 March 2016
Independent: Yes

Julie Southern
Date of appointment: 1 June 2019
Independent: Yes

Emma Lloyd
Date of appointment: 2 February 2021
Independent: Yes

Julia M. Brown
Date of appointment: 1 January 2023
Independent: Yes

Letter from the Chair of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 27 November 2022 on behalf of the Remuneration Committee (the "Committee").

The Company's Directors' Remuneration Policy was approved at the 2022 Annual General Meeting following an extensive review to ensure the Company's remuneration incentives continued to be appropriate for the Company in the medium to long term. The Directors' Remuneration Report for the year ended 27 November 2022 will be put to an advisory shareholder vote at the AGM on 2 May 2023. I look forward to your continued support at the upcoming AGM.

Despite a difficult external environment, the Group continued to see the expansion of the Solutions business, having signed its 11th and 12th agreements to develop OSP in Poland and South Korea during the year, with revenue for the International Solutions segment increasing by 121.9% as the global roll-out of OSP continued. The Retail business also achieved strong customer growth for the year, with more than 940,000 active customers, but this growth was offset by customer behaviour returning to pre-pandemic patterns, resulting in a 4% decrease in revenue for Ocado Retail.

The Committee has worked to ensure the Company's leadership remains motivated to successfully implement the Company's strategy and guide Ocado through a challenging global environment, and that we can attract the best talent globally to achieve our future plans.

Cost of living

The Committee has been mindful of the impact of the increase in the cost of living on individuals throughout the organisation, and this has been a regular item of discussion for the Committee. The Committee remains committed to keeping this front of mind when making decisions on pay as we head into the next financial year, and to ensuring our people are rewarded fairly and competitively for their contribution to our success and that they feel supported in a holistic way, not just in their rate of pay.

We launched a specific campaign and dedicated resources to ensure that as many of our employees were aware of and could access all products and services available to them. You can read more about these initiatives on page 160.

Relationship between pay and performance

2022 Annual Incentive Plan

Although we performed well across the majority of our KPIs, some fell short of the challenging targets we set and hence we approved bonus payments to the Executive Directors of between 55% and 58% of maximum, based on achievement against objectives under the Annual Incentive Plan ("AIP") for the period. The Committee carefully considered the outcome under the AIP measures, assessing the extent to which the measures reflect the underlying performance of the business – further information on the 2022 AIP outturn can be found on pages 162 and 163.

The Committee was pleased that the Company's increased attention on ESG was reflected in the achievement of these measures under the AIP. This focus will continue in the coming financial year as direct ESG measures will comprise a greater proportion of the award.

2019 Value Creation Plan ("VCP")

The third Measurement Date for the VCP was 10 March 2022. The Measurement Price (£12.86) was below the minimum Hurdle/Threshold Total Shareholder Return ("TSR") for Tranches 1 or 2 required to bank awards and therefore no nil-cost options were banked by the Executive Directors in 2022. As the TSR underpin was not met, no previously banked options were capable of vesting.

Due to the capital raise that was undertaken by the Company in June 2022, a third Tranche of award under the VCP was established to ensure that the management team neither unduly benefit nor is penalised as a result of the capital raise. This is consistent with both the plan rules and the previous approach adopted when we raised capital in 2020.

The fourth VCP Measurement Date will be in March 2023. Based on where our share price is at the time of writing, it is expected that no nil-cost options will be banked under any of Tranches 1, 2 or 3 at the fourth Measurement Date.

Further information on the VCP can be found on pages 160 and 161.

2022 Annual General Meeting voting

At our 2022 Annual General Meeting all resolutions were successfully passed with the requisite majority, although the Committee notes the outcome of the shareholder votes against the resolutions in respect of the Directors' Remuneration Policy and the amendments to the VCP. The Committee understands the concerns of some shareholders around the non-standard nature of the VCP, which was reflected in the votes against these resolutions.

The Committee will keep the operation of the VCP and all other aspects of executive remuneration under review and will continue to engage positively with shareholders to understand their perspectives and concerns. The Committee continues to believe that the changes approved offer the best way to drive sustainable growth and align with the Company's remuneration policy to offer substantial comparative award for transformational performance.

Changes to the implementation of the Policy in 2023

There are no material changes to how salary, benefits and pension will be implemented in 2023.

The objectives for the AIP will be streamlined by moving to a single corporate scorecard model. The Executive Directors will be judged against the same measures that align to the Company's overall strategic priorities. Where the participant is one of the key drivers of an objective, the weighting of that goal will be proportionally increased for that participant. This ensures our AIP remains fully aligned to our strategy and rewards progress against the stretching financial and non-financial goals within it.

Further information on the operation of the AIP in 2023 can be found on pages 150 and 151.

Changes to base salaries from April 2023

Changes to base salaries for the Executive Directors were agreed to take effect from 1 April 2023. The increases were considered holistically, taking into account the cost of living and inflationary challenges faced by the business and our employees. The Committee determined that the base salary increase for the Executive Directors would be 4%, which is lower than the budgeted increase for the wider workforce. The Committee's philosophy remains that Executive Director salaries be positioned around the lower quartile of the market.

Changes to Non-Executive Director remuneration

Changes to fees (including Non-Executive Director base fees, Committee Chair and membership fees, and fees for the Senior Independent Director) for the Non-Executive Directors were agreed by the Executive Directors and Chair in February 2023. Changes to Chair fees were also agreed by the Committee. The increases were below those budgeted for the wider workforce.

Committee changes

I would like to extend a warm welcome to Julia M. Brown, who was appointed as an independent Non-Executive Director with effect from 1 January 2023 and will also serve as a member of the Remuneration Committee.

Details of the remuneration arrangements on Julia's appointment can be found on page 165.

Finally, as announced on 14 July 2022, this year marks my last full financial year as Chair of the Remuneration Committee. Following the conclusion of the forthcoming AGM, I will be succeeded as Chair of the Committee by Julie Southern. Julie, who has served on the Committee for over three years, has the requisite experience and is well qualified to discharge this role. It has been a privilege to serve as Committee Chair and I welcome the opportunity to continue to serve as a member of the Committee.

I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

Andrew Harrison
Remuneration Committee Chair

28 February 2023

Directors' Remuneration Report continued

Description of the Remuneration Committee

This section of the Directors' Remuneration Report describes the membership of the 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 its Terms of Reference, the Committee has at least three members, all of whom are Independent Non-Executive Directors, and holds a minimum of two meetings a year.

Other attendees at Committee meetings during the year included the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Chief People Officer and the external adviser to the Committee. The Chair, Executive Directors and other attendees are not involved in any decisions of the Committee and are not present at any discussions regarding their own remuneration. The Deputy Company Secretary is secretary to the Committee.

External advice

During the period, the 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 Chair remuneration.
Other services provided by PwC	Other PwC advisory teams advised the Group on a range of matters during the period including deal support, tax structuring, ESG matters, accounting and overseas tax advice. PwC also provide independent SOC assurance reports for the Group's OSP services.

PricewaterhouseCoopers LLP reappointment and review

The Committee carried out an annual review of and considered the reappointment of PricewaterhouseCoopers LLP. This review took into account PwC's effectiveness, independence, period of appointment and fees. PwC was initially appointed by the Committee in 2017 following a tender process and has been reappointed each year since.

This period the Committee reviewed the performance of PwC based on feedback from members of the Committee and senior management. The criteria for assessing PwC's effectiveness included its understanding of business issues and risks, its knowledge and expertise, and its ability to manage expectations. The Committee concluded that the performance of PwC remained effective.

The Committee considered the independence and objectivity of PwC. PwC has assured the Committee that it has effective internal processes in place to ensure that it is able to provide remuneration consultancy services independently and objectively. PwC confirmed to the Company that it remains a member of the Remuneration Consultants Group and as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. Following its annual review, the Committee remains satisfied that PwC has continued to maintain independence and objectivity.

For the period, £92,000 (2021: £263,251) in fees were paid or payable to PwC for advisory services provided to the Committee. The basis for this is a fixed retainer fee and a time-based fee for additional work.

Following the review by the Committee, it was agreed that PwC should be reappointed.

Other support for the Remuneration Committee

In addition to the external advice received, the Committee consulted and received reports from the Company's Chief Executive Officer, the Chief Financial Officer, the Chair, the Group Chief People Officer and the Deputy Company Secretary. The Committee is mindful of the need to recognise and manage conflicts of interest when receiving views and reports from, or consulting with, the Executive Directors or members of senior management.

How the Committee spent its time in 2022

The Committee has, under its Terms of Reference, been delegated responsibility for setting remuneration for all of the Executive Directors, the Chair, the Company Secretary and senior management. In line with its Terms of Reference, the Committee's work during the period is set out on the next page.

Key agenda items

- Receiving a report on output from shareholder consultation meetings in late 2021.
- Approving the Directors' Remuneration Report for FY21.
- Approving the Annual General Meeting explanatory notices and incentive plan rules.
- Reviewing a response statement regarding the shareholder consultation following the 2022 Annual General Meeting.
- Approving the Group's Gender Pay Gap Report for FY21.
- Receiving a report from the CEO and Chair on performance and remuneration of the Executive Directors.
- Setting the Executive Director and Chair pay increases.
- Reviewing performance under the FY21 AIP and consideration of any bonuses payable.
- Reviewing performance under the VCP as at the third Measurement Date and approving the creation of a third tranche of award under the VCP as a result of the capital raise in June 2022.
- Approving the FY22 AIP performance targets and reviewing the design/measures for the FY23 AIP.
- Receiving regular reports on Group-wide remuneration for FY22 and reports from the DNED on workforce remuneration arrangements and issues.
- Receiving a report on the Group's share schemes and plans for FY23.
- Approving incentive payments and salary changes for senior management.
- Reviewing and approving various senior management arrangements on joining and leaving the Company.
- Receiving reports and advice from advisers on a range of matters including senior management pay, market themes and trends and new governance requirements.
- Reviewing the performance of advisers.
- Reviewing Committee composition, Terms of Reference and performance.

The Executive Directors and the Chair reviewed the remuneration arrangements of the Non-Executive Directors.

Remuneration summary

Executive pay at Ocado

The components of remuneration

The different components of remuneration in this report are as follows:

Fixed			Variable		
Salary	**Benefits**	**Pension**	**AIP cash + deferred bonus**	**Value Creation Plan**	**Total remuneration**
Reflects the value of the individual, their role, skills, experience and contribution to the business	Aligned with all other employee arrangements	Provides an appropriate level of retirement benefits. All Executive Directors are aligned with employee pension contributions	Incentivises achievement of annual objectives and aligns Director and shareholder interests by delivering a proportion in AIP shares	Motivates key individuals to achieve long-term targets and exceptional levels of performance	Sum of the fixed and variable components of remuneration

Single figure for FY22

The table below provides a summary total single figure of remuneration for 2022. Further details are set out on page 159 in the Annual Report on Remuneration.

Executive Director	Total 2022 (£'000)	Total 2021 (£'000)
Tim Steiner	2,004	1,968
Stephen Daintith	1,391	861
Mark Richardson	1,151	1,043
Neill Abrams	1,181	1,053
Luke Jensen	1,161	1,039

Directors' Remuneration Report
continued

Outcomes for FY22

Fixed components

	Tim Steiner CEO	Stephen Daintith CFO	Mark Richardson CEO Ocado ASRS	Neill Abrams Group GC & CoSec	Luke Jensen CEO Ocado Solutions
Salary (£'000)	755	563	462	462	462
Benefits (include car allowance, private medical and other benefits) (£'000)	1	1	1	1	8
Pension – up to 7% of salary (£'000)	53	39	32	32	32
Total (£'000)	809	603	495	495	502

Pay for performance at a glance

2022 AIP

Under this plan, the CEO had a maximum bonus opportunity of 275% of salary, and the other Executive Directors had a maximum opportunity of 250% of salary. A summary of the outcomes is as follows:

	Weighting of measure	Outturn (as a % of maximum)	Outcome (% total award)
Transformational Technology	20%	85%	17
UK Client Delivery – Ocado Retail Segment EBITDA	10%	0%	0
UK Client Delivery – UK Customer Pilot roll-out of OSP Platform	5%	20%	1
Deliver the Client Promise – Achieving Customer Satisfaction Scores	7.5%	85%	6.4
Deliver the Client Promise – Achieving Customer SLAs	7.5%	100%	7.5
Efficiency of OSP – % Improvement of Q4 Solutions Average Weekly Engineering Cost Per Module	10%	79%	7.9
Selling Solutions – Module Capacity Ordered for New CFCs	10%	0%	0
Selling Solutions – Q4 Weekly Eaches Via OSP Platform	10%	0%	0
Individual Objectives (see further detail on page 163)	20%	83.6%	15.6-18.6
Total			55.4-58.4

	2022 AIP	
	Outcome (% of max)	Outcome (£'000)
Tim Steiner	56.72	1,191
Stephen Daintith	55.36	788
Mark Richardson	55.90	652
Neill Abrams	58.40	682
Luke Jensen	56.16	655

VCP

The third Measurement Date under the VCP was 10 March 2022. No nil-cost options were banked by Executive Directors on the third Measurement Date. The following table sets out the number of awards granted on the first to third Measurement Dates under the VCP:

			Number of nil-cost options granted				
Measurement Date	Hurdle Price/ Threshold TSR	Measurement Price	Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams	Luke Jensen
12 March 2020	£15.16	£11.23	0	0	0	0	0
11 March 2021	Tranche 1: £16.68 Tranche 2: £21.06	Tranche 1: £23.28 Tranche 2: £23.28	2,059,123	0	514,780	514,780	514,780
10 March 2022	Group 1 – Tranche 1: £23.28 Tranche 2: £23.28 Group 2 – Tranche 1: £18.34 Tranche 2: £23.16	Group 1 – Tranche 1: £12.86 Tranche 2: £12.86 Group 2 – Tranche 1: £12.86 Tranche 2: £12.86	0	0	0	0	0

(1) Tim Steiner, Neill Abrams, Mark Richardson and Luke Jensen are all "Group 1" participants, as they joined the VCP prior to the second Measurement Date. As Stephen Daintith joined the Board in March 2021, following the second Measurement Date, he joined the VCP as a Group 2 participant.

Annual Report on Remuneration – Implementation of Policy for 2022 and Future Policy

Link to Purpose and Strategy

Details of how the 2022 Remuneration Policy links to the Company's strategy and purpose can be found in the Remuneration Policy on the corporate website – www.ocadogroup.com – and on page 178 of last year's report. The Committee considers that the principles under which the 2022 Remuneration Policy were developed continue to be appropriate.

Summary of policy table for Executive Directors and implementation

This section provides a summary of the key elements of the 2022 Remuneration Policy for Executive Directors approved by shareholders at our 2022 Annual General Meeting on 4 May 2022. In addition, we have set out how the Remuneration Policy was operated in 2021/22 and how it is intended to be operated in 2022/23. Details of how the Remuneration Policy was designed and developed and the full Policy can be found on the corporate website – www.ocadogroup.com – and on pages 177 to 200 of last year's annual report.

Base salary

Minimum level of pay to attract and retain the right calibre of senior executives required to support the long-term interests of the business. We continue to aim to position salaries towards the lower quartile of the market.

Element	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
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; and – an individual's contribution to the Group.	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. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances, for example if the role has increased significantly in scope or complexity. Larger increases may also be considered appropriate and necessary to bring a recently-appointed executive in line with the market and the other executives in the Company where their salary at appointment has been positioned below the market.	As at 1 April 2022: – Tim Steiner (CEO): £763,830 – Stephen Daintith (CFO): £569,250 – Mark Richardson (CEO Ocado ASRS): £466,785 – Neill Abrams (Group GC & CoSec): £466,785 – Luke Jensen (CEO Ocado Solutions): £466,785	As at 1 April 2023 salaries will increase as follows: – Tim Steiner (CEO): £794,383 – Stephen Daintith (CFO): £592,020 – Mark Richardson (CEO Ocado ASRS): £485,456 – Neill Abrams (Group GC & CoSec): £485,456 – Luke Jensen (CEO Ocado Solutions): £485,456 These reflect an increase of 4% which is lower than the budgeted increases for the wider UK employee population.

Benefits

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Element	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
Benefits							Benefits provided are aligned with those provided to all employees under our flexible benefits policy. The Company provides Directors' and officers' liability insurance and may provide an indemnity to the fullest extent permitted by the Companies Act.	Benefits are set at a level which is considered to be appropriate against market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Includes car allowance, private medical insurance, life assurance and other discounts. Any business travel costs will be paid by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs.	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	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
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.	In order to ensure continued alignment between Executive Director and wider workforce pension contributions, the contribution rate for UK-based Executive Directors is 7% of salary, in line with the workforce. For any Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No planned change.

Annual Incentive Plan ("AIP")

To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward.

To incentivise the achievement of outstanding results aligned to the business strategy.

To support long-term shareholder alignment through deferral into shares and holding periods.

Element	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
Annual Incentive Plan							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 to the extent that they vest until the end of any relevant post-vesting holding period.	Maximum opportunity of 275% of salary.	Maximum potential for FY22 (as % of salary): – CEO: 275% – Other Executive Directors: 250% AIP was measured against the following performance measures: – Transformational Technology (20%) – Ocado Retail EBITDA (10%) – UK OSP Customer Pilot Implementation (5%) – Achieving Customer Satisfaction (7.5%) – Achieving Customer SLAs (7.5%) – Q4 Solutions Average Weekly Engineering Cost Per Module (10%) – Module Capacity Ordered for New CFCs (10%) – Q4 Weekly Eaches Via OSP Platform (10%) – Individual Objectives (20%)	The Corporate Scorecard will be measured against the following strategic pillars: - UK Client Delivery (20%) - Environmental, Social and Governance (10%) - Partner Success (30%) - Costs (30%) - New Business (10%) - Legal (Neill Abrams only) Further information on the corporate measures can be found overleaf. The measures are individually weighted by Director. For further information please see page 151.

2023 AIP – Corporate Scorecard of performance measures

Following the Committee's annual review of the AIP's incentive measures, the objectives for the 2023 AIP will be streamlined by moving to a single corporate scorecard model, applicable to all participants and no longer segmenting by corporate and individual objectives. Weightings for each AIP objective will be determined based on its strategic importance to the Group, and this overall weighting will apply to the CEO.

This weighting will then be pro-rated to 70% for all other Executive Directors. The remaining 30% of the award will be based on adjusting the weighting of the core targets, where the Executive Director can directly impact the outcome of the target as a key driver of that goal. This approach ensures that 30% of the outcome of the award is strategically targeted to the individual. The below table outlines the 2023 AIP measures and the individual weighting for each Executive Director.

The specific performance targets for the AIP are not disclosed for the 2023 financial year on the basis the 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 in greater detail at the end of the 2023 financial year.

The ESG metrics included reflect key areas of the business's ESG strategy and focus over the coming year, and comprise a greater proportion of the award than previously was the case.

	Corporate Measure	Weighting (Tim Steiner)	Weighting – other EDs (70%)	Luke Jensen	Stephen Daintith	Neill Abrams	Mark Richardson
UK Client Delivery	Ocado Retail EBITDA	7.5%	5.25%		5%		
	Ocado Retail revenue	7.5%	5.25%				
	UK OSP implementation	5%	3.5%				
Environmental, Social and Governance	Environmental roadmap	5%	3.5%		5%	5%	
	People Engagement Net Promoter Scores	5%	3.5%				
Partner Success	Client cost per order	10%	7%	7.5%			
	Total live modules	10%	7%	7.5%			
	Modules ordered	10%	7%	7.5%			
Costs	CFC capital expenditure cost	10%	7%		5%		
	Direct operating costs	10%	7%				
	Group operating costs	10%	7%		15%	5%	
New Business	Non-grocery deals signed	5%	3.5%			5%	30%
	Solutions deals signed	5%	3.5%	7.5%			
Legal	Success in corporate litigation	–	–			15%	
	Total	100%	70%	30%	30%	30%	30%

Directors' Remuneration Report
continued

Value Creation Plan ("VCP")

To attract, retain and incentivise senior executives.

To align the interests of senior executives and shareholders, by incentivising senior executives to deliver substantial and sustained Total Shareholder Return "TSR") over the long term.

Element	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
Value Creation Plan							Under the VCP approved in 2019 and amended in 2022, from the 2023 Annual General Meeting onwards Executive Directors have the opportunity to share in up to 3.25% of the total value created for shareholders above a 10% p.a. TSR hurdle over an eight-year performance period. Vesting schedule for extended VCP: – 50% of the cumulative number of share awards vest following the fourth, fifth, sixth, seventh and eighth Measurement Dates. – 100% of the cumulative number of share awards vest following the eighth Measurement Date. Vesting of awards is also subject to a minimum return of 10% TSR p.a. For further information about the VCP, see pages 160 and 161.	The maximum number of share awards that may vest under the VCP is 3.25% of the issued share capital. The maximum allocation that can be granted to any one individual is 1.25%. The current Executive Directors' allocations are fixed until the fifth measurement date in 2024; however, these may be reviewed ahead of the three-year extension. Awards are subject to an annual cap on the value on vesting of: – CEO: £20m – Other Executive Directors: £5m The limits for the Executive Directors will be reviewed prior to the start of the extended period in 2025.	For Executive Directors, the following maximum limits will continue to apply: – CEO: 1% of the total value created above the hurdle – Other Executive Directors: 0.25% of the value created	No planned change to individual VCP limits. Currently each Executive Director's award relates to a five-year period although shareholder approval was obtained at the May 2022 Annual General Meeting to extend the VCP for a further three years. Decisions on which VCP participants will participate in the VCP extension will be made by the Committee during FY2023.

Shareholding requirements

To align Executive Directors and shareholders.

Element	22/23	23/24	24/25	25/26	26/27	27/28	Operation	Opportunity	Operation in the year ended 27 November 2022	Operation in the year ending 3 December 2023
Shareholdings							Shareholding requirement for Executive Directors: – CEO: 400% of salary – Other Executive Directors: 300% of salary Post-cessation shareholding requirement of 100% of pre-cessation shareholding requirement for 24 months from leaving the Company.	No change to minimum shareholding requirements.	See page 166 for Director shareholdings.	To enforce the post-cessation requirement, the Executive Director will sign a certificate of compliance agreeing to retain the required number of shares for 24 months. The required number of shares will be fixed based on the share price at the date of cessation.

Other remuneration

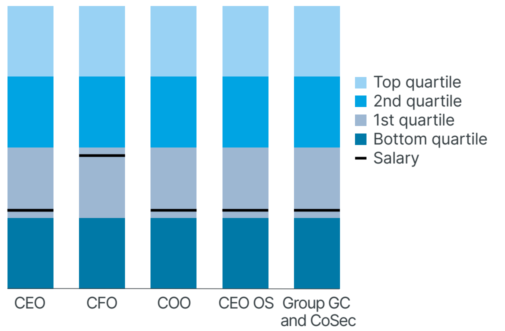
During the period, the Executive Directors continued their participation in the all-employee Sharesave and Share Incentive Plan schemes. It is expected that in 2023, the Executive Directors will carry on their participation in the schemes.

How does our target total remuneration compare to our peers?

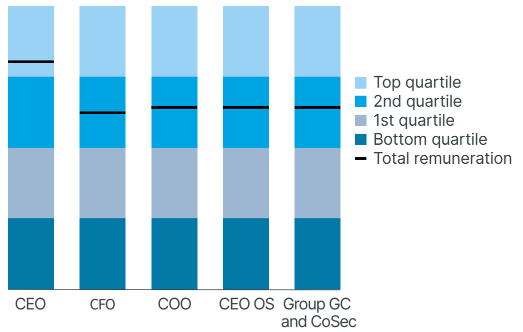
The following chart shows the Company's comparative positioning of total remuneration (on a forward-looking basis) against the FTSE 100 (data as at September 2022). Our philosophy on pay positioning aims to set fixed pay towards the lower quartile of the market and offer substantial comparative reward only for transformational performance.

Note: Total target remuneration figures for Ocado are based on current salaries and target AIP and include pension contributions. The value of the VCP shown is the IFRS 2 fair value, which has been annualised.

Base salary



Total Remuneration



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 2021/22, 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 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.

	2021/22 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	2,004	19,668,651	19,795,014	359,740	128,627	(231,113)
Stephen Daintith	1,391	188	13,427	3	87	84
Mark Richardson	1,151	1,450,390	1,451,108	26,528	9,429	(17,099)
Neill Abrams	1,181	3,670,345	3,683,642	67,131	23,936	(43,195)
Luke Jensen	1,161	267,491	268,209	4,892	1,743	(3,149)

(1) Stephen Daintith joined the Board with effect from 22 March 2021 and hence has had less time than the other Executive Directors to build up his shareholding.

The closing market price of the Company's shares as of 25 November 2022, being the last trading day in the period ended 27 November 2022, was 650 pence per ordinary share (2021: 1,829 pence), and the share price range applicable during the period was 393 pence to 1,834 pence per ordinary share.

Chair and Non-Executive Fees

The remuneration arrangements for the Non-Executive Directors (except the Chair) were reviewed by the Executive Directors and the Chair in February 2023. From 1 April 2023, the basic fees for Non-Executive Directors, the fee for chairing a Committee, the fee for the role of Senior Independent Director and the fee for being a member of the Remuneration Committee or the Audit Committee will increase by 4%.

In February 2023, the Remuneration Committee reviewed the Chair of the Board's fees and approved an increase of 4% from 1 April 2023. In addition, the Chair is entitled to receive an expense allowance each year in respect of office support costs, which will also increase by 4%.

Directors' Remuneration Report
continued

Annual Report on Remuneration – 2022

Introduction

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of the 2022 Financial Year. It details the payments to Directors and the link between Company performance and remuneration of the Chief Executive Officer. This part, together with the 'Description of the Remuneration Committee' section on pages 146 and 147 and the 'Implementation of Policy for 2022' section on pages 149 to 153, constitutes the Annual Report on Remuneration, and will be put to an advisory shareholder vote at the Company's AGM.

Wider workforce considerations and our approach to fairness

We are committed to ensuring our people are rewarded fairly and competitively for their contribution to our success and that they feel supported in a holistic way, not just in their rate of pay.

In Logistics, we have invested in the package, recognising the pressures in the labour market and the challenges our employees were facing. For 2022, the average hourly paid pay award by site was 7.61%, although this incorporates a wide range of award levels across multiple CFCs, Spokes and LGV. Within our hourly paid population, our LGV, the majority of our CSTMs and our Personal Shoppers in Bristol earn over the Living Wage. Within our wider CSTM and Personal Shopper population, whilst the base hourly rate does not exceed the Living Wage, all employees are generally given the opportunity to earn above it via incentives and premiums. We also made significant investments in pay for employees in our UK Tech Solutions business with average salaries rising by 7% year on year. In contrast, Executive Director salary increases in FY2022 were significantly lower at 3.5%.

We launched a specific campaign and dedicated resources to ensure that as many of our employees were aware of and could access all products and services available to them:

- We rolled out an advanced salary product allowing all eligible employees to withdraw 50% of their earned basic pay up to three times over the course of one payroll period. This gives employees greater autonomy over finances – 'your pay, your way'.
- All our major sites were given access to a lift share app in order to reduce commuting costs which has been well utilised since its launch. We estimate that over a 12 month period it will save:
  - Commute costs of ~£2.9m across the population
  - 2,512 tonnes of CO_2 reduction
  - 11,393,943 miles saved (by sharing the commute)
- Continued roll-out of our Benefits+ platform across a number of different countries which allows employees to select the products that matter most to them. In addition, we have also rolled out our Discounts+ product in markets outside the UK and USA, which helps our employees save money on everything from bills to household necessities and lifestyle products.
- We continue to promote our retail discount in the UK on Ocado.com, and internationally we use local relationships to deliver retail discounts where possible.
- Our Company Shop Group is the UK's leading redistributor of surplus food and household products. Employees can shop products from well-known brands at amazing prices, helping stretched budgets go further. Membership is available to all colleagues and stores are located across the UK.
- We launched the role of Mental Wellbeing Champion to provide an added layer of support for our employees – as well as a voice that can help to cascade the messaging and focus we have centrally. Over 50 Champions have been trained to support our employees by providing a safe, unbiased and confidential space. This was in addition to our existing wellbeing support package which included access to digital support to help people self-manage their mental health, access to our Employee Assistance phone line and training for all managers on how to support mental health in the workplace.

Group-wide remuneration report

The 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 for workforce engagement ("DNED") is Andrew Harrison. The DNED advocates and directly represents the employee voice during Board and Committee discussions. The DNED reports to the Committee on insights from activities undertaken across the year with regard to DNED responsibilities. For more details of what the DNED has done in 2022, see page 116. The 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 employees in the Group receive share incentives. All UK employees are eligible to participate in the Group's Share Incentive Plan and Sharesave plan and employees located outside the UK are eligible to participate in the international equivalent share schemes. Application periods for joining and benefiting from participation in the all-employee plans were shortened during the year; however, some of the Executive Directors entered into irrevocable agreements in order to participate in the Company's Sharesave scheme.

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 Code, the current Remuneration Policy ensures that pension contributions for existing and any future Executive Directors are fully aligned with the level currently offered to all employees to ensure greater fairness across the Company.

The remuneration arrangements for employees below Board level reflect the seniority of the role and individual performance. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees.

The all-employee remuneration report produced by the Company is considered by the Committee when making decisions on pay for both Executive Directors and the wider workforce population.

Employment at Ocado

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

Gender pay gap

Ocado is committed to pay parity and aims to ensure we provide equal opportunity for all. We are proud of the work we have done in diversity and inclusion during the year and want to continue 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. Our 2022 results continue to show a balanced position, with the headline metric (median pay gap) fractionally favouring women by 0.2%, having slightly favoured men in 2021. The mean gender pay gap continues to show a slight gap in favour of female employees (2.5%).

We are committed to paying fairly and we are focused on providing an equal opportunity for all employees. For more information and to view the full metrics see the Government Gender Pay Gap portal or our corporate website, www.ocadogroup.com.

Directors' Remuneration Report
continued

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 2021, 2020, and 2019 pay ratio.
- This year's 2022 pay ratio.

The CEO pay ratio, when calculated in line with the Regulations, is broadly in line with the figures for 2021 (81:1 versus 82:1 last year). This is due to the fact that as was the case in FY2021, there were no long-term incentive awards vesting during FY2022; at the third VCP Measurement Date the 10% CAGR TSR underpin was not met hence no banked nil-cost options were capable of vesting. The next potential vesting date under the VCP will be in March 2023. No Long-Term Incentive Plan ("LTIP") grants were made after 2018 and the last LTIP award has now vested.

Executive Director pay is more at risk than wider employee pay due to the use of variable pay, resulting in a total pay ratio that can change significantly from year-to-year. Details on the differences between the remuneration of Executive Directors and the wider workforce can be found on page 158. The Committee is satisfied that its policies on reward drive the right behaviours at Ocado and ensure that our employees are rewarded fairly and competitively for their contribution to our success. Therefore, the Committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies.

Year	Method	CEO remuneration (£'000)	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22 – reported figures	Option B	2,004	85:1	80:1	68:1
2020/21 – reported figures	Option B	1,968	88:1	82:1	67:1
2019/20 – reported figures – restated	Option B	6,211	283:1	278:1	217:1
2018/19 – reported figures – restated	Option B	59,038	2,834:1	2,619:1	2,349:1
2018/19 – without GIP payment – restated	Option B	4,918	236:1	218:1	196:1

(1) Option B was selected to calculate CEO pay ratios as a proportionate, sustainable and repeatable approach given the size and structure of the Ocado workforce.

(2) From the information used to calculate the most recent gender pay gap at each of the 25th, 50th and 75th percentiles, 20 employees were identified as comparators and their remuneration calculated (the remuneration figures for each employee were determined with reference to the financial year ended 27 November 2022). The median remuneration for each group of 20 employees is reported as the comparator value for CEO pay ratio calculations. Using the median value from groups of employees at each of the 25th, 50th and 75th percentiles provides a more representative estimate than if based on an individual employee, reducing the influence of an outlier value.

	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
2021/22	2,004	755	23.6	25.1	29.5	22.8	24.3	28.5

Chief Executive Officer historical remuneration

The table below summarises, in respect of the Chief Executive Officer, the single figure of total remuneration, the AIP or bonus plan payment as a percentage of maximum opportunity, and the long-term incentive payout as a percentage of maximum opportunity for the current period and the previous ten financial years.

Year	Chief Executive Officer total remuneration (£'000)	AIP or bonus payment as a percentage of maximum target achievement (% of maximum)	Value of AIP or bonus payment (£'000)	Long-term incentives as a percentage of maximum opportunity (% of maximum)
2022 – Tim Steiner	2,004	56.7	1,191	–
2021 – Tim Steiner	1,968	57.9	1,175	–
2020 – Tim Steiner	6,211	94.2	1,865	79.9
2019 – Tim Steiner	59,038	57.0	1,074	94.5
2018 – Tim Steiner	3,996	70.5	539	50
2017 – Tim Steiner	1,337	41.8	310	33.4
2016 – Tim Steiner	1,141	43.6	315	43.2
2015 – Tim Steiner	5,098	65.0	459	90.8
2014 – Tim Steiner	6,483	56.0	385	100
2013 – Tim Steiner	1,011	98.3	528	–

(1) From 2010, the Company had the JSOS as the main form of long-term incentive plan. For the 2013 financial year, the JSOS interests did not have any value at the vesting date. In 2014, the final Tranche of JSOS shares vested in that period (the value of such remuneration is noted in the single total figure of remuneration above). The LTIP was implemented in 2013 and the first award had a performance period ending in 2015 and a vesting date in 2016. The GIP and SIP were both implemented in 2014, but had vesting dates in 2019 and 2017 respectively. As of 2019, the VCP is now the main form of long-term incentive plan.

(2) The total remuneration amounts shown above are the amounts restated to account for the final vesting of each of the LTIP awards.

(3) The 2017 LTIP vested at 46.1% of maximum and the GIP vested at 100% of maximum. The 2019 long-term Incentive value is a weighted average of the 2017 LTIP and the GIP.

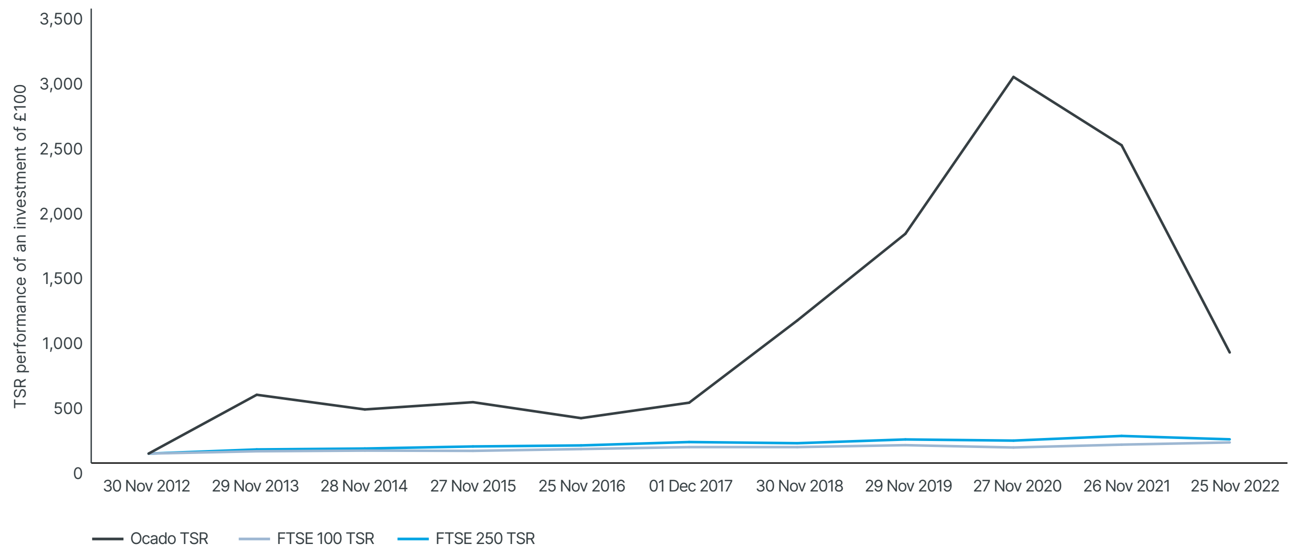
(4) The 2018 LTIP vested at 79.9% of maximum. There was no vesting in the first year of the VCP, therefore, the 2020 long-term incentive value is the same as the 2018 LTIP vesting percentage.

(5) There was no vesting capable of occurring in the second year of the VCP in March 2021 and the 2018 LTIP was the last award under this scheme, therefore, the 2021 long-term incentive value is N/A.

(6) Vesting was capable of occurring during the third year of the VCP in March 2022. However, the minimum TSR underpin was not met for either Tranches 1 or 2 and therefore no nil-cost options vested in 2022.

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.



Directors' Remuneration Report
continued

Director salary/fee percentage change versus employees of Group

The table below shows how the percentage increase in each Director's salary/fees, taxable benefits and annual incentive plan between FY21 and FY22 compares with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole. For the third year, disclosure for all Directors in addition to the CEO has been included; over time a five-year comparison will be built up. Ocado Group plc has no employees and therefore a subset of the Group's employees, UK employees, has been used.

Year-on-year increase in pay for Directors compared to the average employee increase:

	2021/22			2020/21			2019/20		
Director	Salary/Fees	Taxable benefits	AIP	Salary/Fees	Taxable benefits	AIP	Salary/Fees	Taxable Benefits	AIP
Tim Steiner	3.5%	(35.6)%	1%	2.5%	(83)%	(37)%	7%	(33)%	74%
Stephen Daintith	3.5%	(20.1)%	69%	N/A	N/A	N/A	N/A	N/A	N/A
Mark Richardson	3.5%	(20.1)%	17%	2.5%	–	(38)%	7%	–	82%
Neill Abrams	3.5%	(20.1)%	20%	2.5%	–	(28)%	12%	–	72%
Luke Jensen	3.5%	51.3%	20%	2.5%	(50)%	(38)%	12%	(29)%	68%
Rick Haythornthwaite	2.3%	–	–	N/A	N/A	N/A	N/A	N/A	N/A
Jörn Rausing	5.2%	–	–	7%	–	–	10%	–	–
Andrew Harrison	12.6%	–	–	12.5%	–	–	21%	–	–
Emma Lloyd	4.6%	–	–	21%	–	–	15%	–	–
Julie Southern	6%	–	–	30%	–	–	6%	–	–
John Martin	6%	–	–	13%	–	–	12%	–	–
Michael Sherman	9%	–	–	9%	–	–	N/A	–	–
Nadia Shouraboura	9%	–	–	N/A	N/A	N/A	N/A	N/A	N/A
Average percentage increase for UK employees	5.7%	(3.1)%	–	2.5%	(2.1)%	(27.8)%	3%	5%	100%

(1) The change in salary data for the Group's employees is on a per capita basis. The increase of 5.7% is the change in average percentage increase for UK employees as at 1 April 2022 to allow a direct comparison with the Executive Directors at a single point in time. It is not the year on year change in base pay which was higher as set out on page 154.

(2) The change in salary for the Executive Directors is based on the base salary review set out on page 149.

(3) The change in taxable benefits for the Executive Directors is as set out on pages 149 and 150.

(4) The change in fees for the Non-Executive Directors is based on the change in total fees during the period, as set out on page 164; where a Director has not served a full prior year, the comparison is based on an annualised monthly fee.

(5) UK employees have been chosen as the majority of our workforce is UK based.

(6) Stephen Daintith, Rick Haythornthwaite and Nadia Shouraboura were appointed to the Board on 22 March 2021, 1 January 2021 and 1 September 2021 respectively.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase, shown in the table. For FY22 salary increases for the Executive Directors were below those received by the wider workforce. See page 154 for further details.

Relative Importance of Spend on Pay

The following table shows the Company's loss 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 or previous year. The information shown in this table is:

- Loss – Group loss before tax as set out in the Consolidated Income Statement on page 180.
- Total gross employee pay – total gross employment costs for the Group (including pension, variable pay, share-based payments and social security) as set out in Note 2.5 to the Consolidated Financial Statements on page 197.

Year ending	27 November 2022 (£m)	28 November 2021 (£m)
Loss before tax	(500.8)	(176.9)
Total gross employee pay	872.0	788.2

Executive Directors

Total remuneration (Audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below.

Director	Tim Steiner		Stephen Daintith		Mark Richardson		Neill Abrams		Luke Jensen		Total	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Salary	**755**	732	**563**	367	**462**	447	**462**	447	**462**	447	**2,704**	2,440
Taxable benefits	**1**	2	**1**	1	**1**	1	**1**	1	**8**	6	**12**	11
Pensions	**53**	51	**39**	26	**32**	31	**32**	31	**32**	31	**188**	170
Total fixed pay	**809**	785	**603**	394	**495**	479	**495**	479	**502**	484	**2,904**	2,621
Variable pay												
AIP	**1,191**	1,175	**788**	467	**652**	556	**682**	567	**655**	547	**3,968**	3,312
ESOS and 2014 ESOS	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
SIP	**4**	8	**N/A**	N/A	**4**	8	**4**	7	**4**	8	**16**	31
Sharesave	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
VCP	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total variable pay	**1,195**	1,183	**788**	467	**656**	564	**686**	574	**659**	555	**3,984**	3,343
Recovery of sums paid	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total remuneration	**2,004**	1,968	**1,391**	861	**1,151**	1,043	**1,181**	1,053	**1,161**	1,039	**6,888**	5,964

(1) Under the Share Incentive Plan, awards of Free Shares and Matching Shares became unrestricted during the period. These awards are explained on page 168 of this report.

(2) Taxable benefits includes one or more of: private healthcare; life assurance; or a car allowance.

(3) Up to 50% of the AIP payment is paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred in shares for a period of three years, with an additional two-year holding period. There are no performance conditions attached to the deferred element, only service conditions.

(4) No figures are stated for the VCP to show that i) there was no expected value for the 2021 financial year as vesting was not capable of occurring during that financial year and ii) 2022 marked the first potential vesting date for the VCP; however, the minimum TSR underpin was not met and hence no nil-cost options vested in March 2022.

(5) Stephen Daintith joined the Board with effect from 22 March 2021.

An explanation of each element of total remuneration paid in the table above is set out in the following section.

Base salary (Audited)

During the year, the Committee reviewed the salaries of the Executive Directors. After taking into account a number of relevant factors which are discussed in more detail below, the Committee recommended that all basic salaries be increased. The following table shows the change in each Executive Director's salary.

Year	Salary 2022 (£)	Salary 2021 (£)	Effective from
Tim Steiner	**763,830**	738,000	01/04/2022
Stephen Daintith	**569,250**	550,000	01/04/2022
Mark Richardson	**466,785**	451,000	01/04/2022
Neill Abrams	**466,785**	451,000	01/04/2022
Luke Jensen	**466,785**	451,000	01/04/2022

The changes to base salary were made in line with the Directors' Remuneration Policy. The Executive Directors received an increase in base pay of 3.5% (rounded accordingly), which was below the overall percentage salary increases for FY22 for monthly paid employees.

Taxable benefits (Audited)

The Executive Directors received taxable benefits during the period, notably private medical 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 159 include a car allowance for Luke Jensen. These benefit arrangements were made in line with the Directors' Remuneration Policy which allows the Company to provide a broad range of employee benefits.

Directors' Remuneration Report
continued

Pensions (Audited)

The Company made pension contributions on behalf of the Executive Directors to the defined contribution Group personal pension scheme. The employer contributions to the pension scheme in respect of each Executive Director are made in line with the Group personal pension scheme for all employees. In order to ensure continued alignment between Executive Director and wider workforce pension contributions, all Executive Directors have received a contribution rate of 7% of salary since April 2020.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director (or employee) has reached either the HMRC annual tax free limit or HMRC lifetime allowance limit for pension contributions as provided for in the Directors' Remuneration Policy. In accordance with the Policy, Tim Steiner, Mark Richardson, Luke Jensen, Stephen Daintith and Neill Abrams have elected to receive part of their pension contributions as an equivalent cash allowance.

Value Creation Plan (Audited)

Value Creation Plan ("VCP") awards were granted in May 2019, and an amendment to the VCP was approved in 2022. 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"). Currently each Executive Director's award relates to a five-year period although shareholder approval was obtained at the May 2022 Annual General Meeting to extend the VCP for a further three years. Decisions on which VCP participants will participate in the VCP extension will be made by the Committee during FY23. At each Measurement Date from 2023 onwards, up to 3.25% 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 current Executive Directors' allocations of 1.00% for the CEO and 0.25% for the other Executive Directors, remains the same as at the time of the initial grant. The Executive Directors' allocations may be reviewed ahead of the three-year extension in 2025.

The initial price for the VCP is £13.97 for Tranche 1 (being the average price over the 30-day period prior to the 2019 Annual General Meeting), £19.60 for Tranche 2 (being the price at which equity was raised by the Company on 10 June 2020) and £7.95 for Tranche 3 (being the price at which equity was raised by the Company on 20 June 2022). The Executive Directors will receive the right at the end of each year of the performance period to share awards with a value proportionate to the difference between the Company's Total Shareholder Return ("Measurement TSR") and the Threshold TSR at the relevant Measurement Date.

The Threshold TSR or hurdle, which has to be exceeded before share awards can be earned by the Executive Directors, is the higher of:

- the highest previous Measurement TSR at which the individual banked awards; and
- the Initial Price (£13.97 for Tranche 1, £19.60 for Tranche 2 and £7.95 for Tranche 3) 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 for the original five-year VCP 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. The revised vesting schedule for the extended VCP allows for 50% of the cumulative number of share awards to vest following the third to seventh Measurement Dates (inclusive), with 100% of the cumulative number of share awards vesting following the eighth Measurement Date in 2027. At each vesting date, vesting of awards is subject to:

- a minimum TSR underpin of 10% Compound Annual Growth Rate being maintained;
- any shares vesting cannot be sold prior to the fifth anniversary from grant;
- an annual cap on vesting of £20m for the CEO and £5m for other Executive Directors; and
- 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, second and third VCP Measurement Dates were 12 March 2020, 11 March 2021 and 10 March 2022, 30 days after the publication of the FY19, FY20 and FY21 financial results respectively.

Following the capital raise 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). Further details on this approach are set out in the 2020 report on page 165.

A second capital raise was undertaken by the Company in June 2022 and as a result, a third Tranche of award under the VCP was created. The newly issued equity (Tranche 3) was also created at the date that the equity was raised and its initial price is the share price at which the equity was issued (£7.95). Noting the price at which the Company raised equity in June 2022, when approving the creation of Tranche 3 the Committee agreed that it would review overall business performance at the point of any future banking or vesting of awards under Tranche 3. Specifically, the Committee would take into considerations factors such as (but not limited to):

- changes in Ocado shareholder value over the period;
- broader changes in the technology market; and
- underlying business performance as context for deciding whether any banking or vesting of awards under the new Tranche is appropriate.

For both Tranches 2 and 3, the newly issued equity must be grown at the same rates (10% p.a.) at each corresponding Measurement Date as the initial equity (Tranche 1).

For all three Tranches, VCP participants will be entitled to the same share of the new equity as the initial equity, above a Threshold TSR. Performance will be tested for all Tranches at the same date. 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 following table sets out the number of nil-cost options that were granted to Executive Directors in office at the first, second and third Measurement Dates under the VCP.

It should be noted that the nil-cost options in the table below have only been conditionally allocated to Executive Directors at this point in time. On the first vesting date under the plan in March 2022, the 10% CAGR TSR underpin was not met for either Tranches 1 or 2 and therefore no vesting occurred. The granted nil-cost options did not lapse and will be capable of vesting on the fourth Measurement Date in March 2023, again subject to the 10% CAGR TSR underpin being met. The 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	Year 1	Year 2		Year 3		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Cumulative total
Measurement Date	12 March 2020		11 March 2021	10 March 2022	10 March 2022	–
Threshold TSR (per share)	£10.6 billion £(15.16)	£11.9 billion £(16.68)	£0.71 billion £(21.06)	Group 1: £16.7 billion £(23.28) Group 2: £13.2 billion £(18.34)	Group 1: £0.78 billion £(23.28) Group 2: £0.78 billion £(23.16)	–
Measurement TSR (Measurement Price)	£7.9 billion £(11.23)	£16.6 billion £(23.28)	£0.78 billion £(23.28)	£9.2 billion £(12.86)	£0.43 billion £(12.86)	–
Aggregate number of nil-cost options ("NCOs") granted to Executive Directors	–	3,547,602	55,861	–	–	3,603,463
Tim Steiner (NCOs granted)	–	2,027,202	31,921	–	–	2,059,123
Stephen Daintith (NCOs granted)	–	0	0	–	–	0
Mark Richardson (NCOs granted)	–	506,800	7,980	–	–	514,780
Neill Abrams (NCOs granted)	–	506,800	7,980	–	–	514,780
Luke Jensen (NCOs granted)	–	506,800	7,980	–	–	514,780

(1) The Measurement Price is the 30-day average closing share price for the 30 days following the announcement of the results for the relevant financial year. This is £11.23, £23.28 and £12.86 for the first, second, and third Measurement Dates respectively.

(2) For Tranche 1 the Threshold TSR is the higher of the highest previous Measurement Price at which the individual banked awards under this Tranche and the Initial Price compounded by 10% p.a. between 1 May 2019 and 10 March 2022, being the start of the VCP performance period and the third Measurement Date. For Tranche 2 the Threshold TSR is the higher of the highest previous Measurement Price at which the individual banked awards under this Tranche and the Placing Price (£19.60) compounded by 10% p.a. between 10 June 2020 and 10 March 2022, being the date of the capital raise and the third Measurement Date.

(3) Tim Steiner, Neill Abrams, Mark Richardson and Luke Jensen are all 'Group 1' participants, as they joined the VCP prior to the second Measurement Date. As Stephen Daintith joined the Board in March 2021, following the second Measurement Date, he joined the VCP as a Group 2 participant. The threshold TSR for Group 1 participants is the second Measurement Price of £23.28 at which they banked awards in March 2021. Group 2 participants are not subject to the threshold of £23.28 at which Group 1 participants banked awards in the second year of the VCP.

Directors' Remuneration Report
continued

Annual Incentive Plan ("AIP") (Audited)

The 2022 AIP was based on the performance targets and weightings set out below. The Chief Executive Officer had a maximum bonus opportunity of 275% of salary and the other Executive Directors had a maximum opportunity of 250% of salary.

					Annual bonus value achieved (£'000)				
Performance conditions	Weighting of each condition	Performance targets required	Actual performance	Percentage of maximum performance achieved	Tim Steiner	Stephen Dainith	Mark Richardson	Neill Abrams	Luke Jensen
(1) Transformational Technology	20%	See below	7 out of 8 priorities delivered	17%	357	242	198	198	198
(2) UK Client Delivery – Ocado Retail EBITDA	10%	Min: £90m Max: £133m	£(30)m	0%	–	–	–	–	–
(3) UK Client Delivery – Implementation of UK Customer Pilot Roll-out of OSP	5%	See below	See below	1%	21	14	12	12	12
(4) Customer Satisfaction Scores	7.5%	Min: 6.0 Max: 7.0	6.8	6.4%	134	91	75	75	75
(5) Customer SLA targets	7.5%	Min: 95% Max: 99%	99.5%	7.5%	158	107	88	88	88
(6) Efficiency of OSP – Q4 Solutions Average Weekly Engineering Cost Per Module (% improvement)	10%	Min: 25% Max: 100%	79.2%	7.9%	166	112	92	92	92
(7) Selling Solutions – Modules Ordered for New CFCs	10%	Min: 50 Max: 70	20.5 modules	0%	–	–	–	–	–
(8) Selling Solutions – Q4 Weekly Eaches Through OSP Platform	10%	Min: 43m Max: 58m	20m	0%	–	–	–	–	–
(9) Individual Objectives	20%		As agreed		355	222	187	217	190
Total	100%				1,191	788	652	682	655

(1) The applicable salary used for calculating the bonus payment under the rules of the 2021 AIP is the applicable base salary on the date of payment.

Performance under the 2022 AIP was measured against nine performance measures over the 2021/22 financial year. Of the nine measures, six (measures 2, 4, 5, 6, 7 and 8) have quantifiable performance targets with 'minimum' and 'maximum' conditions. 25% of an award vests for minimum performance rising on a straight-line basis to 100% for maximum performance.

Measure 1 (Transformational Technology) requires an assessment of both completion and timeliness of completion. Targets for this measure were set at the start of the year based around the delivery of eight different technology priorities that were identified as being central to the ongoing success of Ocado. Overall, six of the eight priorities were completed on time. One of the eight priorities was not achieved. The eighth priority – timing of the grid delivery measure – was achieved above its target but delivered late due to supply chain issues. The Committee determined that although the target for this priority wasn't met on time, the achievement was significant and the teams had managed to recover lost time, and so this priority should payout at target. The overall outcome is that seven out of eight priorities were achieved.

Measure 3 (Implementation of UK Customer Pilot Roll-out of OSP) requires an assessment of the following elements in respect of the OSP: development, testing, launch, deployment across target population and timeliness. The Committee determined that whilst the solution was developed and tested, it hadn't been deployed on time and so a substantial portion of this measure was missed and hence an outturn of 1 out of 5 was appropriate.

The ninth measure (individual objectives) does not have threshold or maximum targets. Each objective is weighted and scored to provide a total score out of 20. Performance ranges from zero to 20. Further details can be found on page 163.

Overall this resulted in bonus payments to Executive Directors based on 55% – 58% achievement. The Committee carefully discussed the outcome of each AIP measure, assessing business factors and broader considerations outside of Ocado, and is confident that outcomes are consistent with the underlying performance of the business.

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 2022 AIP

The Committee reviewed the performance of each Executive Director against the measurable performance metrics and based their judgement on a scoring report by the Chief Executive Officer and the Chair.

Objective	Achievement	% Achievement
Tim Steiner		
– Ensure successful launch of transformational technology initiatives and projects. – Successfully chair the ORL board, with business performing to expectations or beyond. – Ensure robust ESG strategy is created and key deliverables for carbon reduction are aligned across the business with appropriate communications plans for investors, clients and employees. – Manage any legal issues to avoid disruption. – Drive improvements in employee engagement scores.	– Successful product launches with positive market and client reactions. – Strong performance as Chair of the ORL board during 2022, overseeing a successful CEO transition. – Integrated ESG reporting initiated, fully compliant with Task Force on Climate-related Financial Disclosures ("TCFD") requirements, with links to KPIs and management of principal risks. – Litigation proceedings successfully managed. – Continued increase in Employee Net Promoter Scores.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		84.6%
Stephen Daintith		
– Successfully execute OSP business plans including a new strategy around proactive investor relations. – Optimise payroll and accounts payable processes. – Build a high-performing, engaged Finance team with focus on talent and succession planning. – Ensure high-quality narrative on the Ocado Group ESG Strategy with a particular focus on TCFD requirements. – Robust management of Group's costs. – Drive improvements in employee engagement scores.	– Re:Imagined launch, and seminars on modelling and cash flow held successfully with positive market feedback. – Significant improvement in payroll process but further optimisation required for accounts payable – Key roles in Finance team filled with strong talent, regular sessions held to develop talent and build a structured succession plan. – Integrated ESG reporting initiated, fully compliant with TCFD requirements, with links to KPIs and management of principal risks. – Reduction in Group Operations costs. – Continued increase in Employee Net Promoter Scores.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		77.8%
Mark Richardson		
– Reduce build times for OSP. – Improve key elements of Ocado Logistics – build IT/data team, produce business roadmap and reduce labour turnover. – Professionalise Platform Implementation. – Create a baseline measure for the carbon footprint of our warehouses and develop a plan to improve. – Drive improvements in employee engagement scores.	– Reduction in OSP build times. – Ocado Logistics IT team appointed, roadmap partially developed. – Roll-out of enterprise management tools in Platform Implementation completed. – Baseline estimate created with scenarios to drive further reduction. – Continued increase in Employee Net Promoter Scores.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		80.5%
Neill Abrams		
– Ensure compliance with TCFD requirements, production of ESG report and improvement in external ratings. – Manage any legal issues to avoid disruption. – Robust management of Group's costs. – Drive improvements in employee engagement scores.	– Integrated ESG reporting initiated, fully compliant with TCFD requirements, with links to KPIs and management of principal risks. – Litigation proceedings successfully managed. – Reduction in Group Operations costs. – Continued increase in Employee Net Promoter Scores.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		93.0%
Luke Jensen		
– Successful production and launch of new set of products. – Specific objectives with regard to commercial pipeline. – Build profile and reputation of Ocado Solutions and develop an ESG communication strategy for our clients and prospects. – Continue to support integration of new channels and deliver relevant stretching financial targets within them. – Drive improvements in employee engagement scores.	– New products launched to Client Partners. – Continued advancement of discussions with retailers globally. – Strong expansion of Ocado Solutions profile, positive press reaction to Ocado's ESG story. – Delays impacted the speed of progression of new channel delivery. – Continued increase in Employee Net Promoter Scores.	
Overall performance against individual strategic objectives (maximum opportunity: 20%)		81.8%

Directors' Remuneration Report
continued

Share Incentive Plan

The 2019 award of Free Shares made under the Share Incentive Plan ("SIP") became unrestricted during the period on 19 September 2022. Certain Matching Shares also became unrestricted during the period. Free Shares and Matching Shares awarded under the SIP are subject to a three-year forfeiture period starting from the date of grant. This means that if an Executive Director ceases to be employed by the Group during the three-year period, the Free Shares and Matching Shares will be forfeited. Partnership Shares purchased under the SIP are not included in the total remuneration table as these are purchased by the Executive Directors from their salary, rather than granted by the Company as an element of remuneration. Only the value of Free Shares and Matching Shares that became unrestricted during the period are shown in the total remuneration table. The value shown is the value of the shares on the date that they became unrestricted. Unrestricted shares can be held in trust under the SIP for as long as the Executive Director remains an employee of the Company.

Recovery of sums paid (Audited)

No sums paid or payable to the Executive Directors were sought to be recovered by the Group.

Non-Executive Directors

Total fees (Audited)

The fees paid to the Non-Executive Directors and the Chair during the period ended 27 November 2022 and the period ended 28 November 2021 are set out in the table below.

	Fees		Taxable benefits		Pension entitlements		Annual bonus		Long-term incentives		Recovery of sums paid		Total remuneration	
Non-Executive Director	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Rick Haythornthwaite	384	232	–	–	–	–	–	–	–	–	–	–	384	232
Jörn Rausing	76	72	–	–	–	–	–	–	–	–	–	–	76	72
Andrew Harrison	132	117	–	–	–	–	–	–	–	–	–	–	132	117
Emma Lloyd	88	85	–	–	–	–	–	–	–	–	–	–	88	85
Julie Southern	104	98	–	–	–	–	–	–	–	–	–	–	104	98
John Martin	83	79	–	–	–	–	–	–	–	–	–	–	83	79
Michael Sherman	79	72	–	–	–	–	–	–	–	–	–	–	79	72
Nadia Shouraboura	79	19	–	–	–	–	–	–	–	–	–	–	79	19
Total	1,025	774	–	–	–	–	–	–	–	–	–	–	1,025	774

(1) Nadia Shouraboura joined the Board with effect from 1 September 2021.

Non-Executive Directors receive a basic fee and additional fees for chairing the People Committee, the Remuneration Committee or the Audit Committee, for being a member of the Remuneration Committee or the Audit Committee, or holding the position of Senior Independent Director. There is currently no additional fee payable to the Designated Non-Executive Director for Workforce Engagement. The Chair also receives an expense allowance.

The remuneration arrangements for the Non-Executive Directors (except the Chair) were reviewed by the Executive Directors and the Chair during the period and the basic fees for Non-Executive Directors were increased to £76,600 (2021: £74,000), whilst the fee for chairing a Committee was increased to £20,700 (2021: £20,000). The fee for the role of Senior Independent Director was also increased to £20,700 (2021: £20,000) and the fee for being a member of the Remuneration Committee or the Audit Committee was increased to £7,800 (2021: £7,500). A fee for chairing the People Committee was introduced this year, in line with the Directors' Remuneration Policy, reflecting the newly expanded remit of this Committee.

The Remuneration Committee reviewed the Chair of the Board's fees during the period, increasing the annual fee to £388,125 (2021: £375,000). In addition, he is entitled to receive an expense allowance of £51,750 (2021: £50,000) per annum in respect of office support costs.

Other remuneration for the Non-Executive Directors (Audited)

In addition to their fees, the Non-Executive Directors are entitled to a staff shopping discount in line with the Group's employees.

The Company has obtained a written confirmation from each Non-Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already referred to in this report.

Other remuneration disclosures

Executive Directors' service contracts

Each of the Executive Directors has a service contract with the Group. The principal terms of these contracts are as follows:

Executive Director	Position	Effective date of contract	From Company	From Director
Tim Steiner	Chief Executive Officer	23 June 2010	12 months	6 months
Stephen Daintith	Chief Financial Officer	22 March 2021	12 months	12 months
Mark Richardson	CEO Ocado ASRS	27 February 2012	12 months	6 months
Neill Abrams	Group General Counsel and Company Secretary	23 June 2010	12 months	6 months
Luke Jensen	CEO Ocado Solutions	30 January 2017	12 months	6 months

The contracts provide for payment in lieu of notice of one times basic salary only (and do not include other fixed elements of pay, which are permitted by the Policy).

Non-Executive Directors' letters of appointment

The Chair and the Non-Executive Directors do not have service contracts and were appointed by letter of appointment for an initial period of three years, subject to annual reappointment at the Annual General Meeting and usually for a maximum of nine years. Copies of the letters of appointment and the service contracts of the Directors are available for inspection at the Company's registered office.

Director	Date of original appointment	Date of re-appointment	Notice period	Expiry of nine-year term
Rick Haythornthwaite	1 January 2021	4 May 2022	6 Months	January 2030
Andrew Harrison	1 March 2016	4 May 2022	1 Month	March 2025
Emma Lloyd	1 December 2016	4 May 2022	1 Month	December 2025
Jörn Rausing	13 March 2003	4 May 2022	1 Month	N/A
Julie Southern	1 September 2018	4 May 2022	1 Month	September 2027
John Martin	1 June 2019	4 May 2022	1 Month	June 2028
Michael Sherman	5 October 2020	4 May 2022	1 Month	October 2029
Nadia Shouraboura	1 September 2021	4 May 2022	1 Month	September 2030
Julia M. Brown	1 January 2023	N/A	1 Month	January 2032

Director retirement arrangements and payments for loss of office (Audited)

No Directors left during the year.

Director appointment arrangements (Audited)

As announced on 19 October 2022, Julia M. Brown was appointed to the Board as a Non-Executive Director with effect from 1 January 2023. Julia M. Brown's remuneration was agreed by the Committee in line with the Directors' Remuneration Policy. On appointment, Julia M. Brown's basic annual fee was £76,600 which was in line with the other Non-Executive Directors. As a member of the Remuneration Committee, Julia will also receive a membership fee of £7,800 in line with the other Committee members. Julia M. Brown will not receive any other benefits or payments, in line with the Directors' Remuneration Policy.

Payments to past Directors (Audited)

None.

External Remuneration for Executive Directors

As at 27 November 2022:

- 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 company listed on the Johannesburg Stock Exchange. Neill does not receive any remuneration for carrying out this role.
- In addition to his role as Executive Director of the Company, Mark Richardson is a non-executive director of Paneltex Limited. Mark does not receive any remuneration for carrying out this role.
- In addition to his role as Executive Director of the Company, Luke Jensen is a non-executive director of Hazel Parentco SAS (parent company of Hana Group), registered in France. During the period, Luke was also a non-executive director of ASOS plc, a company listed on the Main Market of the London Stock Exchange. Luke stepped down from this role on 31 October 2022. During the financial year, Luke received board attendance fees of €30,000 for his role at Hana Group and £56,127 for his role at ASOS.
- In addition to his role as Executive Director of the Company, Stephen Daintith is a non-executive director of 3i Group plc, listed on the Main Market of the London Stock Exchange. During the financial year, Stephen received £83,405 for his role at 3i Group.

Directors' Remuneration Report
continued

Director shareholdings (Audited)

The table below shows the beneficial interests in the Company's shares of Directors serving during the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts. The table also shows compliance with the Director shareholding requirements in the Directors' Remuneration Policy as at 27 November 2022.

Name	Ordinary shares of 2 pence each held at 27 November 2022 Direct holding	Indirect holding	Ordinary shares of 2 pence each held at 28 November 2021 Direct holding	Indirect holding	Minimum shareholding requirement (% of Base Salary or Fee)	Met minimum shareholding requirement?
Executive Directors						
Tim Steiner	**19,785,745**	**9,269**	19,659,959	8,692	400	Yes
Stephen Daintith	**12,579**	**848**	–	188	300	N/A
Mark Richardson	**1,427,774**	**23,334**	1,427,774	22,616	300	Yes
Neill Abrams	**2,114,848**	**1,568,794**	2,102,269	1,568,076	300	Yes
Luke Jensen	**172,700**	**95,509**	161,449	94,791	300	Yes
Non-Executive Directors						
Rick Haythornthwaite	**22,075**	**–**	9,475		100	N/A
Jörn Rausing	**–**	**83,879,642**	–	75,234,216	100	Yes
Andrew Harrison	**18,166**	**–**	18,166	–	100	No
Emma Lloyd	**17,300**	**–**	17,300	–	100	Yes
Julie Southern	**5,493**	**–**	4,738	–	100	No
John Martin	**3,859**	**–**	3,859	–	100	Yes
Michael Sherman	**–**	**–**	–	–	100	N/A
Nadia Shouraboura	**–**	**–**	–	–	100	N/A

(1) No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.

(2) There have been no changes in the Directors' interests in the shares issued or options granted by the Company and its subsidiaries between the end of the period and the date of this Annual Report, except shares held pursuant to the SIP, as set out on page 168.

(3) Tim Steiner entered into various contracts for the transfer of shares on 21 June 2010, as described on page 238 of the Prospectus issued by the Company on 6 July 2010. As previously reported on 20 May 2022, the parties agreed again to extend the date for completion for the third contract to 24 July 2023, or other such date as the parties may agree.

(4) Stephen Daintith was appointed on 22 March 2021. Executive Directors (excluding the CEO) are expected to hold shares equivalent to 300% of salary. This holding can be built up over five years from appointment. Therefore, while Stephen Daintith does not hold the requisite number of shares to comply with the shareholding requirement currently, he is compliant with the Policy.

(5) Michael Sherman, Rick Haythornthwaite and Nadia Shouraboura were appointed on 15 October 2020, 1 January 2021 and 1 September 2021 respectively. Non-Executive Directors are expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment. Therefore, while Michael Sherman, Rick Haythornthwaite and Nadia Shouraboura do not hold the requisite number of shares to comply with the shareholding requirement currently, they are compliant with the Policy.

(5) Although Andrew Harrison and Julie Southern held shares during the year in excess of the guidelines, the fall in the Company share price meant that, at the end of the financial year, their shareholdings were below the guideline.

(6) The assessment for shareholding compliance is based on the current annualised salary or fee (as set out on pages 159 and 164) which applied on 27 November 2022 and the higher of the original purchase price(s) or the current market price (being 650 pence per share on 27 November 2022) 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 (2021: 79,609) ordinary shares, is a discretionary beneficiary of a trust holding 74,100 (2021: 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 (2021: 1,363) ordinary shares, Mia Abrams (daughter of Neill Abrams) holds 2,143 (2021: 2,143) ordinary shares, and Joshua Abrams (son of Neill Abrams) holds 2,143 (2021: 2,143) ordinary shares.

(9) The indirect holding for Luke Jensen includes a holding by Sandrine Jensen (wife of Luke Jensen) who holds 92,250 (2021: 92,250) 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.

Director interests in share schemes (Audited)

Annual Incentive Plan ("AIP") (Audited)

At least 50% of the AIP payout is deferred into shares. At the end of the period, interests in shares held by the Executive Directors under the AIP were as follows:

Director	Type of interest	Date of grant	Number of share options	Face value (£'000)	Date of vest	Share price used for grant calculations
Tim Steiner	Deferred bonus	20/03/20	37,107	590	20/03/23	£15.89
		19/03/21	55,711	1,145	19/03/24	£20.56
		17/03/22	49,128	587	17/03/25	£11.96
Stephen Daintith	Deferred bonus	17/03/22	19,512	233	17/03/25	£11.96
Mark Richardson	Deferred bonus	20/03/20	17,163	274	20/03/23	£15.89
		19/03/21	22,591	464	19/03/24	£20.56
		17/03/22	23,245	278	17/03/25	£11.96
Neill Abrams	Deferred bonus	20/03/20	15,940	253	20/03/23	£15.89
		19/03/21	19,237	395	19/03/24	£20.56
		17/03/22	23,699	283	17/03/25	£11.96
Luke Jensen	Deferred bonus	20/03/20	18,249	289	20/03/23	£15.89
		19/03/21	21,671	445	19/03/24	£20.56
		17/03/22	22,896	274	17/03/25	£11.96

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 Measurement Price at the second Measurement Date (£23.28) was higher than the Threshold Total Shareholder Return for both Tranches 1 and 2 (£16.68 and £21.06 respectively). As such, Executive Directors (excluding Stephen Daintith who joined the Company after the second Measurement Date) were eligible to bank awards at the second VCP Measurement Date. The number of the nil-cost options that were awarded to Executive Directors in respect of the second VCP Measurement Date on 11 March 2021 is set out below.

No nil-cost options were awarded to the Executive Directors in respect of the third Measurement Date on 10 March 2022. This is because the Measurement Price at the third Measurement Date (£12.86) was below the Threshold Total Shareholder Return for both Tranche 1 and 2 for all participants.

The VCP vesting schedule provides that the first point at which banked awards could have vested was following the third Measurement Date on 10 March 2022. Given that the minimum TSR underpin of 10% CAGR was £18.34 and £23.16 for Tranches 1 and 2 respectively and the Measurement Price was £12.86, no awards banked under Tranche 1 or Tranche 2 were capable of vesting on 10 March 2022.

Individual	Total number of nil-cost options awarded (banked) to date Tranche 1	Tranche 2	Total
Tim Steiner	2,027,202	31,921	2,059,123
Stephen Daintith	0	0	0
Mark Richardson	506,800	7,980	514,780
Neill Abrams	506,800	7,980	514,780
Luke Jensen	506,800	7,980	514,780

(1) Stephen Daintith joined the Board with effect from 22 March 2021. He was not eligible to participate in the VCP at the second measurement date.

Directors' Remuneration Report
continued

Executive Share Option Scheme ("ESOS") 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 ("SIP") (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 27/11/2022	SIP shares that became unrestricted in the period	Total unrestricted SIP shares held at 27/11/2022
Tim Steiner	203	29	346	3,853	9,270	290	8,580
Stephen Daintith	203	29	428	3,854	848	–	236
Mark Richardson	203	29	486	3,857	9,417	290	8,573
Neill Abrams	203	29	486	3,857	8,636	290	7,794
Luke Jensen	203	29	486	3,855	3,878	290	3,034

(1) Unrestricted shares are those which have been held beyond the three-year forfeiture period.

(2) The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Granted: The Directors continued their SIP participation during the period. The SIP scheme is made available to all employees. The SIP allows for the grant of a number of different forms of awards. An award of Free Shares was made to the Executive Directors in September 2021 under the terms of the SIP and the Directors' Remuneration Policy. 'Free Shares' of up to £3,600 of ordinary shares may be allocated to any employee in any year. Free Shares are allocated to employees equally on the basis of salary, as permitted by the relevant legislation.

An award of Matching Shares was made to those Executive Directors who purchased Partnership Shares (using deductions taken from their gross basic pay) under the terms of the SIP and in accordance with the Directors' Remuneration Policy.

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 14 February 2023, being the last practicable date prior to the publication of this Annual Report, the Executive Directors acquired or were awarded further shares under the SIP as set out in the table below:

Director	Partnership Shares acquired	Matching Shares awarded	Free Shares awarded	Total face value of Free Shares and Matching Shares (£)	Total SIP shares held at 14/02/2023
Tim Steiner	42	6	0	349	9,318
Stephen Daintith	42	6	0	349	896
Mark Richardson	42	6	0	349	9,465
Neill Abrams	42	6	0	349	8,684
Luke Jensen	42	6	0	349	3,926

(1) The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Vested: For details of Free Shares and Matching Shares that became unrestricted in the period, see page 164.

Sharesave scheme (Audited)

At the end of the period, the Executive Directors' option interests in the Sharesave scheme were as follows:

Director	Type of interest	Date of grant	Number of share options	Exercise price (£)	Face value (£)	Exercise period
Neill Abrams	Options	27/08/19	1,610	11.17	17,991	01/12/22 – 01/05/23
Tim Steiner	Options	17/03/22	1,500	12.00	18,000	01/05/25 – 01/11/25
Stephen Daintith	Options	17/03/22	1,500	12.00	18,000	01/05/25 – 01/11/25
Luke Jensen	Options	17/03/22	1,500	12.00	18,000	01/05/25 – 01/11/25

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).

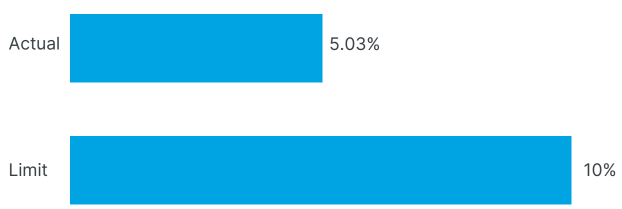
There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

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.

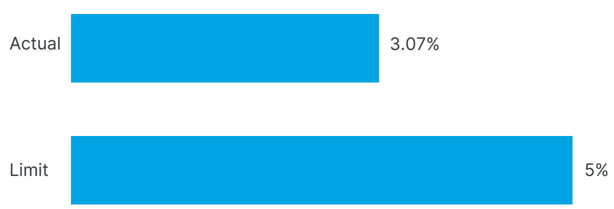
Impact on dilution

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 14 February 2023, 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.

All share plans



Executive share plans



Directors' Remuneration Report continued

Shareholder approval and votes at the AGM

The 2022 Directors' Remuneration Report will be subject to a shareholder vote at the AGM on 2 May 2023. Entitlement of a Director to remuneration is not made conditional on this resolution being passed.

The table below sets out the actual voting in respect of the resolutions regarding the Remuneration Report and Remuneration Policy last year.

	Votes for	% for	Votes against	% against	Total votes	Votes withheld
2022 Annual General Meeting						
Approve the 2021 Directors' Remuneration Report	611,544,200	97.12	18,113,437	2.88	629,657,637	2,268,081
2022 Annual General Meeting						
Approve the 2022 Directors' Remuneration Policy	446,931,547	70.73	184,973,188	29.27	631,904,735	20,983

(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 2022 Annual General Meeting voting

The Committee notes that at our 2022 Annual General Meeting all resolutions were successfully passed with the requisite majority, although there were significant minority votes against Resolution 2 (Approval of the Directors' Remuneration Policy) and Resolution 20 (Approval of amendments to the Ocado Group 2019 Value Creation Plan).

Prior to the meeting, the Chair of the Remuneration Committee engaged extensively with major shareholders and the Committee made changes to the proposals to reflect the feedback received. However, it was apparent from the consultation exercise that some shareholders had divergent views on our proposals and some did not feel able to support them. Further details on this consultation process were published in the 2021 Annual Report on page 179.

In February 2022, the Chair wrote to shareholders to solicit any further feedback but shareholders indicated their views had already been registered fully. This extensive consultation process meant the Committee fully understood the voting outcomes and the reasons why some shareholders were unsupportive of these resolutions. The Committee will continue to engage with shareholders and keep the Company's remuneration structures under review.

Alignment of 2022 Remuneration Policy with the Requirements Under the UK Corporate Governance Code 2018

In its work, the Remuneration Committee considers the elements under Provision 40 of the 2018 Code of clarity, simplicity, risk, predictability, proportionality and alignment to culture. When establishing the 2022 Remuneration Policy in FY21, the Remuneration Committee ensured that it took all of these elements into account. The Committee also considered these factors when applying the 2022 Policy to Executive Directors during FY22.

For full details of how the Committee considered its responsibilities under Provision 40 of the 2018 Code when putting in place the 2022 Policy, see page 183 of the 2021 Annual Report and Accounts.

Basis of preparation and audit

This report is a Directors' Remuneration Report for the 52 weeks ended 27 November 2022, prepared for the purposes of satisfying Section 420(1) and Section 421(2A) of the Companies Act 2006. It has been drawn up in accordance with the Companies Act 2006 and the 2018 UK Corporate Governance Code, the Regulations and the Listing Rules.

In accordance with Section 497 of the Companies Act 2006 and the Regulations, certain parts of this Dirctors' Remuneration Report (where indicated) have been audited by the Company's auditor, Deloitte LLP.

A copy of this Directors' Remuneration Report will be available on the corporate website, www.ocadogroup.com.

This Directors' Remuneration Report is approved by the Board and signed on its behalf by:

Andrew Harrison
Remuneration Committee Chair
Ocado Group plc
28 February 2023

Directors' Report

Introduction

This Directors' Report should be read in conjunction with the Strategic Report (pages 1 to 99), which includes Responsible Business (pages 36 to 61), and the Corporate Governance Statement (page 110), which are incorporated by reference into this Directors' Report.

Directors' Report disclosures

The Company has chosen in accordance with Section 414C (11) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the 2013 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are cross-referenced in the table below.

Topic	Section of the Report	Page
Fair review of the Company's business	Management Report, as defined in the Directors' Report	1 to 170
Principal risks and uncertainties	Management Report, as defined in the Directors' Report	86 to 95
Strategy	Strategic Report	26 to 35
Business model	Strategic Report	14 to 15
Gender breakdown	Our People and Skills for the Future	41
Important events impacting the business	Strategic Report	1 to 99
Likely future developments	Strategic Report	1 to 99
Financial key performance indicators	Key Performance Indicators	62 to 65
Non-financial key performance indicators	Key Performance Indicators	62 to 65
Financial instruments	Note 4.4 to the Consolidated Financial Statements	239
Environmental matters	Environment and Natural Resources	46 to 57
Employees with disabilities	Directors' Report	177
Employee engagement	Our People and Skills for the Future	38 to 45
	Stakeholder Engagement	16 to 17
	Section 172(1) statement	23 to 25
	Corporate Governance Report	116
Engagement with suppliers, customers and others in a business relationship with the Company	Corporate Governance Report	116
	Stakeholder Engagement	19 to 20
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Social, community and human rights issues	Responsible Business	36 to 61
Natural Resources	Environment and Natural Resources	46 to 57
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Board diversity	Corporate Governance Report	123
	People Committee Report	130 to 131
Directors' induction and training	Corporate Governance Report	122 to 123

Information required by Listing Rule 9.8.4 (R)

Topic	Section of the Report	Page
Directors' Interests in Shares	Directors' Remuneration Report	166
Going Concern and Viability Statements	Strategic Report	96 to 98
Long-term incentive schemes	Directors' Remuneration Report	160 to 163

Information required by Listing Rule 9.8.6(8)

Topic	Section of the Report	Page
Climate-related disclosures	Strategic Report	47 to 55

Information has been disclosed under Listing Rule 9.8.6(9) (although this rule does not yet apply to the Company for this reporting period) regarding the Company's compliance with diversity requirements under that rule, as set out on page 131.

Information required by Disclosure Guidance and Transparency Rule 7.2

Topic	Section of the Report	Page
Corporate Governance Statement	Corporate Governance Report	110

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	96 to 98

Disclosure Guidance and Transparency Rule 4.1.8

The Strategic Report and the Directors' Report (or parts thereof), together with sections of this Annual Report incorporated by reference, are the "Management Report" for the purposes of DTR 4.1.8.

This Annual Report

The Directors are required under the Companies Act 2006 to prepare a Strategic Report for the Company and Group. The Strategic Report contains the Directors' explanation of the basis on which the Group preserves and creates value over the longer term and the strategy for delivering the objectives of the Group. The Companies Act 2006 requires that the Strategic Report must:

- contain a fair review of the Group's business and contain a description of the principal risks and uncertainties facing the Group; and
- be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year, consistent with the size and complexity of the business.

Directors' Report
continued

The information that fulfils the strategic report requirements is set out in the Strategic Report on pages 1 to 99.

The Strategic Report and the Directors' Report, together with the sections of this Annual Report incorporated by reference, have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Board of Directors

Details of the Directors of the Company who held office during the year, and up to the date of the signing of the Financial Statements, are set out on pages 106 to 109. During the period Julia M. Brown became an independent Non-Executive Director on 1 January 2023.

Details of Directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 166. Options granted to Directors under the Save As You Earn ("SAYE") and Executive Share Option Schemes are shown on pages 168 and 169.

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, which may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Articles, the UK Corporate Governance Code 2018 (the "Code"), the Companies Act 2006 and related legislation.

Appointment of Directors: A Director may be appointed by the Company by ordinary resolution of the shareholders or by the Board. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next annual general meeting of the Company and is then eligible for reappointment.

Retirement of Directors: At every annual general meeting of the Company, each Director shall retire from office and may offer himself or herself for reappointment by the members.

Removal of Directors by special resolution: The Company may, by special resolution, remove any Director before the expiration of his or her period of office.

Vacation of office: The office of a Director shall be vacated if: (i) they resign; (ii) their resignation is requested by all of the other Directors (not fewer than three in number); (iii) they have been suffering from mental or physical ill health and the Board resolves that their office be vacated; (iv) they are absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by them attends) for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Companies Act 2006; or (viii) they are removed from office pursuant to the Articles.

Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance cover for its Directors and officers as permitted under the Articles and the Companies Act 2006. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. The Company also agrees to indemnify the Directors under an indemnity deed with each Director, which contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Articles. An indemnity deed is usually entered into by a Director at the time of his or her appointment to the Board.

Share capital

The Company's authorised and issued ordinary share capital as at 27 November 2022 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 14 February 2023, being the last practicable date prior to publication of this report, the Company's issued share capital consisted of 826,029,395 issued ordinary shares, compared with 751,599,463 issued ordinary shares per the 2021 Annual Report. Details of movements in the Company's issued share capital can be found in Note 4.6 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 4.7 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.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the JSOS, where share interests can be transferred to a spouse, civil partner or lineal descendant of a participant in the JSOS or certain trusts under the rules of the JSOS (as noted below).

Voting rights

Each ordinary share carries one right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of no less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No shareholder shall be entitled to vote in respect of a share held by themselves if any call or sum then payable by themselves in respect of such share remains unpaid or if a member has been served a restriction notice, described on the following page.

JSOS voting rights: Of the issued ordinary shares, as at 27 November 2022, 564,988 (2021: 564,988) were held by Wealth Nominees Limited and 9,873,087 (2021: 9,889,160) were held by Numis Nominees (Client) Ltd, both on behalf of Ocorian Limited (formerly known as Estera Trust (Jersey) Limited), the independent company which is the trustee of Ocado's employee benefit trust (the "EBT Trustee"). The EBT Trustee has waived its right to exercise its voting rights in respect of 9,873,087 of these ordinary shares, although it may at the request of a participant vote in respect of 564,988 ordinary shares which have vested under the JSOS and remain in the trust at period-end. The total of 10,438,075 ordinary shares held by the EBT Trustee are treated as treasury shares in the Group's Consolidated Balance Sheet in accordance with IAS 2 Financial Instruments: Presentation. As such, calculations of earnings per share for Ocado exclude the ordinary shares held by the EBT Trustee. Note 4.7 to the Consolidated Financial Statements provides more information on the Group's accounting treatment of treasury shares.

Restrictions on transfer of securities

The Company's shares are freely transferable, save as set out below. The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share that is not a fully paid share. The Company does not currently have any partially paid shares. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (ii) is in respect of only one class of share; and (iii) if to joint transferees, is in favour of not more than four such transferees. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Restriction on transfer of JSOS interests: Participants' interests under the JSOS are generally non-transferable during the period beginning on acquisition of the interest and ending at the expiry of the relevant restricted period as set out in the JSOS rules. However, interests can be transferred to a spouse, civil partner or lineal descendant of a participant; a trust under which no person other than the participant or their spouse, civil partner or lineal descendant has a vested beneficial interest; or any other person approved by the EBT Trustee. If a participant purports to transfer, assign or charge their interest other than as set out above, the EBT Trustee may acquire the participant's interest for a total price of £1.

Other than as described above and on page 166 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 at the 2022 Annual General Meeting on 4 May 2022 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.

Directors' Report
continued

Powers for the Company to issue its shares

The Directors were granted authority at the 2022 Annual General Meeting on 4 May 2022 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 2023 AGM (or, if earlier, until 4 August 2023).

The Directors were also granted authority at the 2022 Annual General Meeting to disapply pre-emption rights. This resolution 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 in accordance with the guidance issued by the Pre-Emption Group. The Company sought similar authorities at the 2021 Annual General Meeting.

The Company will, at the 2023 AGM, seek authority to allot shares on the basis of the new guidance issued by the Pre-Emption Group to disapply pre-emption rights over 10% of the Company's issued ordinary share capital and a further 2% follow-on offer. A further authority will be sought to disapply pre-emption rights for an additional 10% for certain acquisitions or specified capital investments and a further 2% follow-on offer. 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 DTR 5.1.2R, of interests in 3% or more of the voting rights attaching to the Company's issued share capital, as set out in the table below:

	Number of ordinary shares/voting rights	Percentage of issued share capital	Date of notification of interest
Generations Investment Management LLP (direct/indirect holding)	38,446,6554	5.11%	19 May 2022
The London & Amsterdam Trust Company Limited (direct/indirect holding)	119,799,456	14.53%	23 June 2022
The Capital Group Companies (indirect holding)	84,259,954	10.22%	27 June 2022
Baillie Gifford & Co Ltd (indirect holding)	98,985,951	12.00%	10 August 2022

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 DTR 5.1.2R in the period between 27 November 2022 and 14 February 2023.

American Depositary Receipt programme

The Company has a sponsored level 1 American Depositary Receipt ("ADR") programme 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.

Convertible bonds due 2025 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £600m 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 Ocado Group.

The 2025 Bonds were issued at par and carry a coupon of 0.875% per annum payable semi-annually in arrears in equal instalments on 9 June and 9 December, with the first payment on 9 June 2020. The 2025 Bonds will be convertible into ordinary shares of the Company (the "Ordinary Shares"). The initial conversion price shall be £17.9308, representing a premium of 45.0% above the reference price of £12.3661, being the volume weighted average price 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, 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.

Senior unsecured notes due 2026 listed on the Irish Stock Exchange

On 8 October 2021, the Company issued £500m of senior unsecured notes due 2026 (the "Notes") listed on the Irish Stock Exchange and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes under Reg. S is XS2393761692 and under 144A is XS2393969170. Interest on the notes is payable semi-annually in arrears. The Notes will mature on 8 October 2026. In addition to funding the redemption of the 2024 senior secured notes, the net proceeds of the 2026 Notes will be used by the Company to fund capital expenditure in relation to Ocado Solutions' commitments and general corporate purposes. The 2026 Notes are currently guaranteed by certain members of Ocado Group.

The Company may redeem the Notes in whole or in part at any time on or after 8 October 2023, in each case, at the redemption prices set out as part of the offering. Prior to 8 October 2023, the Company is entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, plus a 'make-whole' premium. Prior to 8 October 2023, the Company is also able to, at its option, and on one or more occasions, redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price as set out in the offering. Additionally, the Company may redeem the Notes in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law.

Convertible bonds due 2027 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £350m 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 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, 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.

Directors' Report
continued

Capital Raise

On 20 June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares") at a price of £7.95 per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors subscribed for a total of 246,405 new Ordinary Shares at the Placing Price (the "Retail Offer Shares") and certain members of the senior management team subscribed for an aggregate of 150,944 new ordinary shares at the Placing Price (the "Subscription Shares").

In aggregate, the Placing Shares, the Retail Offer Shares and the Subscription Shares comprised 72,724,393 new Ordinary Shares, which raised gross proceeds from the Capital Raise of approximately £578m.

The Placing Price of £7.95 per Placing Share represented a discount of approximately 9.41% to the closing share price of £8.776 pence on 20 June 2022. The Placing Shares, the Retail Offer Shares and the Subscription Shares represented approximately 9.7% of the existing issued ordinary share capital of the Company prior to the Placing, the Retail Offer and the Subscription.

The Placing Shares, the Retail Offer Shares and the Subscription Shares are credited as fully paid and rank pari passu in all respects with the existing Ordinary Shares of Ocado Group. This includes the right to receive all dividends and other distributions declared or paid in respect of such ordinary shares.

Revolving credit facility

On 20 June 2022, the Company entered into a £300,000,000 committed, multi-currency revolving credit facility, provided by a syndicate of leading international banks (the "RCF"). Interest is payable on loans made pursuant to the RCF at a rate of SONIA (or EURIBOR or SOFR, for EUR or USD) plus a margin. The RCF expires in June 2025, with an option to extend, subject to bank agreement, to up to June 2027. The RCF is currently guaranteed by certain members of Ocado Group. As at 27 November 2022, the RCF was undrawn.

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, Alcampo, Auchan Retail Poland, Bon Preu, Coles, Groupe Casino, ICA, Kroger, Lotte Shopping, Ocado Retail and Sobeys.

Under those agreements (save for those with Ocado Retail and Kroger), the retailer is generally entitled to terminate for convenience at any time following the commencement date of the relevant services. On termination in these circumstances the client would be obliged to pay Ocado termination fees calculated relative to the length of time for which the service has been live. However, such termination fees are not payable should the client terminate within a certain period following the Company coming under the control of certain of the retailer's competitors (or certain controllers with whom the client has a strategic conflict) or if there is a marked deterioration in service levels following the Company coming under the control of any person.

Morrisons agreements: The Group has a number of commercial arrangements with Morrisons, including for access to certain elements of the OSP platform. If certain competitors of Morrisons acquire more than 50% of the voting rights in the Company's shares or take control of the composition of the Board, or acquire all or substantially all of the Group's business and undertakings, then Morrisons would be entitled to give notice to terminate the agreements by giving not less than four (but not more than four and a half) years' notice. Following Morrisons giving such a notice, Morrisons would be entitled to procure equivalent services from third parties, the Company losing its remaining exclusivity rights to be Morrisons' supplier of online grocery fulfilment services. Similarly, all restrictions within those agreements on the UK retail grocers to whom the Company is entitled to provide certain services would cease to apply. At the end of the four to four and a half years' notice period, the Company would be required to purchase Morrisons' shares in MHE JVCo Limited (the owner of the mechanical handling equipment in Dordon CFC).

Convertible bonds due 2025: Following a change of control of the Company, the holder of each 2025 Bond will have the right to require the Company to redeem that 2025 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2025 Bonds.

Senior unsecured notes due 2026: Following a change of control of the Company, holders of the Notes may require it to repurchase all or part of their holding at a purchase price in cash equal to 101% of the aggregate principal amount of their holding, plus accrued and unpaid interest.

Convertible bonds due 2027: Following a change of control of the Company, the holder of each 2027 Bond will have the right to require the Company to redeem that 2027 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2027 Bonds.

Revolving credit facility: Following a change of control of the Company, no lender under the RCF is obliged to fund further utilisations of the facility. Each lender will have the right to cancel its commitment and declare its participation in all loans and accrued interest pursuant to the facility immediately due and repayable.

Shareholders agreement relating to Ocado Retail: If there is a change of control of Ocado Holdings and/or the Company where the person having control following the change of control is a competitor of M&S, this would amount to an event of default and M&S could elect to purchase all shares held in Ocado Retail at a price prescribed in the agreement.

Solutions and third party logistics agreement with Ocado Retail: If there is a competitor change of control of Ocado Operating, Ocado Retail may terminate the third party logistics agreement by giving six months' written notice within three months of the competitor change of control becoming effective. In addition, if there is a change of control (whether or not a competitor change of control) and there is a marked deterioration in the service levels thereafter, Ocado Retail may terminate the third party logistics agreement and the Solutions agreement.

Research and development activities

The Group has dedicated in-house software, logistics and engineering design and development teams with primary focus on IT and improvements to the customer interfaces, the CFCs and the automation equipment used in them. Costs relating to the development of computer software are capitalised if it is probable that the future economic benefits that are attributable to the asset will accrue to the entity and the costs can be measured reliably. The Company is carrying out a number of IT and engineering design and build projects with the intention of developing new and improved automation equipment and processes for its warehouses.

Greenhouse gas emissions methodology

To calculate our greenhouse gas ("GHG") 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 ("WBCSD/WRI"). The following sources of information have been considered: government GHG conversion factors for company reporting, published by the Department for Business, Energy & Industrial Strategy (2021 and 2022); IPCC fourth assessment report: climate change 2007; IPCC guidelines for national greenhouse gas inventories: reference manual (2006); US Environmental Protection Agency emissions and generation resource integrated database ("eGRID") (2021 and 2022); Environment Canada National Inventory Report, Greenhouse Gas Sources and Sinks in Canada: 1990-2020 (2022); European Commission (2021) Integrating renewable and waste heat and cold sources into district heating and cooling systems; United Nations (2022) UN Statistics Division; Energy Balance Visualizations and EPA (2022) GHG Emission Factors Hub; Centre for Corporate Climate Leadership (2022).

Details regarding the Group's carbon emissions, energy consumption and energy efficiency are included in the Strategic Report on pages 46 to 57. We also include more information on our carbon emission calculations in our Basis of Reporting document, which can be found on our corporate website.

Future developments of the business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 26 to 35.

Statement of engagement with employees

Refer to page 116 for the detailed statement. Further details on engagement with employees by the Board and the Group and the mechanisms employed to consult and communicate with employees can be found in the Stakeholder Engagement section on pages 16 and 17 and Our People and Skills for the Future section on pages 38 to 45.

Employees with disabilities

Applications for employment by people with disabilities are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an non-disabled person.

Statement of engagement with suppliers, customers and others

Refer to page 116 for the detailed statement. Further details on the methods used to build strong business relationships with the Group's suppliers, customers and partners and the effect of those interests on decision-making can be found in the Stakeholder Engagement section on pages 16 to 22, the Section 172(1) statement on pages 23 to 25 and the Key Board activities on pages 111 and 112.

Profit/loss and dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 192. The Group's loss before tax for the period amounted to £500.8m (2021: £176.9m). The Directors do not propose to pay a dividend for the period (2021: £nil).

Directors' Report
continued

Branches

There are no branches of the Company.

Post balance sheet events

See Note 5.5 on page 261 for details of post-balance sheet events.

Political donations

No donations were made by the Group to any political party, organisation or candidate during the period (2021: nil).

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, each Director who held office at the date of the approval of this Directors' Report (included in the biographies of the Directors on pages 106 to 109) 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 ("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 IFRSs 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 106 to 109 confirms, to the best of their knowledge, that:

– the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
– the "Management Report" (as defined in the Directors' Report on page 171) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors' Report is approved by the Board and signed on its behalf by:

Neill Abrams
Group General Counsel and Company Secretary
28 February 2023

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

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Financial Statements.

Independent Auditor's Report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ocado Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 27 November 2022 and of the group's loss for the 52-week period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1.1 to 5.5 of the consolidated financial statements and 1.1 to 5.2 of the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 2.4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Capitalisation of staff costs – Valuation of contingent consideration receivable from Marks and Spencer Group plc ("M&S") – Commercial income: promotional allowances and volume-related rebates Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ↔ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £25.0m, which was determined on the basis of an asset metric, which equates to 0.5% of total assets excluding goodwill as the primary benchmark.
Scoping	The scope of the group audit includes the significant trading companies in the UK, and the performance of specified audit procedures on certain balances in the Solutions entities including capitalised staff costs, revenue and contract liabilities. When taken together the results of these entities account for over 99% of the group's revenue and 98% of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill. We have performed analytical procedures on the remaining entities.
Significant changes in our approach	In the current period we have identified two new key audit matters: the capitalisation of staff costs, and the valuation of contingent consideration receivable from M&S. Refer to pages 183 and 184 respectively for further detail. Accounting for Solutions contracts revenue has not been identified as a key audit matter in the current period, having previously been considered a key audit matter, because we are satisfied there is limited scope for management manipulation or error relating to the timing of the go-live of Customer Fulfilment Centres. Impairment of capitalised project costs has also not been identified as a key audit matter this year because the judgement relating to the impairment process is not significant in the current period. We have revised our assessment of the primary benchmark used to determine materiality. In the current period we have used an asset metric, rather than revenue, as a more appropriate primary benchmark because we consider that such a basis provides a good reflection of the expansion of the Solutions business, which in turn is a key driver of future revenue growth.

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4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the detailed steps of the forecasting process through enquiries with management and inspection of the underlying models, including obtaining a detailed understanding of key controls over the budget and forecast;
- assessing the arithmetic accuracy of the models used to prepare the group's base case forecast and related scenarios;
- challenging the reasonableness of the detailed assumptions underpinning the group's forecasts including considering the current economic environment;
- comparing and assessing the historical accuracy of forecasts against previous performance;
- assessing management's considerations of reasonably possible scenarios and their impact on the group's forecasts and performing additional sensitivity scenario analysis;
- assessing the level of resources available to the group as a result of the equity raise and revolving credit facility entered into during the year;
- considering the timing of repayments for existing bonds;
- considering the impact of potential mitigating actions available, such as reducing capital expenditure; and
- assessing the sufficiency of the group's disclosure concerning going concern and potential uncertainties arising.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Capitalisation of staff costs

Key audit matter description	The group continues to invest in the development of the Ocado Smart Platform and associated software, as well as in establishing Customer Fulfilment Centres ("CFCs") for Solutions customers. In doing so significant internal labour costs are incurred, which are capitalised as internally-generated intangible assets or capitalised as a component of property, plant and equipment as directly attributable costs. As described in note 3.3 and 3.4 to the financial statements £117.5m (2021: £95.6m) and £63.9m (2021: £35.0m) of internal labour costs were capitalised in the period as intangible assets and property, plant and equipment respectively. Determining whether the cost of internal labour meets capitalisation criteria requires significant judgement based on the requirements of IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment. The amount being capitalised has increased since the prior period largely due to the development of new technologies and the increase in the number of CFCs being constructed for customers. In addition, as EBITDA is an alternative performance measure of interest to the users of the financial statements, there is a potential incentive for management to exhibit bias in considering whether to capitalise staff time given that the amortisation and depreciation of such costs are excluded from this key metric, and items which are not capital in nature must be expensed as costs are incurred. We therefore consider the inappropriate capitalisation of labour costs to be a potential fraud risk as well as a key audit matter. Further information related to this area is set out in the Audit Committee report on page 137, and in notes 3.3 and 3.4 to the group financial statements.
How the scope of our audit responded to the key audit matter	To address the risk that capitalised staff costs are overstated due to inappropriate capitalisation, our audit procedures included: – obtaining a detailed understanding of relevant controls, such as those which are designed to ensure that only staff costs that meet capitalisation criteria under IAS 38 or IAS 16 are approved as capital in nature; – selecting a sample of internal projects with capitalised staff time and challenging whether these projects meet the requirements of IAS 38 or IAS 16, including obtaining a detailed understanding of the nature of the sampled projects, their purpose and benefits; – for each selected project, tracing a sample of employees from timesheet records to payroll reports to assess whether the labour cost capitalised appropriately correlates to the costs incurred by the business; and – enquiring with a sample of individuals who have charged time to the projects to understand the nature of their tasks and activities within the selected projects and evaluating whether these meet capitalisation criteria under IAS 38 or IAS 16.
Key observations	We are satisfied that the capitalisation of staff costs during the period is appropriate.

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5.2. Valuation of contingent consideration receivable from M&S

Key audit matter description	As described in note 3.7 to the financial statements, the sale of 50% of Ocado Retail Limited ("ORL") to M&S in August 2019 included deferred consideration of £156.3m plus interest that is contingent on ORL achieving certain performance targets in the financial year to November 2023 (FY23). This is based on the contractual terms and the outcome is binary: if the measure is not met or exceeded, no amount is payable by M&S to the group. In accordance with IFRS 9 Financial Instruments, the financial asset is measured at fair value. This reflects the value a third party would pay to receive the benefit of the contract. The contractual terms with M&S also allow for adjustments to the conditions based on actions taken by ORL subsequent to the agreement of the performance conditions in 2019. The group has valued the receivable at £95.0m (2021: £152.6m). In valuing the receivable, the group has considered the requirements of IFRS 13 Fair Value Measurement and has developed a scenario-based model that results in an expected value of the asset, which has then been discounted to allow for the expected period of time until the cash may be received from M&S. The scenarios contemplated a number of different outcomes of both business performance and adjustments made to the performance target. The recent economic environment has resulted in increased levels of complexity and judgement in determining the fair value, compared with prior periods, and we consider there to be a risk of fraud given the potential incentive for management to overstate their expected outcome, which may seek to influence any future negotiations with M&S regarding the settlement of this contingent consideration. Further information related to this area is set out in the Audit Committee report on page 137, and in notes 1.4 and 3.7 to the group financial statements.
How the scope of our audit responded to the key audit matter	To address the risk that the contingent consideration receivable is inappropriately valued, our procedures included: – obtaining a detailed understanding of the relevant controls over management's estimation methodology; – inspecting the terms of the share purchase agreement and shareholders' agreement to identify clauses that would be relevant to determining a fair value for the contingent consideration receivable; – holding partner-led enquiries with senior management and the group's external legal advisors to enhance our understanding and interpretation of the contracts, and to search for evidence that may be contradictory to the judgements adopted by management; – involving valuations specialists, and considering appropriate valuation techniques in order to challenge the methodology adopted by management; – with the support of valuation specialists, developing an independent auditor range through the design and development of an option pricing model and comparing this with the group's valuation. In doing so, we have considered the possible scenarios modelled by management, and exercised professional scepticism, given the degree of subjectivity in the determination of the post-adjustment performance measure; and – assessing the group's disclosures, in particular with reference to the requirements relating to estimation uncertainty in IAS 1 and the fair value disclosures required under IFRS 13.
Key observations	We are satisfied that the group's valuation of contingent consideration receivable is materially appropriate. We consider that the disclosures made around the level of uncertainty appropriately reflect reasonably possible future changes to the estimated valuation.

5.3. Commercial income: promotional allowances and volume-related rebates

Key audit matter description	As described in note 2.4 of the financial statements, the UK retail business has agreements whereby promotional allowances and volume-related rebates are received from suppliers in connection with the purchase of goods for resale, which are recorded as deductions to cost of sales. Identifying the performance conditions and determining the appropriate accounting for such agreements is a complex exercise due to the variety of terms and volume of transactions. Judgement is therefore required in determining when income should be recognised, which gives rise to the potential for manipulation and bias. This could also affect the accrued income positions in the last quarter of the period. As such we have identified this as a key audit matter and a potential fraud risk.
How the scope of our audit responded to the key audit matter	To address the risk that promotional allowances and volume-related rebates have not been appropriately and accurately recorded, our procedures included: – obtaining a detailed understanding of relevant controls in the commercial income process; – independently requesting a sample of supplier confirmations to validate the amounts recorded throughout the period and on the balance sheet at period end. Where responses were not received, we performed alternative procedures including inspecting management's correspondence with the supplier, recalculating the amount of commercial income from the arrangement, and assessing the volume and value of credit notes raised post-period end; – testing a sample of amounts transferred from accounts receivables to accounts payable during the netting process to assess whether the group have obtained the rights to settlement; – assessing the recoverability of a sample of unsettled balances included on the balance sheet for valuation and allocation; and – conducting enquiries with senior personnel outside the finance function, for example legal counsel, on matters relating to compliance with the Groceries Supply Code of Practice ("GSCOP") and controls in the commercial income process, in order to identify any areas where further investigation may be required.
Key observations	We are satisfied that the promotional allowances and volume-related rebates have been accounted for appropriately.

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6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£25.0 million (2021: £20.0 million)	£22.5 million (2021: £18.0 million)
Basis for determining materiality	We determined materiality based on an asset metric, which equates to 0.5% of total assets excluding goodwill as the primary benchmark. We also considered revenue as a supporting benchmark. For the 2021 year end, materiality was determined based on 0.8% of revenue and materiality represented 0.5% of total assets excluding goodwill.	Parent company materiality is determined on the basis of net assets, which is capped at 90% (2021: 90%) of group materiality.
Rationale for the benchmark applied	We determined materiality principally based on an asset metric as we consider this the most relevant proxy for the expansion and roll-out of the Solutions business. However, we also considered revenue as a supporting benchmark as this measure reflects current group performance – in particular, the performance of the ORL business. The overall increase in materiality compared to the prior year is as a result of this change, in particular the increase in capital expenditure in the Solutions business.	The parent company's principal activities include holding investments in other group companies and incurring costs and liabilities on behalf of the group, including borrowings. As a result, we considered net assets to be the most relevant benchmark on which to base materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2021: 65%) of group materiality	65% (2021: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In the current period we determined that maintaining performance materiality at 65% of group materiality was appropriate by considering: – management's continued willingness to investigate and correct misstatements identified in the audit; and – the ongoing finance transformation programmes implemented by management to enhance the quality, consistency and rigour of the control environment. See further detail in the Report of the Chair of the Audit Committee on page 132.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.25 million (2021: £1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our group audit was largely consistent with the prior period, covering all significant trading companies in the UK, including ORL, which is controlled and consolidated by the group. Furthermore, we performed specified audit procedures on certain balances in the Solutions entities including capitalised staff costs, revenue and contract liabilities. The results of these entities account for over 99% of the group's revenue and 98% of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill.

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 audit work relevant to the group audit was conducted by the group and ORL audit teams based in London. The group audit partner attended key meetings with the ORL audit team and ORL management.

7.2. Our consideration of the control environment

We have tested and relied on the relevant manual and automated controls in the inventory process of ORL. Members of the ORL audit team visited three CFCs and one General Merchandise Distribution Centre (GMDC) to test controls relevant to grocery inventory existence, and we involved IT specialists to evaluate controls over the key warehouse IT systems. There have been improvements to IT controls during the period, to address deficiencies identified in 2021, which enabled us to obtain reliance over specific automated controls which address the existence of grocery inventory. We also involved IT specialists to test the general IT controls over key financial reporting systems such as Oracle R12, Oracle Fusion and Webshop.

We have tested the key manual controls over UK retail revenue recognition, but have not tested automated controls in this process as a result of known general IT control deficiencies. We did not plan to take a controls reliant approach on any balance or business cycle other than grocery inventory existence this year given the programme of on-going system and control remediation in respect of certain financial reporting programmes and processes. Further details on the Evolve programme are included in the Audit Committee report on page 132.

7.3. Our consideration of climate-related risks

In planning our audit we considered management's assessment of climate change on the operations of the group and the potential impact on the group's financial statements. The risk consideration process management have undertaken is set out in the Environment and Natural Resources section of the strategic report (see pages 46 to 57). In conjunction with our climate risk specialists we have held discussions with management to understand and evaluate their process for determining the impact of these risks on the group and its financial statements, management's consideration is included within note 1.4. We assessed the completeness of the risks identified.

We have involved climate change specialists in reading the disclosures made in relation to climate change in the other information within the Annual Report, and considered whether they are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the "Other information" section of our report. We have not been engaged to provide assurance over the accuracy of these disclosures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the legal function including the group's General Counsel and Chief Compliance Officer, the Chief Executive Officer and Chief Financial Officer of the group and of the ORL businesses, and the Audit Committee at group and at ORL about their own identification and assessment of the risks of irregularities;
- the changes to the control environment resulting from the group's continued transformation agenda;
- the ongoing series of claims filed by AutoStore Technology AS and the counter-claims filed by the group referred to in the Finance Review on pages 70 to 85 and in note 3.14 to the financial statements;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the group and ORL audit engagement teams involving relevant internal specialists, including IT, tax, impairment and fraud specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: inappropriate capitalisation of staff costs, commercial income: promotional allowances and volume-related rebates and valuation of the contingent consideration receivable from M&S. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context are the Groceries Supply Code of Practice.

11.2. Audit response to risks identified

As a result of performing the above, we identified the following key audit matters related to the potential risk of fraud: 1) capitalisation of staff costs, 2) valuation of contingent consideration receivable from M&S, and 3) commercial income: promotional allowances and volume-related rebates. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- challenging management's assessment that no contingent liability or asset should be recognised, including in relation to claims filed by AutoStore, (our work included holding detailed discussions with group General Counsel and external legal counsel, and performing procedures to consider whether there was any contradictory evidence); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

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Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on 98;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 98;
- the directors' statement on fair, balanced and understandable set out on page 178;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 86 to 95;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 140; and
- the section describing the work of the audit committee set out on pages 132 to 143.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 May 2017 to audit the financial statements for the 52-week period ending 3 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the 52-week period ending 3 December 2017 to 27 November 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Griffin FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 February 2023

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Consolidated Income Statement
for the 52 weeks ended 27 November 2022

		52 weeks ended 27 November 2022			52 weeks ended 28 November 2021		
	Notes	**Results before exceptional itemsⒶ £m**	**Exceptional itemsⒶ (note 2.6) £m**	**Total £m**	Results before exceptional itemsⒶ £m	Exceptional itemsⒶ (note 2.6) £m	Total £m
Revenue	2.1	**2,513.8**	**–**	**2,513.8**	2,498.8	(0.5)	2,498.3
Cost of sales		**(1,549.5)**	**–**	**(1,549.5)**	(1,562.9)	(2.6)	(1,565.5)
Gross profit		**964.3**	**–**	**964.3**	935.9	(3.1)	932.8
Other income	2.3	**100.7**	**73.8**	**174.5**	104.1	82.3	186.4
Distribution costs		**(830.2)**	**(1.6)**	**(831.8)**	(666.7)	(7.2)	(673.9)
Administrative expenses		**(656.1)**	**(102.1)**	**(758.2)**	(548.4)	(29.2)	(577.6)
Operating (loss)/profit before results of joint ventures and associate		**(421.3)**	**(29.9)**	**(451.2)**	(175.1)	42.8	(132.3)
Share of results of joint ventures and associate	3.6	**(1.4)**	**–**	**(1.4)**	(2.3)	–	(2.3)
Operating loss		**(422.7)**	**(29.9)**	**(452.6)**	(177.4)	42.8	(134.6)
Finance income	2.7	**41.8**	**–**	**41.8**	10.0	–	10.0
Finance costs	2.7	**(90.0)**	**–**	**(90.0)**	(52.3)	–	(52.3)
(Loss)/profit before tax		**(470.9)**	**(29.9)**	**(500.8)**	(219.7)	42.8	(176.9)
Income tax credit/(charge)	2.8	**18.7**	**0.8**	**19.5**	(8.3)	(0.5)	(8.8)
(Loss)/profit for the period		**(452.2)**	**(29.1)**	**(481.3)**	(228.0)	42.3	(185.7)
Attributable to:							
Owners of Ocado Group plc				**(455.5)**			(223.2)
Non-controlling interests	5.2			**(25.8)**			37.5
				(481.3)			(185.7)

Loss per share				**pence**			pence
Basic and diluted loss per share	2.9			**(58.93)**			(30.18)

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)Ⓐ

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Operating loss		**(452.6)**	(134.6)
Adjustments for:			
Exceptional itemsⒶ	2.6	**29.9**	(42.8)
Amortisation of intangible assets	3.3	**114.7**	78.0
Impairment of intangible assets	3.3	**3.6**	1.1
Depreciation of property, plant and equipment	3.4	**154.4**	84.4
Impairment of property, plant and equipment	3.4	**9.3**	9.3
Depreciation of right-of-use assets	3.5	**66.0**	65.6
Impairment of right-of-use assets	3.5	**0.6**	–
EBITDAⒶ		**(74.1)**	61.0

Ⓐ See Alternative Performance Measures on pages 279 and 281

Consolidated Statement of Comprehensive Income
for the 52 weeks ended 27 November 2022

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Loss for the period		**(481.3)**	(185.7)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
(Loss)/gain arising on cash flow hedges	4.3	**(1.1)**	0.4
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	4.6	**69.1**	(10.5)
Share of change in net assets of associate through other comprehensive income	3.6	**0.4**	–
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.6	**–**	0.8
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods		**68.4**	(9.3)
Items that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on equity investments designated as at fair value through other comprehensive income	4.4	**33.3**	(3.9)
Income tax relating to items that will not be reclassified subsequently to profit or loss	2.8	**(7.2)**	–
Net other comprehensive income/(expense) that will not be reclassified to profit and loss in subsequent periods		**26.1**	(3.9)
Other comprehensive income/(expense) for the period, net of income tax		**94.5**	(13.2)
Total comprehensive expense for the period		**(386.8)**	(198.9)
Attributable to:			
Owners of Ocado Group plc		**(361.0)**	(236.4)
Non-controlling interests	5.2	**(25.8)**	37.5
		(386.8)	(198.9)

Consolidated Balance Sheet
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Non-current assets			
Goodwill	3.2	**164.7**	144.8
Other intangible assets	3.3	**377.2**	345.2
Property, plant and equipment	3.4	**1,777.8**	1,257.8
Right-of-use assets	3.5	**493.9**	494.6
Investment in joint venture and associate	3.6	**15.6**	26.5
Other financial assets	3.7	**181.6**	211.4
Trade and other receivables	3.10	**–**	0.5
Costs to obtain contracts		**–**	0.7
Deferred tax assets	2.8	**1.9**	7.2
Derivative financial assets	4.3	**27.4**	9.6
		3,040.1	2,498.3
Current assets			
Other financial assets	3.7	**3.8**	1.2
Inventories	3.9	**106.8**	86.7
Trade and other receivables	3.10	**329.3**	323.9
Cash and cash equivalents	3.11	**1,328.0**	1,468.6
Contract assets	2.1	**–**	0.3
Costs to obtain contracts		**–**	0.1
Derivative financial assets	4.3	**0.8**	0.3
		1,768.7	1,881.1
Asset held for sale	3.8	**4.4**	4.2
		1,773.1	1,885.3
Total assets		**4,813.2**	4,383.6
Current liabilities			
Contract liabilities	2.1	**(29.1)**	(21.8)
Trade and other payables	3.12	**(506.3)**	(393.2)
Borrowings	4.1	**(10.2)**	–
Provisions	3.13	**(1.0)**	(1.0)
Lease liabilities	3.5	**(58.6)**	(51.0)
Derivative financial liabilities	4.3	**(1.6)**	–
		(606.8)	(467.0)

Consolidated Balance Sheet continued
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Net current assets		**1,166.3**	1,418.3
Non-current liabilities			
Contract liabilities	2.1	**(393.8)**	(356.7)
Provisions	3.13	**(25.4)**	(48.7)
Borrowings	4.1	**(1,362.6)**	(1,300.0)
Lease liabilities	3.5	**(473.7)**	(477.4)
Trade and other payables	3.12	**(1.9)**	–
Deferred tax liabilities	2.8	**(14.7)**	(24.4)
		(2,272.1)	(2,207.2)
Net assets		**1,934.3**	1,709.4
Equity			
Share capital	4.6	**16.5**	15.0
Share premium	4.6	**1,939.3**	1,372.0
Treasury shares reserve	4.6	**(112.9)**	(113.0)
Other reserves	4.6	**164.0**	69.9
Retained earnings		**(169.0)**	244.3
Equity attributable to owners of Ocado Group plc		**1,837.9**	1,588.2
Non-controlling interests	5.2	**96.4**	121.2
Total equity		**1,934.3**	1,709.4

The consolidated financial statements on pages 192 to 261 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

28 February 2023

Consolidated Statement of Changes in Equity

for the 52 weeks ended 27 November 2022

		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 29 November 2020		15.0	1,361.6	(113.2)	76.9	421.4	1,761.7	71.4	1,833.1
(Loss)/profit for the period		–	–	–	–	(223.2)	(223.2)	37.5	(185.7)
Other comprehensive expense		–	–	–	(13.2)	–	(13.2)	–	(13.2)
Total comprehensive (expense)/income for the period		–	–	–	(13.2)	(223.2)	(236.4)	37.5	(198.9)
Transactions with owners									
– Issue of ordinary shares	4.6	–	1.9	–	–	–	1.9	–	1.9
– Allotted in respect of share option schemes	4.6	–	8.5	–	–	–	8.5	–	8.5
– Disposal of treasury shares on exercise by participants	4.6	–	–	0.1	–	0.1	0.2	–	0.2
– Disposal of unallocated treasury shares	4.6	–	–	0.1	–	(0.1)	–	–	–
– Share-based payments charge	4.7	–	–	–	–	36.0	36.0	–	36.0
– Tax on share-based payments charge	2.8	–	–	–	–	0.5	0.5	–	0.5
– Acquisition of Haddington Dynamics Inc.	3.1	–	–	–	6.2	–	6.2	–	6.2
– IFRS 3 portion of the rollover shares issued for the purchase of Kindred Systems Inc.	3.1	–	–	–	–	1.9	1.9	–	1.9
– Additional investment in Jones Food Company Limited	5.2	–	–	–	–	7.7	7.7	12.3	20.0
Total transactions with owners		–	10.4	0.2	6.2	46.1	62.9	12.3	75.2
Balance at 28 November 2021		15.0	1,372.0	(113.0)	69.9	244.3	1,588.2	121.2	1,709.4
Loss for the period		**–**	**–**	**–**	**–**	**(455.5)**	**(455.5)**	**(25.8)**	**(481.3)**
Other comprehensive income		**–**	**–**	**–**	**94.1**	**0.4**	**94.5**	**–**	**94.5**
Total comprehensive income/(expense) for the period		**–**	**–**	**–**	**94.1**	**(455.1)**	**(361.0)**	**(25.8)**	**(386.8)**
Transactions with owners									
– Issue of ordinary shares	4.6	**1.5**	**565.0**	**–**	**–**	**–**	**566.5**	**–**	**566.5**
– Allotted in respect of share option schemes	4.6	**–**	**2.3**	**–**	**–**	**–**	**2.3**	**–**	**2.3**
– Disposal of unallocated treasury shares	4.6	**–**	**–**	**0.1**	**–**	**(0.1)**	**–**	**–**	**–**
– Share-based payments charge	4.7	**–**	**–**	**–**	**–**	**42.0**	**42.0**	**–**	**42.0**
– Tax on share-based payments charge	2.8	**–**	**–**	**–**	**–**	**0.9**	**0.9**	**–**	**0.9**
– Reduction in investment in Jones Food Company Limited	5.2	**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**	**1.0**	**–**
Total transactions with owners		**1.5**	**567.3**	**0.1**	**–**	**41.8**	**610.7**	**1.0**	**611.7**
Balance at 27 November 2022		**16.5**	**1,939.3**	**(112.9)**	**164.0**	**(169.0)**	**1,837.9**	**96.4**	**1,934.3**

Consolidated Statement of Cash Flows

for the 52 weeks ended 27 November 2022

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash (used in)/generated from operations	4.9	**(4.0)**	15.0
Insurance proceeds relating to business interruption and stock losses		**54.3**	30.0
Corporation tax received/(paid)		**13.4**	(26.2)
Interest paid		**(55.8)**	(34.8)
Net cash flow from/(used in) operating activities		**7.9**	(16.0)
Cash flows from investing activities			
Insurance proceeds regarding Erith claim		**2.5**	2.0
Insurance proceeds relating to rebuilding Andover CFC		**54.5**	–
Net cash outflow from disposal of Speciality Stores Limited ("Fetch"), net of cash sold	2.6	**–**	(0.4)
Acquisition of subsidiaries, net of cash acquired	3.1	**(5.5)**	(189.7)
Purchase of intangible assets		**(137.1)**	(131.8)
Purchase of property, plant and equipment		**(648.8)**	(558.9)
Dividend received from joint venture	3.6	**8.0**	7.7
Proceeds from disposal of other treasury deposits		**–**	370.0
Purchase of unlisted equity investments		**–**	(11.4)
Loans paid to joint ventures, associates and investee companies		**(0.6)**	(12.5)
Interest received		**9.6**	1.0
Net cash flow used in investing activities		**(717.4)**	(524.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**566.5**	1.9
Proceeds from allotment of share options		**0.8**	8.5
Proceeds from disposal of treasury shares on exercise by participants		**–**	0.2
Proceeds from interest-bearing loans and borrowings	4.2	**40.6**	500.0
Transaction costs on issue of borrowings	4.1	**(3.4)**	(8.4)
Repayment of borrowings	4.2	**–**	(225.0)
Repayment of principal element of lease liabilities		**(57.4)**	(48.6)
Net cash as a result of additional investment in Jones Food Company Limited by NCI	5.2	**–**	20.0
Cash received in respect of contingent consideration receivable		**–**	33.9
Net cash flow from financing activities		**547.1**	282.5
Net decrease in cash and cash equivalents		**(162.4)**	(257.5)
Cash and cash equivalents at beginning of period		**1,468.6**	1,706.8
Effect of changes in foreign exchange rates		**21.8**	19.3
Cash and cash equivalents at end of period	3.11	**1,328.0**	1,468.6

Notes to the consolidated financial statements
for the 52 weeks ended 27 November 2022

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 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021. The principal activities of the Group are described in the Strategic Report on pages 1 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 UK-adopted International Financial Reporting Standards ('IFRS'), including the interpretations issued by IFRS Interpretation Committee ('IFRIC'). The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 27 November 2022 of the Group, unless otherwise stated.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated, and have been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain other financial assets and liabilities, which are held at fair value.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

New standards, amendments and interpretations adopted by the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 29 November 2021, 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
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
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations that are relevant to the Group have been issued but are not effective for the period beginning 29 November 2021, and have not been adopted early:

		Effective date
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
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	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 accounts 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 accounts 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.

All subsidiaries have a reporting date of 27 November 2022 except for the following:

	Reporting date
JFC Hydroponics Ltd	30 April
Jones Food Company Limited	30 April
Haddington Dynamics II LLC	31 December
Kindred Inc.	31 December
Kindred Systems II Inc.	31 December
Myrmex Inc.	31 December
Ocado Bulgaria EOOD	31 December
Ocado Solutions (US) ProCo LLC	31 December
Ocado Spain S.L.U.	31 December
Ocado US Holdings Inc.	31 December

All these companies have prepared additional financial information for the 52 weeks ended 27 November 2022 to enable consolidation.

All intercompany balances and transactions, including recognised gains arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

The Group allocates the total comprehensive income or expense of subsidiaries to the owners of the Company and non-controlling interests, based on their respective ownership interests.

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.

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.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are recorded in the functional currency at an average rate for the period in which those transactions take place, which is used as a reasonable approximation to the exchange rates prevailing at the dates of the transactions. Translation differences on monetary items are taken to the Consolidated Income Statement.

Notes to the consolidated financial statements
continued

1.3 Basis of consolidation continued

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the closing rate at the date of the balance sheet. Income and expenses are translated using an average rate for the month in which they occur.

Exchange differences arising on the translation of the net investment in overseas subsidiaries are recorded through other comprehensive income. On disposal of the net investment, the cumulative exchange difference is reclassified from equity to operating profit. All other currency gains and losses are dealt with in the income statement.

1.4 Critical accounting judgement and key sources of estimation uncertainty

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. Judgements and estimates are evaluated regularly, and represent management's best estimates based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, events or actions may mean that actual results ultimately differ from those estimates, and the differences may be material.

Critical accounting judgements

Critical accounting 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.

Area	Judgement	Notes
Consolidation of Ocado Retail Limited ("Ocado Retail")	Management reviews if the Group continues to have control over Ocado Retail in accordance with IFRS 10. Management has concluded that the Group controls 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 that must be made. The identification of performance obligations in a contract is a significant judgement, since it determines when revenue is recognised. Management has judged that each fulfilment channel is independent of each other and the provision of the use of the Ocado Smart Platform ("OSP") in each fulfilment channel represents a separate performance obligation, and that revenue should begin to be recognised when a working solution relevant to the fulfilment channel is operational for a customer. The identification of consideration and material rights in a contract is another significant judgement, since it determines the period over which upfront fees are recognised as revenue. Alternative judgements would result in different amounts of revenue being recognised at different times.	2.1
Capitalisation of internal development costs	The Group capitalises internal costs directly attributable to the development of both intangible and tangible assets. Management judgement is exercised in determining whether the projects meet the criteria for capitalisation. During the period, the Group has capitalised internal development costs amounting to £117.5m and £63.9m on intangible and tangible assets respectively.	3.3 3.4
Provisions, Contingent Liabilities and Contingent Assets – Solutions	Determined from assessments of progress against agreed milestones to highlight if any financial penalties might be incurred in case of delay or non-performance of milestones, in which case provisions are made in accordance with IAS 37.	3.13
Exceptional items	Management believes that separate presentation of the exceptional items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in determining the classification of certain transactions as exceptional items by considering the nature, occurrence and the materiality of the amounts involved in those transactions. Note 2.6 provides information on amounts disclosed as exceptional items in the current and comparative financial statements together with the Group's definition of exceptional items. These definitions have been applied consistently over the periods.	2.6

Key estimation uncertainties

Key areas of estimation uncertainty are the key assumptions concerning the future and other data points 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.

Area	Estimation uncertainty	Notes
Fair value measurement – contingent consideration due from M&S	At the reporting date, the fair value of contingent consideration recognised was £98.3m. The majority of this relates to an amount due from Marks and Spencer Holdings Limited ("M&S"), agreed on the part disposal of Ocado Retail Limited ("Ocado Retail's") in August 2019. The payment of the contingent consideration totalling £190.7m in cash is contingent on certain contractually defined Ocado Retail performance measures being achieved during the 2023 financial year. The outcome is a binary one, meaning should the performance measures be achieved, this will trigger the payment in full of £156.3m plus £34.4m of interest whereas should the performance measures not be achieved, no consideration would be payable by M&S. The fair value of the contingent consideration has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios and applying an appropriate discount rate to reflect the time value of the possible payment. The Group considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance target and Ocado Retail's current trading performance. Management determined that the fair value of the contingent consideration due from M&S as at the reporting date is £95.0m. The fair value measurement of the asset at the reporting date is considered principally to be sensitive to reasonably possible changes in the target performance measure. To illustrate this sensitivity, if the performance measure was £25m higher or lower than assumed in the valuation approach, the fair value of the asset based on period end valuation model would increase by £13.0m or decrease by £14.6m respectively	3.7 4.4
Impairment assessment – goodwill , property, plant and equipment and other intangible assets	The performance of the Group's impairment assessments requires management to make judgements in determining whether an asset or cash generating unit ('CGU') shows any indicators of impairment that would require an impairment test to be carried out. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates, and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. Key estimates used in impairment tests and sensitivities are disclosed in the relevant notes.	3.2 3.3 3.4

Climate-related risks

The Group has considered the impact of climate-related risks, as set out on pages 50 and 51, on its financial performance and position, for example those that might have an effect on forecast cash flows for the purposes of going concern, viability and impairment assessments, or the useful lives of certain assets. Given the early stages of our plans and our overall climate-related strategy, and the expected timing of our roadmap to Net Zero targets, we have not identified a material impact on the financial reporting judgements and estimates.

1.5 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.

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Finance Review on pages 70 to 85. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Strategic Report on pages 1 to 99, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors as set out on pages 86 to 95.

At the reporting date, the Group had cash and cash equivalents of £1,328.0m (2021: £1,468.6m), external gross debt of £1,887.6m (2021: £1,794.4m) (excluding lease liabilities payable to MHE JVCo Limited of £17.5m (2021: £34.0m)) and net current assets of £1,166.3m (2021: £1,418.3m). The Group has a mixture of medium-term financing arrangements, including £600.0m of senior unsecured convertible bonds due in 2025, £500.0m of senior unsecured notes due in 2026, and £350.0m of senior unsecured convertible bonds due in 2027. The Group forecasts its liquidity and working capital requirements, and ensures it maintains sufficient headroom so as not to breach any financial covenants in its borrowing facilities, as well as maintaining sufficient liquidity over the forecast period.

Having had consideration for these areas, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 98.

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 that are delivered by third-party couriers, revenue is recognised when the items have been transferred to the third party for onward delivery to the customer. Revenue is presented net of returns, relevant marketing vouchers and offers and value added taxes. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and offers such as buy three for the price of two. Revenue from Ocado Smart Pass is recognised over the duration of the membership on a time-elapsed, straight-line basis.

UK Solutions & Logistics and International Solutions segments
Identification of performance obligations
Solutions contracts are allocated to one of the two Solutions segments based on geography. The approach taken to evaluate the accounting treatment of a contract is the same for both segments, with each contract being considered on a case-by-case basis. A typical Ocado Solutions contract has a single performance obligation: "to enable the client to access the Ocado Smart Platform ("OSP") end-to-end online grocery platform from the go-live date, with an agreed physical capacity, from a CFC for example, for the use of its retail brands". The ability to derive independent benefit is a key determinant. For example, there are several critical contractual milestones that occur before the service is operational, such as the design of the CFC for the customer or preparation of the OSP. However, management has concluded that the customer is not able to derive any benefit from these individual elements until the service is operational and they are able to fulfil an order. Depending on the individual customer, fulfilment of an order may include the delivery of goods to the final consumer, and this would make up part of the obligation.

Consequently, designing the CFC or building the customer OSP is not a separate performance obligation and no revenue can be assigned to satisfying these aspects of the contract. Some contracts, however, have multiple components, for example, the addition of In Store Fulfilment ("ISF") 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.

In order to arrive at the transaction price, management is initially required to make a judgement about the duration of the contract. The majority of Solutions contracts do not have a fixed term, but run for an indefinite period until cancelled. For the purposes of applying IFRS 15, and in particular making the disclosures in respect of unsatisfied performance obligations, management determines the duration of a contract, having considered the type of contract, performance against contractual service level agreements ("SLAs") and termination provisions. The point at which any termination penalties payable by the customer would no longer be considered "substantive" is particularly relevant. This key judgement on contract duration defines the period for which unsatisfied and partially unsatisfied performance obligations are measured and disclosed when calculating the transaction price.

Typically, Solutions contracts include both up-front fees, paid by the customer in the period prior to the solution going live, and subsequent annual amounts that are either recurring or variable. The up-front fees are one-off payments and are included in the transaction price and recognised over the expected customer life. Expected customer life is a key judgement as it affects the amount of deferred up-front fees that are released as revenue each period, and the factors considered in reaching the judgement on expected customer life include the nature of the performance obligation, the scale of current and future planned investment, performance against contractual SLAs, the evolving technology and competitive landscape. The judgements made for contract duration may be different to those judgements for expected customer life.

A Solutions contract often includes recurring fees, which are due on an annual basis throughout the contract, are recognised over the duration of the contract and are included in the estimate of the total transaction price.

Variable amounts are annual fees whereby typically the variability relates to the volume of sales transactions processed or variable costs associated with providing the service to the customer. It has been determined that these variable amounts should be recognised in the period in which they arise, because they relate to the services provided in that period. In determining the total transaction price for disclosure, the amount of future variable consideration has been estimated for the contract duration described above.

IFRS 15 requires estimates of future variable consideration to be conservative and "highly probable" to become due. In respect of agreements that are already operating, constrained estimates have been reached by assuming 90.0% of the committed capacity only. This estimate excludes potential benefits from both indexation and future revenue growth from capacity improvements and the continued channel shift to online in the industry. It also considers potential risks from new entrants to the online fulfilment market as it continues to grow and the competitive nature of the grocery market itself, which could have an adverse effect on volumes.

Although for most Solutions contracts, there is the possibility that the customer will add capacity in the form of additional modules in existing CFCs or additional CFCs in new locations, which would lead to increased revenue, this has been excluded from the calculation of the estimated transaction price.

Taken together, it is considered that the above approach represents a suitably conservative view of future estimated revenue in the disclosures of unsatisfied performance obligations as required by IFRS 15.

For each Solutions contract an assessment has been made by the Group as to whether there is a significant finance benefit arising from the timing of payments required from the customer. Judgement is required to choose an appropriate interest rate used in the assessment and to set a reasonable threshold for determining whether any finance benefit is significant.

Allocation of transaction prices to performance obligations
Single component contracts have a single performance obligation and the whole transaction price is assigned to that single deliverable. Multiple component contracts will have more than one obligation, each with its own contract duration as adjudged by management. Each contract clearly states the fees relating to each component. This provides management with a basis for allocation of the calculated transaction price to each performance obligation based on the stand-alone selling price.

Notes to the consolidated financial statements
continued

2.1 Revenue continued

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. As international Solutions contracts are in the early stages of operation, 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.

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:

- 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.

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.

Capitalised costs to obtain contracts are reviewed for impairment 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.

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail	**2,203.0**	2,289.9
UK Solutions & Logistics	**802.7**	710.4
International Solutions	**147.8**	66.6
Other	**0.8**	0.4
Group eliminations	**(640.5)**	(568.5)
Revenue	**2,513.8**	2,498.8
Timing of revenue recognition		
At a point in time	**2,179.9**	2,289.9
Over time	**333.9**	208.9
	2,513.8	2,498.8

Revenue split by geographical area

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
UK	**2,366.0**	2,432.2
Overseas	**147.8**	66.6
	2,513.8	2,498.8

Contract balances

	27 November 2022 £m	28 November 2021 £m
Trade receivables	**59.6**	50.8
Accrued income	**14.2**	5.5
Contract assets – current	**–**	0.3
Contract liabilities – current	**(29.1)**	(21.8)
Contract liabilities – non-current	**(393.8)**	(356.7)

Notes to the consolidated financial statements
continued

2.1 Revenue continued

Contract liabilities

The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied. The movement in contract liabilities during the current and prior period is:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Balance at beginning of period	**(378.5)**	(299.3)
Amount invoiced	**(69.1)**	(94.4)
Amount recognised as revenue	**24.7**	15.2
Balance at end of period	**(422.9)**	(378.5)

£24.7m (2021: £15.2m) of revenue recognised during the period was included in contract liabilities at the beginning of the period.

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) are expected to be recognised as revenue as follows:

	27 November 2022 £m	28 November 2021 £m
Within one year	**355.1**	258.6
In between one and five years	**2,127.2**	1,643.5
In more than five years	**4,827.9**	4,016.3
Total transaction price	**7,310.2**	5,918.4

The total transaction price includes £1,972.1m (2021: £1,812.6m) 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, given the early stage of customer contracts, 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 and where a significant reversal of revenue will not occur. 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).

2.2 Segmental reporting

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. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

The Group has determined it has three reportable segments: Retail, UK Solutions & Logistics, and International Solutions.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and comprises Ocado Retail Limited. The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics for customers in the United Kingdom (Wm Morrison Supermarkets Limited and Ocado Retail Limited). The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom. In order to reconcile segmental revenue® and segmental EBITDA® with the Group's revenue and EBITDA®, two other headings are used: "Other" represents revenue and costs that do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions.

The Board assesses the performance of all segments on the basis of EBITDA®. EBITDA®, as reported internally by segment, is the key measure utilised in assessing the performance of operating segments within the Group.

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.

The Group is not currently reliant on any major customer for 10% or more of its revenue.

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 27 November 2022						
Segmental revenue®	**2,203.0**	**802.7**	**147.8**	**0.8**	**(640.5)**	**2,513.8**
Segmental EBITDA®	**(4.0)**	**67.2**	**(113.2)**	**(21.9)**	**(2.2)**	**(74.1)**
52 weeks ended 28 November 2021						
Segmental revenue	2,289.9	710.4	66.6	0.4	(568.5)	2,498.8
Segmental EBITDA	150.4	68.5	(119.3)	(37.5)	(1.1)	61.0

® See Alternative Performance Measures on pages 279 and 281

No measure of total assets and total liabilities is reported for each reportable segment, as such amounts are not provided to the chief operating decision maker.

2.3 Other income

Accounting policies

Other income comprises the fair value of consideration received or receivable for advertising services provided by the Group to suppliers and other third parties on the Webshop, commission income, rental income, sub-lease payments receivable and amounts receivable not in the ordinary course of business. Income for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. An adjustment is made at the reporting date to accrue for the amount of income in relation to campaigns that may span the reporting date, but such adjustments are not typically material.

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Rental income		**13.4**	13.2
Media and other income		**87.3**	90.8
Exceptional insurance reimbursement income	2.6	**73.8**	80.6
Income from litigation settlement	2.6	**–**	1.8
Other income		**174.5**	186.4

2.4 Operating expenses

Accounting policies

Cost of sales

Cost of sales represents the cost of groceries and other products the Group sells, any associated licence fees that are driven by the volume of sales of specific products or product groups, including the branding and sourcing fees payable to M&S, adjustments to inventory, payment processing charges 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 the cost of sales. For the period, promotional allowances represent 88% (2021: 82%) of commercial income, with rebates representing 12% (2021: 18%).

Promotional allowances

Cost of sales includes monies received from suppliers in relation to the agreed funding of selected items that are sold by the Group on promotion, and these are recognised once the promotional activity has taken place in the period to which it relates on an accruals basis. The estimates required for this source of income are limited because the time periods of promotional activity, in most cases, are less than one month and the invoicing for the activity occurs on a regular basis shortly after the promotions have ended.

Volume-related rebates

At the reporting date, the Group is required to estimate supplier income due from annual agreements for volume-related rebates that cross the reporting date. Estimates are required since confirmation of some amounts due is often only received three to six months after the reporting date. Where estimates are required, these are based on current performance, historical data for prior periods and a review of significant supplier contracts.

Notes to the consolidated financial statements continued

2.4 Operating expenses continued

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 and call centre costs. These include costs incurred on behalf of Wm Morrison Supermarkets Limited ("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.

Operating expenses include:

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cost of inventories recognised as an expense[1]		**1,650.9**	1,671.4
Employment costs	2.5	**690.6**	644.2
Amortisation of intangible assets	3.3	**114.7**	78.0
Impairment of intangible assets	3.3	**3.6**	1.1
Depreciation of property, plant and equipment	3.4	**154.4**	84.4
Derecognition of previously capitalised costs in relation to SaaS arrangements	3.4	**–**	13.3
Impairment of property, plant and equipment	3.4	**9.3**	9.3
Impairment of property, plant and equipment – Erith assets	3.4	**–**	2.1
Depreciation of right-of-use assets	3.5	**66.0**	65.6
Impairment of right-of-use assets	3.5	**0.6**	–
Increase in expected credit loss of trade receivables	3.10	**3.8**	2.4
Expense relating to short-term leases and leases of low-value assets	3.5	**3.2**	0.4
Net foreign exchange loss		**1.4**	0.9

1 This amount is included within the Cost of sales.

During the period, the Group paid the following to its auditor:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Audit of the Company's annual financial statements	**0.1**	0.1
Audit of the Company's subsidiaries	**2.1**	1.7
Total audit fees	**2.2**	1.8
Audit-related assurance services	**0.2**	0.6
Other assurance services	**–**	0.3
Total non-audit fees	**0.2**	0.9
Total fees	**2.4**	2.7

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. Contributions are charged to the Consolidated Income Statement in the period to which they relate.

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Wages and salaries		**759.9**	666.3
Social security costs		**73.0**	61.1
Defined contribution pension costs		**23.2**	19.0
Share-based payment charge[1]	4.7	**15.9**	41.8
Gross employment costs		**872.0**	788.2
Staff costs capitalised as intangible assets	3.3	**(117.5)**	(109.0)
Staff costs capitalised as property, plant and equipment	3.4	**(63.9)**	(35.0)
Employment costs		**690.6**	644.2
Average monthly number of employees (including Executive Directors) by function			
Operational staff		**16,712**	16,098
Support staff		**4,687**	4,034
		21,399	20,132

1 Included in the share-based payment charge is an equity-settled charge of £42.0m (2021: £35.5m) and a net release of provisions of £26.1m (2021: £6.3m net increase in provisions) for the payment of amounts due to participants in the Retail VCP, and for the payment of employer's National Insurance contributions on taxable employee incentive schemes.

Notes to the consolidated financial statements
continued

2.6 Exceptional items(A)

Accounting policies

Exceptional items, as disclosed on the face of the Consolidated Income Statement, are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as exceptional in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily. The Group applies judgement in identifying the items of income and expense that are recognised as exceptional.

	Ref.	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Andover CFC	A		
– Insurance reimbursement income		**67.4**	78.6
– Other exceptional costs		**(3.4)**	(5.6)
		64.0	73.0
Erith CFC	B		
– Insurance reimbursement income		**6.4**	2.0
– Other exceptional costs		**–**	(10.1)
		6.4	(8.1)
Litigation costs	C	**(26.5)**	(28.9)
Litigation settlement	C	**–**	1.8
Ocado Group Finance transformation and SaaS implementation costs	D	**(7.0)**	(13.3)
Ocado Retail IT systems transformation	E	**(4.0)**	(4.6)
(Loss)/gain on disposal of Speciality Stores Limited ("Fetch")	F	**(1.4)**	1.0
Gain on disposal of investment in Infinite Acres Holding B.V.	G	**–**	5.0
Change of fair value of contingent consideration receivable	H	**(58.4)**	16.9
Organisational Restructure	I	**(3.0)**	–
Net exceptional (expense)/income		**(29.9)**	42.8

(A) See Alternative Performance Measures on pages 279 and 281

A. 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 were formally accepted by the insurers.

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses. The reimbursement has been recognised as other income.

During the period, the Group reached an agreement with the insurers for the final settlement of the insurance claim for a total of £273.8m, which resulted in an additional insurance reimbursement income of £67.4m in the period. This has then concluded the Andover insurance fire claim.

Other exceptional costs include, but are not limited to, write off of certain assets, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative exceptional costs recognised to date, across all prior periods, amount to £124.9m.

B. Erith CFC

In July 2021, a fire destroyed part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims were formally accepted by the insurer.

During the period, an agreement was reached with the insurers for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3m. A final payment of £6.4m was received during the period and was recognised as an insurance reimbursement income in FY22. The receipt of the £6.4m has concluded the Erith fire claim.

Other exceptional costs include, but are not limited to, stock write-offs, customer goodwill refund, impairment of certain fixed assets and labour costs. The cumulative exceptional costs expensed to date amount to £10.1m.

C. Litigation costs and litigation settlement

Litigation costs are primarily costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). Further details are provided in Note 3.14. The costs during the period amount to £26.5m (FY21: £28.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against certain former employees and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property, which was settled in 2021. The Group received £1.8m as part of the settlement which was recognised as an exceptional income in FY21. The net cumulative costs to date amount to £57.6m.

D. Ocado Group Finance transformation and SaaS implementation costs

As part of the Group's Finance transformation programme, the Group implemented various SaaS solutions, primarily Oracle Fusion, which went live in FY21, across the business. Following the IFRIC agenda decision, in FY21, the Group updated its accounting policy for the treatment of SaaS configuration and customisation related costs under IAS 38 Intangible Assets. The cumulative finance transformation and SaaS implementation costs expensed to date amount to £28.6m and include £7.0m in FY22.

These amounts have been disclosed as exceptional items in both FY21 and FY22 because they are material and arise both from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

The finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related finance processes to improve efficiency across the business. Incremental costs incurred in relation to the ongoing programme will continue to be disclosed as exceptional items. Ongoing licence fees for SaaS arrangements and the cost of business as usual finance activity do not form part of the exceptional items.

E. Ocado Retail IT systems transformation

In FY21, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until FY23, includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition criteria will be expensed. The cumulative costs expensed to date amount to £8.6m.

F. (Loss)/gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings"), resulting in a gain on disposal of £1.0m in FY21.

During the period, a provision of £1.4m was made against the deferred consideration based on the likelihood of receipt.

G. Gain on disposal of investment in Infinite Acres Holding B.V. ("Infinite Acres")

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres' issued share capital, resulting in a gain on disposal of £5.0m.

H. Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks and Spencer Group plc ("M&S"). Part of the consideration 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. A loss on revaluation of £58.4m (FY21: £16.9m gain) is reported through exceptional items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to Note 3.7 for details.

I. Organisational restructure

During the period, the Group undertook a partial reorganisation of its head office functions resulting in redundancies and related costs of £3.0m. Further organisational restructures are planned for FY23 and are expected to toal £7.0m.

Tax impacts on exceptional items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £0.8m (FY21: tax charge £0.5m). A further tax charge of £6.4m (FY21: charge of £3.7m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Notes to the consolidated financial statements
continued

2.7 Finance income and costs

Accounting policies

Borrowing costs

Borrowing costs, which are directly attributable to the acquisition or construction of qualifying assets, are capitalised. 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 nil (2021: £2.1m). The rate used to determine the amount of finance costs capitalised during the prior period was 3.9%.

Finance income and costs

Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise interest expenses on borrowings, lease liabilities and provisions. The interest expense on borrowings is recognised using the effective interest method. The interest expense on lease liabilities is recognised over the lease periods so as to produce constant periodic rates of interest on the remaining balances of the liabilities.

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Interest income on cash balances	12.5	1.0
Interest income on loans receivable	1.0	0.6
Gain on revaluation of equity investments designated at FVTPL	11.9	8.4
Net foreign exchange gain	16.4	–
Finance income	**41.8**	10.0
Interest expense on borrowings	(61.3)	(52.7)
Interest expense on lease liabilities	(28.3)	(18.0)
Interest expense on provisions	(0.4)	(0.9)
Foreign exchange gain/(loss)	–	19.3
Finance costs	**(90.0)**	(52.3)
Net finance cost	**(48.2)**	(42.3)

2.8 Income tax

Accounting policies

The tax charge for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement.

Deferred tax

Deferred tax is recognised using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The recognition of deferred tax assets is supported by management's forecast of the future profitability of the relevant countries. Judgement is used when assessing the extent to which deferred tax assets should be recognised, and the final outcome of some of these judgements may give rise to material profit and loss and/or cash flow variances. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Factors that may affect future tax charges

Factors that may affect future tax charges include the level and mix of profitability in different countries, changes in tax legislation and tax rates and transfer pricing regulations.

Income tax – Consolidated Income Statement

The major components of income tax (credit)/charge are as follows:

	52 weeks ended 27 November 2022 £m			52 weeks ended 28 November 2021 £m		
	United Kingdom	Rest of world	Total	United Kingdom	Rest of world	Total
Current tax						
Current year	(8.0)	0.8	(7.2)	7.3	0.7	8.0
Current tax credit on exceptional items	(0.8)	–	(0.8)	0.5	–	0.5
Adjustment in respect of prior years	0.4	(0.6)	(0.2)	(0.1)	–	(0.1)
Total current tax	**(8.4)**	**0.2**	**(8.2)**	7.7	0.7	8.4
Deferred tax						
Origination and reversal of temporary differences	(13.2)	(0.8)	(14.0)	8.8	(10.2)	(1.4)
Effect of change in tax rate	–	0.1	0.1	1.6	–	1.6
Adjustments in respect of prior years	(1.2)	3.8	2.6	0.2	–	0.2
Total deferred tax	**(14.4)**	**3.1**	**(11.3)**	10.6	(10.2)	0.4
Total tax (credit)/charge	**(22.8)**	**3.3**	**(19.5)**	18.3	(9.5)	8.8

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Loss before tax	(500.8)	(176.9)
Effective tax credit at United Kingdom tax rate of 19.0% (2021: 19.0%)	(95.2)	(33.6)
Effect of:		
Joint venture and associate income reported net of tax	–	0.5
Differences in overseas tax rates	0.3	(2.9)
Losses arising in period on which no deferred tax is recognised	38.7	44.7
Temporary differences on which no deferred tax is recognised	16.0	20.8
Recognised tax losses from prior periods	(0.4)	(14.2)
Permanent differences	33.5	(8.3)
UK rate change	(14.9)	1.6
Adjustments in respect of prior periods	2.5	0.2
Income tax (credit)/charge	**(19.5)**	8.8

The adjustments in respect of prior periods arise from revising the prior period's tax provision to reflect the tax returns subsequently filed.

Income tax – Consolidated Balance Sheet

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Deferred tax assets	1.9	7.2
Deferred tax liabilities	(14.7)	(24.4)
Net deferred tax liabilities	**(12.8)**	(17.2)

Notes to the consolidated financial statements
continued

2.8 Income tax continued

The major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior financial years are as follows:

	Tax losses carried forward £m	Accelerated capital allowances £m	Intangibles £m	Share-based payments £m	Other short-term temporary differences £m	Total £m
Balance at 29 November 2020	2.1	12.5	(19.3)	7.9	1.1	4.3
Foreign exchange movements	0.6	(0.4)	–	–	–	0.2
Effect of change in rate of UK Corporation Tax	0.6	1.8	(7.2)	2.8	0.3	(1.6)
Credited/(charged) to Consolidated Income Statement	27.2	(11.9)	(2.4)	(5.0)	(6.6)	1.2
Credited to equity	–	–	–	0.5	–	0.5
Acquisitions/disposals	–	–	(21.8)	–	–	(21.8)
Balance at 28 November 2021	30.5	2.0	(50.7)	6.2	(5.2)	(17.2)
Foreign exchange movements	**0.8**	**–**	**(1.8)**	**0.1**	**–**	**(0.9)**
Effect of change in rate of UK Corporation Tax	**(1.4)**	**1.3**	**–**	**–**	**–**	**(0.1)**
Credited/(charged) to Consolidated Income Statement	**30.5**	**(28.7)**	**10.3**	**(5.1)**	**4.4**	**11.4**
Charged to Other Comprehensive Income	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Charged to equity	**–**	**–**	**–**	**0.9**	**–**	**0.9**
Acquisitions/disposals	**0.3**	**–**	**–**	**–**	**–**	**0.3**
Balance at 27 November 2022	**60.7**	**(25.4)**	**(42.2)**	**2.1**	**(8.0)**	**(12.8)**

Other short-term timing differences include temporary differences in respect of provisions and fair value of investments.

Deferred tax has been recognised at 25%, as this is the rate the UK corporation tax rate will rise to with effect from 1 April 2023.

At the reporting date, the Group had approximately £973.9m of unutilised tax losses (2021: approximately £677.7m) available to offset against future profits. Deferred tax assets of £60.7m (2021: £30.5m) have been recognised in respect of £244.2m (2021: £119.7m) of such losses, the recovery of which is supported by the expected level of future profits of the Group. The recognition of the deferred tax assets is based on forecast operating results calculated in approved business plans and a review of tax planning opportunities.

In addition, the Group had approximately £374.0m (2021: £352.8m) of other gross deductible temporary differences for which no deferred tax asset is recognised.

No deferred tax asset has been recognised in respect of the remaining losses on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. With the exception of £33.7m which expire in 2041 and £3.6m which expire in 2042, 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 £1.9m (2021: £7.2m).

The amount of temporary differences associated with overseas subsidiaries for which no deferred tax has been provided is not material.

Deferred tax assets of £4.2m (2021: £6.2m) have been recognised in countries that reported a tax loss in either the current or preceding year. The majority arises overseas (2021: the majority arose overseas).

Changes in tax law or its interpretation

Ocado Group plc is aware of the upcoming GloBE model rules in relation to BEPS Pillar II. The United Kingdom has not yet substantively enacted the rules, but they are expected to apply from January 2024, at which time the Group is expected to fall within scope. To date, Ocado Group plc does not materially operate in low tax jurisdictions and will continue to monitor application of the rules and the potential impact on the Group.

2.9 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 Ocado Group Value Creation Plan ("Group VCP"), which are accounted for as treasury shares.

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all potentially dilutive shares. The Company has five classes of instruments that are potentially dilutive: share options; share interests held pursuant to the Group's JSOS; linked JOE awards under the Group VCP; shares under the Group's staff incentive plans; and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of the basic and diluted loss per share since the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	52 weeks ended 27 November 2022 million	52 weeks ended 28 November 2021 million
Weighted average number of shares at end of period	**772.9**	739.5
	£m	£m
Loss attributable to owners of the Company	**(455.5)**	(223.2)
	pence	pence
Basic and diluted loss per share	**(58.93)**	(30.18)

Section 3 – Assets and liabilities

3.1 Business combinations

Accounting policies

The acquisition method of accounting is used for the acquisition of businesses. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the date the Group assumes control of the acquiree.

Acquisition-related costs are recognised in the Consolidated Income Statement as incurred and are included in administrative expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from agreed contingent consideration measured at fair value at the date control is achieved. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS.

Business combinations in the current period

Myrmex Inc.

On 6 June 2022, the Group acquired 100% of the issued share capital of Myrmex Inc. ("Myrmex"), a materials handling robotics start-up incorporated in the US that combines the use of intelligent robotics to industry standard assets to enhance order fulfilment. The Group previously acquired a 12.2% minority stake in Myrmex in October 2020 and appointed them to design and develop a proprietary solution that automates the loading of totes containing customer orders onto frames ready for dispatch ("Auto Frame Load" or "AFL"). The acquisition of Myrmex will enable faster roll-out of AFL across Ocado Group's global CFC footprint, as well as open up new opportunities for the development of bespoke automation solutions for the Ocado Smart Platform.

The total net consideration was £7.3m (€8.3m). The fair value of previous equity interests was £0.9m. Goodwill represents the future benefit of new technology, combined talent and future cost saving synergies.

Consideration transferred

	£m
Cash paid	5.9
Deferred consideration[1]	1.4
	7.3

1. Deferred consideration represents cash consideration withheld to cover potential indemnity claims under the terms of the acquisition agreement and will be released within 2 years.

Notes to the consolidated financial statements
continued

3.1 Business combinations continued

Fair value of assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Myrmex Inc. as at the date of acquisition were:

	£m
Assets	
Intangible assets	1.6
Property, plant and equipment	0.1
Deferred tax assets	0.4
Trade and other receivables	0.2
Cash and cash equivalents	0.4
	2.7
Liabilities	
Trade and other payables	(0.2)
	(0.2)
Total identifiable net assets at fair value	**2.5**
Consideration transferred	7.3
Fair value of investment previously held at FVTPL	0.9
Less fair value of identifiable net assets	(2.5)
Goodwill	**5.7**

Acquisition-related costs

A total of £0.3m acquisition-related costs were incurred for the acquisition of Myrmex Inc. which has been recognised within administrative expenses in the Consolidated Income Statement.

Contribution to Consolidated Income Statement

The contribution of the business to revenue and loss before tax was £0.1m and £nil respectively. If the acquisition had occurred at the start of the current period the Group's revenue and loss before tax would have increased by £0.2m and £0.1m respectively.

Analysis of cash flow on acquisition of Myrmex Inc.

	£m
Consideration paid	(5.9)
Cash acquired with subsidiary (included in cash flows from investing activities)	0.4
Net cash flow on acquisition	(5.5)

Cash flows in relation to acquisition costs have been recognised in operating cash flows.

Business combinations in the prior period

Kindred Systems Inc.

On 15 December 2020, the Group acquired 100% of the issued share capital of Kindred Systems Inc. ("Kindred Systems"), a company incorporated in Canada with its principal operations in the US that designs, supplies and services sophisticated piece-picking robots for ecommerce and order fulfilment for total consideration of £189.0m (US$251.8m).

Haddington Dynamics Inc.

On 21 December 2020, the Group acquired 100% of the issued share capital of Haddington Dynamics Inc. ("Haddington Dynamics"), an advanced research and development company incorporated in the US that specialises in the design and manufacture of highly dextrous, lightweight, low-cost robotic arms for total consideration of £11.0m (US$14.9m). Kindred Systems and Haddington Dynamics together contributed an EBITDA loss from trading of £8.5m for the period ended 28 November 2021. Non-trading losses of £6.7m in the period have been presented in the 'Other' segment.

Fair value of assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Kindred Systems and Haddington Dynamics as at the dates of acquisitions were:

	Kindred Systems Inc. £m	Haddington Dynamics Inc. £m	Total fair value on acquisition £m
Assets			
Fixed assets	9.1	–	9.1
Cash and cash equivalents	2.2	–	2.2
Investments	0.9	–	0.9
Working capital	2.7	0.1	2.8
Intangible assets	65.7	9.0	74.7
	80.6	**9.1**	**89.7**
Liabilities			
Trade and other payables	(7.2)	(0.5)	(7.7)
Deferred tax liabilities	(19.9)	(1.9)	(21.8)
	(27.1)	**(2.4)**	**(29.5)**
Total identifiable net assets at fair value	**53.5**	**6.7**	**60.2**
Consideration transferred	189.0	11.0	200.0
Less fair value of identifiable net assets	(53.5)	(6.7)	(60.2)
Goodwill	**135.5**	**4.3**	**139.8**

Deferred consideration and replacement share awards

Deferred cash consideration of £2.6m is payable to key members of the Kindred Systems management team and will be treated as an employment cost.

In addition, £7.9m of Rollover Options (Replacement Share Awards) were awarded to key management personnel of Kindred Systems as part of the acquisition transaction and will be treated as a share based payments employment cost. Refer to Note 4.7 for further details.

For Haddington Dynamics, £6.9m of deferred shares were awarded to key management personnel as part of the transaction and will be treated as a share based payments employment cost. Refer to Note 4.7 for further details.

3.2 Goodwill

Accounting policies

Goodwill arises on the acquisition of a business when the fair value of the consideration exceeds the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but subject to annual impairment reviews. Goodwill generated from an acquisition is allocated to and monitored at an operating segment level.

Following initial recognition, goodwill is stated at costs less any accumulated impairment losses. Goodwill is reviewed annually for impairment and the recoverability of goodwill assessed by comparing the carrying amount of the CGU with the expected recoverable amount. Impairment is recognised where there is a difference between carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Impairment is recognised immediately in the income statement and is not subsequently reversed.

Impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs of disposal and value in use at the date the impairment review is undertaken. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the consolidated financial statements continued

3.2 Goodwill continued

Carrying amount of goodwill as at 27 November 2022 is as follows:

	Goodwill £m
Cost	
At 29 November 2020	4.7
Additions	139.8
Effect of changes in foreign exchange rates	0.3
At 28 November 2021	144.8
Additions	**5.7**
Effect of changes in foreign exchange rates	**14.2**
At 27 November 2022	**164.7**
Accumulated amortisation	–
At 29 November 2020	–
Charge for the period	–
At 28 November 2021	–
Charge for the period	–
At 27 November 2022	–
Net book value	
At 28 November 2021	144.8
At 27 November 2022	**164.7**

Goodwill – Impairment testing

Goodwill generated from an acquisition is allocated to and monitored at an operating segment level. An analysis of goodwill by operating segment is:

	Retail £m	International Solutions £m	UK Solutions & Logistics £m	Goodwill £m
At 28 November 2021	–	104.0	40.8	144.8
Additions	–	4.1	1.6	5.7
Effect of changes in foreign exchange rates	–	10.2	4.0	14.2
At 27 November 2022	**–**	**118.3**	**46.4**	**164.7**

The recoverable amounts of these CGUs are the higher of fair value less costs of disposal ("FVLCD") and value in use. Management concluded that FVLCD was more appropriate for determining the recoverable amount of the CGUs because the Group's cash flows are mainly based on future growth expectation from CFC commitments / expected capital investments.

FVLCD has been estimated using present value techniques using a discounted cashflow method. The fair value method relies on inputs not normally observable by market participants and is therefore categorised at Level-3 in the fair value hierarchy.

The key assumptions used by management in estimating FVLCD were:

- **Discount rates** – based on the Weighted Average Cost of Capital (WACC) of a typical market participant. The post tax discount rate used 11.0% (FY21: 7.2%). The discount rate has increased reflecting market volatility in risk free rate and equity risk premium inputs.
- **Forecast cash flows** – based on assumptions from the approved budget and 5-year plan, with projections extending to 10 years for International Solutions. The projections, which incorporate our best estimates of future cash flows and take into account future growth and price increases, have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.
- **Long-term growth rates** – A long-term growth rate of 2.0% (FY21: 2.0%) was used for cash flows outside the plan projections. This long term growth rate is conservative and is considered to be lower than the long-term historic growth rates in the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

No impairment has been recognised. For UK Solutions and Logistics, a 1.5ppt increase in discount rate would result in £132.0m of headroom being fully eroded. The CGU has a carrying value of £531.9m.

3.3 Other intangible assets

Accounting policies

Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised using the straight-line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific assets, but are typically:

Internally generated intangible assets	3 – 15 years
Other intangible assets	3 – 15 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Cost capitalisation

The cost of an internally generated intangible asset is capitalised as an intangible asset where management determines that the ability to develop the asset is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. 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. Examples of research costs include 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.

Internally generated intangible assets consist primarily of costs relating to intangible assets that 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 an intangible asset. If the asset could be used on other existing or future projects it will be recognised as an intangible asset. For example, should an internally generated intangible asset, such as the software code to enhance the operation of existing equipment in a CFC, be expected to form the foundation or a substantial element of future software development, it will be recognised as an intangible asset.

Estimation of useful life

The periodic amortisation charge is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced amortisation charge in the Consolidated Income Statement.

The useful life is determined by management at the time software is acquired and brought into use, and is reviewed for appropriateness regularly. For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software.

For unique software products developed and controlled by the Group, useful life is based on historical experience with similar products as well as anticipation of future events that may affect their useful life, such as changes in technology.

Impairment of intangible assets

For intangible assets the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

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.

Notes to the consolidated financial statements continued

3.3 Other intangible assets continued

Carrying amount of other intangible assets as at 27 November 2022 is as follows:

	Internally generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 29 November 2020	357.5	63.9	421.4
Additions	7.6	14.8	22.4
Internal development costs capitalised	95.6	–	95.6
Recognised on acquisition of subsidiaries (Note 3.1)	64.6	10.1	74.7
Disposals	(73.6)	(10.0)	(83.6)
Effect of changes in foreign exchange rates	0.4	–	0.4
At 28 November 2021	452.1	78.8	530.9
Additions	**24.2**	**3.2**	**27.4**
Internal development costs capitalised	**116.4**	**1.1**	**117.5**
Recognised on acquisition of subsidiaries (Note 3.1)	**1.6**	**–**	**1.6**
Relassification	**(3.6)**	**0.8**	**(2.8)**
Disposals	**(0.1)**	**–**	**(0.1)**
Effect of changes in foreign exchange rates	**0.3**	**7.6**	**7.9**
At 27 November 2022	**590.9**	**91.5**	**682.4**
Accumulated amortisation			
At 29 November 2020	(165.6)	(24.6)	(190.2)
Charge for the period	(63.4)	(14.6)	(78.0)
Impairment charge	–	(1.1)	(1.1)
Disposals	73.6	10.0	83.6
At 28 November 2021	(155.4)	(30.3)	(185.7)
Charge for the period	**(98.2)**	**(16.5)**	**(114.7)**
Impairment charge	**(3.4)**	**(0.2)**	**(3.6)**
Effect of changes in foreign exchange rates	**–**	**(1.2)**	**(1.2)**
At 27 November 2022	**(257.0)**	**(48.2)**	**(305.2)**
Net book value			
At 28 November 2021	296.7	48.5	345.2
At 27 November 2022	**333.9**	**43.3**	**377.2**

Included within intangible assets is capital work-in-progress for internally generated intangible assets of £72.8m (2021: £39.7m) and £4.1m (2021: £6.2m) for other intangible assets.

3.4 Property, plant and equipment

Accounting policies

Property, plant and equipment (excluding land) are stated at cost, less accumulated depreciation and impairment losses. 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.

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives, 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	up to 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.

Estimation of useful life

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. The useful lives and residual values 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. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Income Statement.

Management also assesses the useful lives based on historical experience with similar assets, as well as anticipation of future events that 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.

Impairment of property, plant and equipment

For property, plant and equipment the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

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.

Notes to the consolidated financial statements
continued

3.4 Property, plant and equipment continued

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2020	89.8	920.7	11.0	1,021.5
Additions	32.8	489.9	0.1	522.8
Internal development costs capitalised	–	35.0	–	35.0
Recognised on acquisition of subsidiaries	–	9.1	–	9.1
Disposals	–	(24.7)	(2.3)	(27.0)
Effect of changes in foreign exchange rates	–	1.9	–	1.9
At 28 November 2021	122.6	1,431.9	8.8	1,563.3
Additions	**92.5**	**494.4**	**1.6**	**588.5**
Internal development costs capitalised	**–**	**63.9**	**–**	**63.9**
Recognised on acquisition of subsidiaries	**–**	**0.1**	**–**	**0.1**
Reclassifications	**1.3**	**0.6**	**0.9**	**2.8**
Disposals	**(3.7)**	**(7.5)**	**–**	**(11.2)**
Effect of changes in foreign exchange rates	**0.1**	**39.4**	**–**	**39.5**
At 27 November 2022	**212.8**	**2,022.8**	**11.3**	**2,246.9**
Accumulated depreciation				
At 29 November 2020	(7.3)	(220.1)	(9.1)	(236.5)
Charge for the period	(2.2)	(81.0)	(1.2)	(84.4)
Impairment charge	–	(9.3)	–	(9.3)
Impairment of Erith assets (see Note 2.6)	–	(2.1)	–	(2.1)
Disposals	–	24.5	2.3	26.8
At 28 November 2021	(9.5)	(288.0)	(8.0)	(305.5)
Charge for the period	**(5.7)**	**(148.5)**	**(0.2)**	**(154.4)**
Impairment charge	**(0.1)**	**(9.2)**	**–**	**(9.3)**
Disposals	**–**	**2.2**	**–**	**2.2**
Effect of changes in foreign exchange rates	**–**	**(2.1)**	**–**	**(2.1)**
At 27 November 2022	**(15.3)**	**(445.6)**	**(8.2)**	**(469.1)**
Net book value				
At 28 November 2021	113.1	1,143.9	0.8	1,257.8
At 27 November 2022	**197.5**	**1,577.2**	**3.1**	**1,777.8**

Included within property, plant and equipment is capital work-in-progress for land and buildings of £84.5m (2021: £24.4m), fixtures, fittings, plant and machinery of £382.0m (2021: £412.0m), and motor vehicles of £1.0m (2021: £nil).

Impairment assessment – PPE and intangible assets
The Group has determined that assets directly associated with individual International Solutions contracts (i.e. partner by partner) represent the lowest level group of assets at which impairment can be assessed. The Group has undertaken a review for indicators of impairment for each solution contract and, where indicators of impairment exist, a full asset impairment review was carried out comparing carrying value to fair value less cost to dispose (FVLCD).

The key inputs and assumptions in arriving at the FVLCD are:

- expected future cash flows from the contract – based on management forecasts for a ten year period, including an assessment of ramp up of capacity, ongoing operating costs and associated increase in fees and capital expenditure
- discount rate that specifically takes into account the risk pertaining to the customer specific cash flows – 10.8%
- long-term growth rate to reflect growth outside of the forecast period – 2.0%

Based on the outcome of the assessment, no impairment has been recognised. For one CGU (a single partner contract with currently just one live CFC), a 25% reduction in the FY23 to FY30 forecasted module ramp-up profile would result in £8.1m of headroom being fully eroded as a result of reduction in anticipated future cash flows. Any further reductions in ramp-up profile would lead to an impairment. The CGU has a carrying value of £53.2m.

3.5 Right-of-use assets and Lease Liabilities

Accounting policies

The Group leases properties, vehicles and other items of equipment. The leases have varying terms, escalation clauses and renewal rights. 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 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 term.

Right-of-use-assets

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.

Lease Liabilities

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.

An analysis of the Group's right-of-use assets and lease liabilities are as follows:

Right of Use Assets	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2020	354.1	213.8	79.9	647.8
Additions	152.0	–	30.8	182.8
Disposals	(35.0)	(76.1)	(5.7)	(116.8)
At 28 November 2021	471.1	137.7	105.0	713.8
Additions	**43.4**	**2.2**	**24.9**	**70.5**
Disposals	**(5.8)**	**(0.8)**	**(4.7)**	**(11.3)**
At 27 November 2022	**508.7**	**139.1**	**125.2**	**773.0**
Accumulated depreciation				
At 29 November 2020	(58.2)	(173.5)	(31.1)	(262.8)
Charge for the period	(31.5)	(14.6)	(19.5)	(65.6)
Disposals	27.6	75.9	5.7	109.2
At 28 November 2021	(62.1)	(112.2)	(44.9)	(219.2)
Charge for the period	**(32.8)**	**(11.8)**	**(21.4)**	**(66.0)**
Impairment charge	**(0.6)**	**–**	**–**	**(0.6)**
Disposals	**1.8**	**0.7**	**4.2**	**6.7**
At 27 November 2022	**(93.7)**	**(123.3)**	**(62.1)**	**(279.1)**
Net book value				
At 28 November 2021	409.0	25.5	60.1	494.6
At 27 November 2022	**415.0**	**15.8**	**63.1**	**493.9**

Notes to the consolidated financial statements continued

3.5 Right-of-use assets and Lease Liabilities continued

Lease liabilities	Total £m
At 29 November 2020	407.8
Additions	176.9
Terminations	(7.7)
Interest	18.0
Payments	(66.6)
At 28 November 2021	528.4
Additions	**64.2**
Terminations	**(2.9)**
Interest	**28.3**
Payments	**(85.7)**
At 27 November 2022	**532.3**

	27 November 2022 £m	28 November 2021 £m
Disclosed as:		
Current	**58.6**	51.0
Non-current	**473.7**	477.4
	532.3	528.4

External obligations under lease liabilities are £514.8m (2021: £494.4m), excluding £17.5m (2021: £34.0m) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest.

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 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Short-term leases	**3.2**	0.2
Leases of low-value items	**–**	0.2
	3.2	0.4

3.6 Investment in joint venture and associate

Accounting policies

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement, and is accounted for using the equity method of accounting. Investments in joint ventures 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 entity, less any impairment in value. On transfer of assets to joint ventures and associates, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

If the Group's share of losses of a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Investment in joint venture and associate

The Group's principal joint ventures and associates are:

	Nature of relationship	Year end	Business Activity	% of interest held (FY22)	% of interest held (FY21)	Country of incorporation	Principal area of operation
MHE JVCo Limited	Joint Venture	**27 Nov**	Lessor of assets to the Group	**50.0%**	50.0%	United Kingdom	United Kingdom
Karakuri Limited	Associate	**31 Mar**	Development and building of robots	**26.3%**	26.3%	United Kingdom	United Kingdom

During the prior period, the Group disposed of its 33.3% interest in Infinite Acres Holding B.V. ('Infinite Acres'). For more details on the disposal, see Note 2.6.

The Group holds a 25% interest investment in Paneltex Limited that has not been treated as an associate since the Group does not have significant influence over the company. Further detail is disclosed in Note 3.7.

The carrying amounts of the investments at the beginning and end of the period can be reconciled as follows:

	MHE JVCo		Infinite Acres		Karakuri		Total	
	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Investment at beginning of period	**23.0**	30.4	**–**	7.0	**3.5**	4.1	**26.5**	41.5
Additional investment during period	**–**	–	**–**	0.1	**–**	–		0.1
Allocation of initial acquisition price to warrants[1]	**–**	–	**–**	–	**(1.9)**	–	**(1.9)**	–
Share of change in net assets through other comprehensive income	**–**	–	**–**	–	**0.4**	–	**0.4**	–
Share of total comprehensive (expense) / income attributable to Group	**(0.2)**	0.2	**–**	(1.9)	**(1.2)**	(0.6)	**(1.4)**	(2.3)
Foreign exchange difference recognised in other comprehensive income	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Dividend received	**(8.0)**	(7.7)	**–**	–	**–**	–	**(8.0)**	(7.7)
Disposal during period	**–**	–	**–**	(5.2)	**–**	–	**–**	(5.2)
Investment at end of period	**14.8**	23.0	**–**	–	**0.8**	3.5	**15.6**	26.5

1. During the period, the Group allocated £1.9m of Karakuri's initial acquisition price to warrants. This has reduced the carrying value of the investment by £1.9m. Refer to Note 4.3 for further details on the carrying value of the warrants.

Notes to the consolidated financial statements continued

3.6 Investment in joint venture and associate continued

The tables below provide summarised financial information of the Group's joint ventures and associates. The information disclosed reconciles the amounts presented in the financial statements of the relevant joint ventures and associates with the Group's share of those amounts.

	MHE JVCo		Infinite Acres		Karakuri		Total	
	27 November 2022 £m	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m
Non-current assets	**15.0**	27.1	**–**	–	**2.2**	2.3	**17.2**	29.4
Current assets								
– Cash and cash equivalents	**3.5**	1.7	**–**	–	**2.9**	6.9	**6.4**	8.6
– Other current assets	**14.2**	18.3	**–**	–	**0.2**	0.2	**14.4**	18.5
Current liabilities								
– Other current liabilities	**(3.2)**	(1.0)	**–**	–	**(0.4)**	(0.2)	**(3.6)**	(1.2)
Non-current liabilities								
– Non-current financial liabilities (excluding trade and other payables)	**–**	–	**–**	–	**(6.9)**	(7.0)	**(6.9)**	(7.0)
– Other non-current liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Net assets	**29.5**	46.1	**–**	–	**(2.0)**	2.2	**27.5**	48.3
Share of net assets attributable to Group	**14.8**	23.0	**–**	–	**(0.5)**	0.5	**14.3**	23.5
Legal costs capitalised on acquisition	**–**	–	**–**	–	**0.1**	0.1	**0.1**	0.1
Implicit goodwill	**–**	–	**–**	–	**1.2**	2.9	**1.2**	2.9
Investment at end of period	**14.8**	23.0	**–**	–	**0.8**	3.5	**15.6**	26.5

	MHE JVCo		Infinite Acres*		Karakuri		Total	
	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Revenue	**–**	–	**–**	2.9	**0.4**	0.1	**0.4**	3.0
Cost of sales	**–**	–	**–**	(4.6)	**–**	–	**–**	(4.6)
Gross profit	**–**	–	**–**	(1.7)	**0.4**	0.1	**0.4**	(1.6)
Administrative expenses	**(0.1)**	–	**–**	(2.9)	**(2.0)**	(2.4)	**(2.1)**	(5.3)
Depreciation, amortisation and impairment charges	**(1.6)**	(1.7)	**–**	(0.4)	**(3.3)**	(0.1)	**(4.9)**	(2.2)
Interest income	**1.3**	2.1	**–**	(0.2)	**-**	–	**1.3**	1.9
Interest expense	**–**	–	**–**	(0.4)	**-**	(0.2)	**–**	(0.6)
Income tax expense	**–**	–	**–**	–	**–**	0.3	**–**	0.3
Profit/(loss) and total comprehensive income/(expense) for the period	**(0.4)**	0.4	**–**	(5.6)	**(4.9)**	(2.3)	**(5.3)**	(7.5)
Share of total comprehensive income/(expense) attributable to Group	**(0.2)**	0.2	**–**	(1.9)	**(1.2)**	(0.6)	**(1.4)**	(2.3)
Foreign exchange loss recognised in other comprehensive income	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Dividend received	**8.0**	7.7	**–**	–	**–**	–	**8.0**	7.7

* The Group disposed of its holding in Infinite Acres on 28 October 2021. The results above represent the Group's share of results up until this date.

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed. The Group does not have any commitments that have been made to the joint ventures or associates and not recognised at the reporting date.

There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

3.7 Other financial assets

Accounting policies

Other financial assets comprise contingent consideration receivable, unlisted equity investments, loans receivable, and contributions towards dilapidations costs receivable.

Contingent consideration receivable is initially measured at the fair value at the date of disposal of the Group's shareholdings and is re-measured to fair value at each reporting date with the changes in fair value recognised in profit or loss.

Where unlisted equity investments represent strategic investments that the Group intends to hold indefinitely, they have been designated as at fair value through other comprehensive income ("FVTOCI"). They are held at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the investments; instead, they will be transferred directly to retained earnings. Dividends on these investments are recognised as other income in the Income Statement. All other unlisted equity investments are held at fair value through profit or loss ("FVTPL").

Loans receivable held at FVTPL were initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. They are held at fair value and revalued at each reporting date.

Loans receivable held at amortised cost were initially recognised at the fair value of the cash lent. Accrued interest is added to the carrying amount. They are held at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts.

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Notes to the consolidated financial statements continued

3.7 Other financial assets continued

	Notes	27 November 2022 £m	28 November 2021 £m
Contingent consideration receivable		**98.3**	156.7
Unlisted equity investments held at FVTOCI		**69.8**	30.4
Unlisted equity investment held at FVTPL		**–**	1.0
Loans receivable held at FVTPL	5.4	**2.4**	10.9
Loan receivable held at amortised cost	5.4	**14.2**	12.1
Contributions towards dilapidations costs receivable		**0.7**	1.5
Other financial assets		**185.4**	212.6
Disclosed as:			
Current		**3.8**	1.2
Non-current		**181.6**	211.4
		185.4	212.6

Contingent consideration receivable

Total contingent consideration receivable at the balance sheet date is £98.3m (2021: £156.7m), and comprises two amounts: £95.0m (2021: £152.6m) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019; and £3.3m (2021: £4.1m) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019. Refer to Note 1.4 for details on the estimation uncertainty in relation to the fair value measurement of contingent consideration receivable and Note 4.4 for changes in the fair value during the period.

Contingent consideration due from M&S

Under the terms of the part-disposal of Ocado Retail during 2019, there is a contingent consideration due from M&S to Ocado Group of £190.7m that is payable in cash by no later than August 2024. This payment is dependent on certain contractually defined Ocado Retail performance measures ("the Target") being achieved during the 2023 financial year. The outcome is a binary one, meaning should the Target be achieved, this will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, due no later than August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. The contractual arrangement with M&S expressly provides for the Target to be adjusted by the shareholders for actions taken since the part-disposal was effected.

Whilst the contractual outcome is binary, the Group is required, under IFRS 9 Financial Instruments, to determine the fair value of the contingent consideration receivable from M&S. The outcome of this determination is a fair value at the period end of £95.0m, which is a reduction of £57.6m from the fair value of £152.6m recorded at the end of the prior period.

The fair value of £95.0m has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios and applying an appropriate discount rate to reflect the timing of the possible payment. We have considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance measures target and Ocado Retail's current trading performance. A discount rate of 10.0% was used. There is significant uncertainty in this estimate of fair value and given the binary nature of the contractual agreement it is reasonably possible that the actual amount received at the point of settlement will be materially different to the fair value currently recorded. Given there is a degree of subjectivity in the determination of the post-adjustment performance measure, there is also a possibility that the contingent consideration may be agreed through a negotiated settlement between the two shareholders.

Contingent consideration due from Next

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 £3.7m (2021: £5.1m), payable in tranches in March and September each year.

Unlisted equity investments held at FVTOCI

Company	Principal activity	Country of incorporation	% of share of capital held 27 November 2022	% of share of capital held 28 November 2021	Carrying amount 27 November 2022 £m	Carrying amount 28 November 2021 £m
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	**2.5%**	2.5%	**10.2**	11.1
Oxbotica Limited[1]	Autonomous vehicle technology	England and Wales	**8.8%**	8.8%	**36.8**	10.3
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	**25.0%**	25.0%	**7.6**	6.1
Inkbit Corporation	3D printing	United States of America	**5.5%**	5.5%	**3.5**	2.9
Sanctuary Cognitive Systems Corporation	Artificial intelligence	Canada	**1.6%**	–	**1.0**	–
Wayve Technologies Limited[2]	Autonomous vehicle technology	England and Wales	**2.6%**	–	**10.7**	–
Unlisted equity investments held at FVTOCI					**69.8**	30.4

1 The fair value of equity investment in Oxbotica Limited ("Oxbotica") increased as a result of the company successfully completing a series C fundraise

2 During the period, Wayve Technologies Limited ("Wayve"), successfully completed its Series B Fundraising resulting in the Group's convertible loan note converting into equity.

The investment in Paneltex Limited has not been treated as an associate since the Group does not have significant influence over the company. In arriving at this decision, the Board has reviewed the conditions set out in IAS 28 "Investments in Associates and Joint Ventures" and concluded that, despite the size of the Group's holding, it is unable to participate in the financial and operating policy decisions of Paneltex due to the position of the majority shareholder as Executive Managing Director. The relationship between the Group and the company is at arm's length.

Loans receivable held at FVTPL

Borrower	Principal amount	Coupon rate	Repayment due	Carrying amount 27 November 2022 £m	Carrying amount 28 November 2021 £m
Wayve Technologies Limited	£10.0m	–	August 2024	**–**	8.8
Karakuri Limited	£1.7m	8%	October 2023	**1.8**	1.9
Myrmex Inc.	€0.2m	5%	July 2022	**–**	0.2
Inkbit Corporation	US$0.6m	6%	November 2024	**0.6**	–
Loans receivable held at FVTPL				**2.4**	10.9

Loans receivable held at FVTPL includes a convertible loan to Karakuri. Interest is chargeable on the £1.7m principal at 8.0% per annum. The principal and any unpaid accrued interest are convertible into preference shares of Karakuri at the option of the Group. Otherwise, the loan is repayable in full in October 2023 along with any unpaid interest. The fair value of the loan receivable at 27 November 2022 is £1.8m (2021: £1.9m).

Loan receivable held at amortised cost

The loan receivable held at amortised cost is a USD15m loan to Infinite Acres Holding B.V. In October 2021, following the Group's divestment in Infinite Acres, 80 Acres Urban Agriculture, Inc. ("80 Acres") became a guarantor to the loan. Interest is chargeable on the USD15.0m principal at 5% per annum to December 2021, and 7% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Contributions towards dilapidations costs receivable

Contributions towards dilapidation costs are due from the former tenant of two properties whose leases the Group took over in 2017, and will be paid when the dilapidations costs are incurred on expiry of the leases.

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continued

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 one year from the date of classification.

Where there are events or circumstances that extend the period to complete the sale beyond one year, and those events or circumstances are beyond the Group's control, the Group will continue to classify an asset or disposal group as held for sale where there is sufficient evidence that the Group remains committed to its plan to sell the asset or disposal group.

Asset held for sale

The asset held for sale of £4.4m (2021: £4.2m) is a property in the United Kingdom, previously used in the Group's distribution network, which the Group is in the process of selling.

The Group remains committed to 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 and consumables (including fuel). Inventories are valued at the lower of cost (using the first-in-first-out basis) and net realisable value. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. 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.

During the period, the Group adopted a new inventory accounting policy for its low-value spares (items below £500). Under the new accounting policy, low-value spares will be recognised initially in inventory and expensed as used.

In prior years, the Group recognised low-value spares as an expense upon purchase. This was accounted as such as the aggregate amount of those items have historically not been material. The Group has adopted the inventory accounting policy for low value spares as outlined above as it expects the purchase of low-value spares to increase in line with the growing number of CFCs and the aggregate value of these spares to become more significant.

This is a new accounting policy for an area that was previously immaterial and as such has been applied prospectively from the beginning of the period in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, £7.3m which would have been otherwise expensed on purchase has been recognised within inventories at the period end. No adjustment has been made for the prior period.

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.

	27 November 2022 £m	28 November 2021 £m
Goods for resale	**89.2**	81.8
Consumables	**17.6**	4.9
Inventories	**106.8**	86.7

The provision for slow-moving, obsolete and defective stock has increased by £2.5m from the prior period (2021: £2.9m increase) and the corresponding loss 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 expected credit loss ("ECL").

Other receivables are also not interest bearing and are recognised initially at their transaction price, and subsequently at amortised cost, reduced by appropriate ECL.

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.

Provision for expected credit loss ("ECL")

The Group applies the simplified approach to measuring ECL, segmenting its trade receivables based on shared characteristics and recognising a loss allowance for the lifetime ECL for each segment of trade receivables.

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.

	27 November 2022 £m	28 November 2021 £m
Trade receivables, net of ECL allowance	**124.2**	124.6
Other receivables	**82.7**	61.4
Prepayments	**76.5**	69.4
Accrued income	**45.9**	69.0
Trade and other receivables	**329.3**	324.4
Disclosed as:		
Current	**329.3**	323.9
Non-current	**–**	0.5
	329.3	324.4

At 27 November 2022, the Group had an ECL allowance of £15.5m (2021: £3.9m) against an outstanding trade receivable balance of £139.7m (2021: £128.5m). The increase in ECL allowance is primarily in relation to a minor contractual dispute regarding specific terms, which are under negotiation at the end of the period. Of the £11.6m net increase in ECL provision during the period, £7.8m was recorded against revenue and the remaining amounts were recorded in operating expenses.

Movements in the provision for ECL of trade and other receivables are as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Balance at beginning of period	**(3.9)**	(2.6)
Provision for expected credit loss of receivables	**(12.0)**	(2.4)
Uncollectible amounts written off	**–**	0.6
Recovery of amounts previously provided for	**0.4**	0.5
Balance at end of period	**(15.5)**	(3.9)

Included in trade receivables and accrued income is £59.6m and £14.2m respectively (2021: £50.8m and £5.5m) relating to contract balances outstanding for Solutions contracts. See Note 2.1 for more detail.

Included in trade receivables is £52.5m (2021: £50.9m) due from suppliers in relation to commercial and media income. As at 29th January 2023, £49.0m had been received.

Included in accrued income is £12.5m (2021: £9.0m) to be invoiced to suppliers in relation to supplier-funded promotional activity, and £6.2m (2021: £10.8m) to be invoiced to suppliers in relation to volume-related rebates. At 29th January 2023, £16.6m of accrued income had been invoiced.

Refer to Note 5.4 for details on related party balances within trade and other receivables.

Notes to the consolidated financial statements
continued

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 of the reporting date 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.

	27 November 2022 £m	28 November 2021 £m
Cash at bank and in hand	304.3	362.1
Money market funds	623.7	596.5
Short-term treasury deposits	400.0	510.0
Cash and cash equivalents	**1,328.0**	1,468.6

Included in cash at bank and in hand are customers' credit card payments of £21.9m (2021: £34.9m) received within five working days of the reporting date.

Of the Group's cash and cash equivalents, £1.4m (2021: £1.8m) is held by the Group's captive insurance company to maintain its solvency requirements. A further £1.5m (2021: £2.6m) is held by the Trustee of the Group's Employee Benefit Trust relating to the Sharesave Scheme for employees in Poland. These funds are restricted and are not available to circulate within the Group on demand.

3.12 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.

	27 November 2022 £m	28 November 2021 £m
Trade payables	176.9	93.6
Taxation and social security	32.5	10.9
Accruals and other payables	287.8	274.6
Deferred income	11.0	14.1
Trade and other payables	**508.2**	393.2

Disclosed as:		
Current	506.3	393.2
Non-current	1.9	–
	508.2	393.2

Accruals and other payables includes £65.0m of employment cost accruals (2021: £34.5m), £58.1m goods received not invoiced (2021: £49.4m) and £42.4m of capital project accruals (2021: £30.8m).

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.

3.13 Provisions

Accounting policies

Provisions 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 outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

The amount recognised as provisions are management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and historical experience. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the Consolidated Income Statement.

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 future expected costs required to restore the Group's leased buildings and vehicles to their fair condition at the end of their lease terms.

Leases for CFCs expire up to 2092, the GMDC leases between 2027 and 2033, head office leases between 2022 and 2029, and with leases for the spokes expiring up to 2038. Contractual amounts are due to be incurred at the end of the lease terms.

Leases for vehicles run for an average of five years, with the contractual obligation per vehicle payable at the end of the lease term. If a non-contractual option to extend individual leases is exercised by the Group, the contractual obligation remains the same but is deferred by six months.

Employee incentives schemes
Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes and the Ocado Retail Value Creation Plan ("Retail VCP"). For all taxable schemes and the Retail VCP, the Group is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to Note 4.7.

Notes to the consolidated financial statements
continued

3.13 Provisions continued

Insurance reimbursement

Following the fire that destroyed the Andover CFC in February 2019 (Note 2.6), the Group recognised an insurance reimbursement asset and a corresponding provision representing the obligation to reinstate the building. The obligation was fulfilled in the prior period.

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Balance at 29 November 2020	0.3	14.7	23.5	5.5	44.0
Charged to Consolidated Income Statement					
– Additional provision	0.2	–	6.3	–	6.5
– Unwinding of discounting	–	0.8	–	–	0.8
Recognition of right-of-use assets	–	6.0	–	–	6.0
Used during period	–	–	(2.1)	(5.5)	(7.6)
Balance at 28 November 2021	0.5	21.5	27.7	–	49.7
Charged to Consolidated Income Statement					
– Additional provision	**–**	**–**	**0.6**	**–**	**0.6**
– Unwinding of discounting	**–**	**0.4**	**–**	**–**	**0.4**
– Unused amounts reversed	**–**	**(2.9)**	**(26.6)**	**–**	**(29.5)**
Recognition of right-of-use assets	**–**	**5.3**	**–**	**–**	**5.3**
Recognised on acquisition	**–**	**–**	**–**	**0.2**	**0.2**
Used during period	**(0.1)**	**–**	**(0.2)**	**–**	**(0.3)**
Balance at 27 November 2022	**0.4**	**24.3**	**1.5**	**0.2**	**26.4**

27 November 2022	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Current	**0.4**	**0.3**	**0.3**	**–**	**1.0**
Non-current	**–**	**24.0**	**1.2**	**0.2**	**25.4**
	0.4	**24.3**	**1.5**	**0.2**	**26.4**

28 November 2021	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Current	0.5	0.1	0.4	–	1.0
Non-current	–	21.4	27.3	–	48.7
	0.5	21.5	27.7	–	49.7

Insurance claims

The calculation of this provision involves estimating a number of variables, principally the level of claims that may be received and the level of any compensation that may be payable. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision.

Employee incentive schemes

During the period, an additional provision of £0.6m (2021: £1.3m) has been recognised in relation to employers NIC on taxable equity-settled schemes and £0.2m (2021: £2.1m) has been utilised as a result of exercises of taxable equity-settled share awards. Releases in the period of amounts previously provided include £7.0m in relation to employers NIC on the Ocado VCP (2021: £0.7m additional provision) and £19.0m for the Retail VCP following the cancellation of the scheme during the period (2021: £5.0m additional provision).

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2023 and 2027, and allotment will take place between 2023 and 2032. Refer to Note 4.7 for further details.

3.14 Contingent liabilities

Accounting policies

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

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, filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission ("US ITC"), 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.

Ocado 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, Ocado has alleged, based on the evidence available, that the AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office. Additionally, Ocado has brought infringement proceedings against AutoStore in Germany under its Utility Model rights. Furthermore, there are numerous EPO Opposition proceedings in progress with both Ocado as proprietor and opponent.

In March 2022, the US ITC found in favour of Ocado. AutoStore has appealed the decision, and the appeal is likely to be heard in 2023. The UK High Court trial was heard in March and April 2022 and a judgement is awaited. It should be noted that prior to the UK trial AutoStore withdrew two of the three patent families from the infringement proceedings. Hearings are scheduled in the German proceedings in May 2023, although the preliminary opinion of the German Patent Office is that the Utility Model rights are valid. The many EPO oppositions continue with so far one AutoStore patent having been revoked in its entirety, with no appeal now possible.

Ocado has been very clear that it does not believe it has infringed any valid rights of AutoStore.

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

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

The Group also has contingent liabilities in respect of other legal claims arising in the ordinary course of business, all of which the Group expects will either be covered by its insurance or will not have a material effect on the Group's financial statements.

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

- Ocado Ventures Holdings Limited (09887250)
- Ocado Ventures (80 Acres) Limited (12075378)
- Ocado Ventures (Myrmex) Limited (12774138)
- Ocado Ventures (Inkbit) Limited (12103334)
- Ocado Ventures (Oxbotica) Limited (12796767)
- Ocado Ventures (JFC) Limited (12035120)
- Ocado Ventures (Wayve) Limited (13536254)
- Ocado Ventures (Karakuri) Limited (11512054)
- Ocado Finco 1 Limited (12996937)
- Ocado Finco 2 Limited (13007767)

Ocado Group plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 27 November 2022 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Ocado Group plc will guarantee any contingent and prospective liability that these subsidiaries are subject to.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs

4.1 Borrowings

Accounting policies

Interest-bearing loans and bank overdrafts are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets.

Convertible bonds are compound financial instruments, and so their liability and equity components are presented separately in accordance with IAS 32 "Financial Instruments: Presentation". At the date of issue, the liability component is valued by reference to a similar liability that does not have an associated equity component, and is recognised as borrowings. The difference between the proceeds received and the liability component is recognised in the convertible bonds reserve, directly in reserves. The liability and equity components are recorded net of transaction costs. The liability component is then held at amortised cost, with any difference between initial fair value and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets. The carrying amount of the equity component does not change until the liability component is redeemed through repayment or conversion into ordinary shares.

	27 November 2022 £m	28 November 2021 £m
Senior unsecured convertible bonds	835.9	805.3
Senior unsecured notes	496.3	494.6
Revolving credit facility	10.0	–
Other borrowings	30.6	0.1
Borrowings	1,372.8	1,300.0
Disclosed as:		
Current	10.2	–
Non-current	1,362.6	1,300.0
	1,372.8	1,300.0

Senior unsecured convertible bonds and senior unsecured notes

Facility	Inception	Coupon rate	Final payment due	Carrying amount: 52 weeks ended 27 November 2022 £m	Carrying amount: 52 weeks ended 28 November 2021 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	540.7	522.0
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	295.2	283.3
£500m senior unsecured notes	October 2021	3.875%	October 2026	496.3	494.6

The £600.0m of senior unsecured convertible bonds were issued in December 2019, raising £592.1m, net of transaction fees. At the date of issue, the liability component was valued at £485.0m, with the remaining £107.1m recognised in the convertible bonds reserve.

The £350.0m of senior unsecured convertible bonds were issued in June 2020, raising £343.4m, net of transaction fees. At the date of issue, the liability component was valued at £266.0m, with the remaining £77.4m recognised in the convertible bonds reserve.

The £500.0m of senior unsecured notes were issued in October 2021, raising £491.6m, net of transaction fees. Part of the proceeds were used to repay the £225m senior secured notes early. The senior secured notes were issued in June 2017, raising £250.0m, and £25.0m had been repaid in 2019. Unamortised borrowing costs of £3.2m were written off at the time of repayment.

Revolving credit facility

In June 2022, the Group entered into a three-year multi-currency Revolving Credit Facility ("RCF") of £300m with a syndicate of international banks. The RCF is due to mature on 20 June 2025. As at 27 November 2022, the facility remains undrawn. Interest is payable on the amounts drawn down at a margin of 2.25% plus the applicable reference rate depending on the currency of the amounts drawn down. The Group is subject to certain financial covenants under this facility.

Transaction costs of £3.4m relating to the RCF have been capitalised and are being amortised in the Income Statement on a straight-line basis over the term of the RCF.

The Group had an existing RCF of which £10.0m was drawn at year end.

Other borrowings

Other borrowings include a shareholder loan of £30.0m provided to Ocado Retail from the non-controlling interest in November 2022. The loan has a termination date of August 2039 and incurs interest at SONIA + 4% per annum.

27 November 2022	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	–	–	835.9	–	835.9
Senior unsecured notes	–	–	496.3	–	496.3
Revolving credit facility	10.0	–	–	–	10.0
Other borrowings	0.2	0.1	0.3	30.0	30.6
Borrowings	10.2	0.1	1,332.5	30.0	1,372.8

28 November 2021	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	–	–	522.0	283.3	805.3
Senior unsecured notes	–	–	494.6	–	494.6
Other borrowings	–	0.1	–	–	0.1
Borrowings	–	0.1	1,016.6	283.3	1,300.0

The Group reviews its financing arrangements regularly. The senior unsecured notes and senior unsecured convertible bonds contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 Movements in net (debt)/cash

	Notes	28 November 2021 £m	Cash flows £m	Non-cash movements: Net new lease liabilities £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	27 November 2022 £m
Cash and cash equivalents	3.11	1,468.6	(162.4)	–	21.8	–	1,328.0
Liabilities from financing activities:							
Borrowings	4.1	(1,300.0)	(40.6)	–	–	(32.2)	(1,372.8)
Lease liabilities	3.5	(528.4)	57.4	(61.3)	–	–	(532.3)
		(1,828.4)	16.8	(61.3)	–	(32.2)	(1,905.1)
Net debt		(359.8)	(145.6)	(61.3)	21.8	(32.2)	(577.1)

	Notes	29 November 2020 £m	Cash flows £m	Non-cash movements: Net new lease liabilities £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	28 November 2021 £m
Other treasury deposits	3.6	370.0	(370.0)	–	–	–	–
Cash and cash equivalents	3.10	1,706.8	(257.5)	–	19.3	–	1,468.6
		2,076.8	(627.5)	–	19.3	–	1,468.6
Liabilities from financing activities:							
Borrowings	4.1	(997.4)	(266.5)	–	–	(36.1)	(1,300.0)
Lease liabilities	3.5	(407.8)	48.6	(169.2)	–	–	(528.4)
		(1,405.2)	(217.9)	(169.2)	–	(36.1)	(1,828.4)
Net debt		671.6	(845.4)	(169.2)	19.3	(36.1)	(359.8)

At the reporting date, the Group had net debt of £559.6m (2021: £325.8m), excluding lease liabilities of £17.5m (2021: £34.0m) payable to MHE JVCo Limited (Note 5.4). As detailed in Note 3.11, £2.9m (2021: £4.4m) of the Group's cash and cash equivalents is considered to be restricted, and is not available to circulate within the Group on demand.

Notes to the consolidated financial statements
continued

4.3 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 27 November 2022 and 28 November 2021, the Group's derivative financial instruments consisted of warrants to subscribe for additional shares of investee companies and commodity swap contracts, which are designated as cash flow hedges of highly probable transactions.

The Group documents at the inception of the hedge the relationship between hedging instruments and hedged items, the risk-management objectives and strategy, and its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This assessment is performed retrospectively at the end of each financial reporting period. Movements in the hedging reserve within reserves are shown in the Consolidated Statement of Comprehensive Income. The fair value of hedging derivatives is classified as current when the remaining maturity of the hedged item is less than 12 months.

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.

	27 November 2022 £m	28 November 2021 £m
Non-current assets		
Warrants	**27.4**	9.6
Current assets		
Commodity swap contracts	**0.8**	0.3
Current liabilities		
Commodity swap contracts	**(1.6)**	–
Net derivative assets	**26.6**	9.9

Commodity swap contracts

The Group uses commodity swap contracts to hedge the cost of future purchases of diesel fuel to be used in the logistics business. The cash flows are expected to occur within one year of the reporting date, and hedges cover 50% to 80% of expected risk.

The notional principal amounts of the outstanding commodity swap contracts were £13.4m (2021: £8.1m). The weighted average strike price of the outstanding commodity swap contracts relating to the future purchase of fuel at the reporting date was 66.13 pence per litre of diesel (2021: 36.9 pence per litre of diesel). The hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. A cumulative net loss of £1.1m (2021: £0.4m net gain) has been recognised in the hedging reserve through other comprehensive income. This gain/(loss) will be recognised in profit or loss in the periods during which the hedged forecast transactions affect the Consolidated Income Statement.

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.

Warrants

		Carrying amount	
Investee company	**Expiry date**	**27 November 2022 £m**	28 November 2021 £m
Oxbotica Limited	April 2024	**19.5**	5.9
80 Acres Urban Agriculture, Inc.	September 2026	**4.0**	–
Karakuri Limited	April 2024	**2.1**	1.9
Wayve Technologies Limited[1]	January 2026	**1.8**	1.8
Warrants		**27.4**	9.6

Warrants are measured at fair value each year end, taking into account a variety of inputs, sensitivities and probabilities based on underlying forecasts and financial information of the investee company. Any fair value gains or losses on remeasurement are recognised through the Income Statement.

4.4 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. Financial instruments are derecognised from the Consolidated Balance Sheet when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

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.

Refer to Note 3.10 for the Group's accounting policy for expected credit losses.

Financial liabilities are measured at amortised cost, except for derivatives that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group, after deducting all of its liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group has categorised its financial instruments as follows:

27 November 2022	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	14.9	100.7	69.8	185.4
Trade receivables	3.10	124.2	–	–	124.2
Other receivables and accrued income	3.10	128.6	–	–	128.6
Cash and cash equivalents	3.11	1,328.0	–	–	1,328.0
Derivative assets	4.3	–	28.2	–	28.2
Total financial assets		1,595.7	128.9	69.8	1,794.4
Financial liabilities					
Trade payables	3.12	(176.9)	–	–	(176.9)
Accruals and other payables	3.12	(287.8)	–	–	(287.8)
Borrowings	4.1	(1,372.8)	–	–	(1,372.8)
Lease liabilities	3.5	(532.3)	–	–	(532.3)
Derivative liabilities	4.3	–	(1.6)	–	(1.6)
Total financial liabilities		(2,369.8)	(1.6)	–	(2,371.4)

Notes to the consolidated financial statements continued

4.4 Financial instruments continued

28 November 2021	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	13.6	168.6	30.4	212.6
Trade receivables	3.10	124.6	–	–	124.6
Other receivables and accrued income	3.10	130.4	–	–	130.4
Cash and cash equivalents	3.11	1,468.6	–	–	1,468.6
Contract assets	2.1	0.3	–	–	0.3
Derivative assets	4.3	–	9.9	–	9.9
Total financial assets		1,737.5	178.5	30.4	1,946.4
Financial liabilities					
Trade payables	3.12	(93.6)	–	–	(93.6)
Accruals and other payables	3.12	(285.5)	–	–	(285.5)
Borrowings	4.1	(1,299.9)	–	–	(1,299.9)
Lease liabilities	3.5	(528.4)	–	–	(528.4)
Total financial liabilities		(2,207.4)	–	–	(2,207.4)

Derivative financial instruments are held at FVTPL, but where they are hedging instruments, related gains and losses are recognised in other comprehensive income.

Fair value measurement of financial assets and liabilities

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:

		27 November 2022		28 November 2021	
	Notes	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Other financial assets	3.7	**185.4**	**185.4**	212.6	212.6
Trade receivables	3.10	**124.2**	**124.2**	124.6	124.6
Other receivables and accrued income	3.10	**128.6**	**128.6**	130.4	130.4
Cash and cash equivalents	3.11	**1,328.0**	**1,328.0**	1,468.6	1,468.6
Contract assets	2.1	**–**	**–**	0.3	0.3
Derivative assets	4.3	**28.2**	**28.2**	9.9	9.9
Total financial assets		**1,794.4**	**1,794.4**	1,946.4	1,946.4
Financial liabilities					
Trade payables	3.12	**(176.9)**	**(176.9)**	(93.6)	(93.6)
Accruals and other payables	3.12	**(287.8)**	**(287.8)**	(285.5)	(285.5)
Senior unsecured notes	4.1	**(496.3)**	**(392.5)**	(494.6)	(488.1)
Senior unsecured convertible bonds	4.1	**(835.9)**	**(700.4)**	(805.3)	(1,067.4)
Other borrowings	4.1	**(40.6)**	**(40.6)**	–	–
Lease liabilities	3.5	**(532.3)**	**(532.3)**	(528.4)	(528.4)
Derivative liabilities	4.3	**(1.6)**	**(1.6)**	–	–
Total financial liabilities		**(2,371.4)**	**(2,132.1)**	(2,207.4)	(2,463.0)

The fair values of other financial assets, trade receivables, other receivables and accrued income, cash and cash equivalents, trade payables and accruals and other payables are assumed to approximate to their carrying values but for completeness are included in the above analysis.

The fair values of the senior unsecured notes and senior unsecured convertible bonds are determined based on the quoted price in the active market.

The fair values of all other financial assets and liabilities have been calculated using discounted cash flows or the venture capital method.

Financial assets and liabilities held at fair value have been valued as follows:

27 November 2022	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets held at fair value					
Contingent consideration receivable	3.7	**–**	**–**	**98.3**	**98.3**
Unlisted equity investments	3.7	**–**	**–**	**69.8**	**69.8**
Convertible loan to associate	3.7	**–**	**–**	**2.4**	**2.4**
Derivative assets	4.3	**–**	**0.8**	**27.4**	**28.2**
Total financial assets held at fair value			**0.8**	**197.9**	**198.7**
Financial liabilities held at fair value					
Derivative liabilities	4.3	**–**	**(1.6)**	**–**	**(1.6)**
Total financial liabilities held at fair value		**–**	**(1.6)**	**–**	**(1.6)**

28 November 2021	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	–	–	156.7	156.7
Unlisted equity investments	3.7	–	–	31.4	31.4
Convertible loan to associate	3.7	–	–	10.9	10.9
Derivative assets	4.3	–	0.4	9.6	10.0
Total financial assets held at fair value		–	0.4	208.6	209.0
Financial liabilities held at fair value					
Derivative liabilities	4.3	–	–	–	–
Total financial liabilities held at fair value		–	–	–	–

Changes in the fair values of financial instruments categorised in level 3 are as follows:

	Notes	**Contingent consideration receivable £m**	**Unlisted equity investments £m**	**Loans receivable £m**	**Derivative assets/ liabilities £m**	**Total £m**
Balance at 29 November 2020		173.6	12.7	1.7	–	188.0
Recognised during the period		–	11.2	–	–	11.2
Cash paid/(received)		(33.8)	11.4	10.3	–	(12.1)
Gains/(losses) recognised in profit or loss	2.4, 2.6	16.9	–	(1.3)	9.6	25.2
Interest recognised in finance income	4.5	–	–	0.2	–	0.2
Losses recognised in other comprehensive income	4.9	–	(3.9)	–	–	(3.9)
Balance at 28 November 2021		156.7	31.4	10.9	9.6	208.6
Recognised/derecognied during the period		**–**	**8.9**	**(9.0)**	**1.9**	**1.8**
Cash paid		**–**	**–**	**0.5**	**–**	**0.5**
Gains/(losses) recognised in profit or loss		**(58.4)**	**(3.8)**	**(0.2)**	**15.9**	**(46.5)**
Interest recognised in finance income		**–**	**–**	**0.2**	**–**	**0.2**
Gains recognised in other comprehensive income		**–**	**33.3**	**–**	**–**	**33.3**
Balance at 27 November 2022		**98.3**	**69.8**	**2.4**	**27.4**	**197.9**

Notes to the consolidated financial statements
continued

4.4 Financial instruments continued

The following table provides information about how the fair values of financial instruments categorised in level 3 are determined:

Description	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of the fair value measurement to input
Contingent consideration receivable	Expected present value technique Expected cash in-flows are estimated based on the terms of the share purchase agreements and the probability weighting of possible scenarios of meeting financial and operational targets.	Discount rate of 10.0% Expected cash in-flows of £194.4m	The fair value is considered principally to be sensitive to reasonably possible changes in the target performance measure. To illustrate this sensitivity, if the performance measure was £25m higher or lower than assumed in the valuation approach, the fair value of the asset based on period end valuation model would increase by £13.0m or decrease by £14.6m respectively.
Unlisted equity investments and derivative assets (warrants) – Oxbotica Limited	Probability weighted expected return method ("PWERM") Forecasted revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in five different scenarios	An increase in probability percentage of 5% spread across the higher case scenarios and decrease of the same percentage in the lower case scenario would increase the fair value of unlisted equity investments and derivative assets by £18.9m and £15.1m, respectively.
Derivative assets (warrants) – Karakuri Limited	Probability weighted expected return method ("PWERM") Forecasted revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in three different scenarios	An increase in probability percentage of 5% spread across the higher case scenarios and decrease of the same percentage in the lower case scenario would increase the fair value of derivative assets by £0.1m.
Unlisted equity investments and derivative assets (warrants) – 80 Acres Urban Agriculture, Inc. – Wayve Technologies Limited	Option pricing model. Volatility, risk free interest rate and exit date.	Breakpoint option value of shares	- 80 Acres Urban Agriculture, Inc: An increase of 5% in volatility will decrease unlisted equity investment and increase derivative financial assets by £0.1m and £0.1m respectively. - Wayve Technologies Limited An increase of 5% in volatility will increase unlisted equity investment by £0.3m.
Unlisted equity investments – Inkbit Corporation	Probability weighted expected return method ("PWERM") Forecast revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in different scenarios	A decrease in discount rate of 3% and a 5% increase in the probability of fund raise would increase the fair value of unlisted equity by £0.2m.
Unlisted equity investments – Paneltex Limited	Discounted cash flow and Market approach were used to derive Enterprise Value used for calculating equity value along with a capitalisation of earnings approach Forecasted EBITDA, EBITDA multiples and discount rates	Discount rate of 19.9%, long-term growth rate of EBITDA of 2.0%	An increase in the EBITDA multiple of 0.3x and 5% increase in forecasted EBITDA would increase the fair value by £0.3m.
Loans receivable – Karakuri Limited	Probability-weighted expected return method Conversion/exercise dates, discount rate and probabilities	Probabilities of conversion dates in four different scenarios and discount rate	A decrease in discount rate of 3% and a 5% increase in the probability of fund raise 1 would increase the fair value of the loans receivable, unlisted equity investment and derivative assets aggregating to £7.1m.

For more details on the other financial assets and derivative financial assets, refer to Notes 3.7 and 4.3 respectively.

4.5 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 4.4, 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 amounts due from solutions customers and monies due from suppliers in relation to commercial and media income, which are considered of a good credit quality, as well as VAT receivable. The Group provides for doubtful receivables in respect of amounts due from customers and monies due from suppliers.

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 provides for 30% of amounts due from suppliers that are between 61 and 360 days overdue, and 100% of amounts more than 360 days overdue. It provides for 100% of amounts due from Retail customers which are more than 30 days overdue. Amounts due from each Solutions customer are treated on a case-by-case basis, depending on the credit risk assigned to the counterparty, the amount outstanding, and the length of time to or from the due date.

The Group'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.

Refer to Note 3.10 for movements in the provision for ECL of trade and other receivables during the period.

Notes to the consolidated financial statements continued

4.5 Financial risk management continued

Liquidity risk

The Group has adequate cash resources to manage the short-term working capital needs of the business. In June 2022, the group raised an additional c.£878m of gross liquidity through a c.£575m equity placing, c.£3m from a retail offering and subscription by senior management and a new £300m revolving credit facility. The Group regularly reviews its financing arrangements. For further details of the review see the Viability Statement on page 98.

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs. For further details, see Note 4.8.

The table below analyses the Group's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the contractual cash flows are gross and undiscounted, and include future interest payments, so will not necessarily reconcile to the carrying amounts.

			Contractual cash flows				
27 November 2022	Notes	**Carrying amount £m**	**Total £m**	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**
Trade payables	3.12	**176.9**	**176.9**	**176.9**	**–**	**–**	**–**
Accruals and other payables	3.12	**287.8**	**287.8**	**287.8**	**–**	**–**	**–**
Borrowings	4.1	**1,372.8**	**1,640.6**	**40.7**	**29.8**	**1,511.3**	**58.8**
Lease liabilities	3.5	**532.3**	**779.9**	**84.1**	**72.1**	**165.3**	**458.4**
		2,369.8	**2,885.2**	**589.5**	**101.9**	**1,676.6**	**517.2**

			Contractual cash flows				
27 November 2021	Notes	Carrying amount £m	Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Trade payables	3.12	93.6	93.6	93.6	–	–	–
Accruals and other payables	3.12	285.5	285.5	285.5	–	–	–
Borrowings	4.1	1,300.0	1,585.9	27.3	27.4	1,179.1	352.1
Lease liabilities	3.5	528.4	781.8	73.8	69.2	162.8	476.0
		2,207.5	2,746.8	480.2	96.6	1,341.9	828.1

Currency risk

The Group has exposure to foreign currency risk through trade receivables, trade 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 and foreign currency trade payables arise principally on purchases of plant and machinery. Trade receivables and payables arise principally in Australian dollars, Canadian dollars, euros, Japanese yen, 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, salaries and purchases of plant and equipment.

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies:

	27 November 2022		28 November 2021	
	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	**14.7**	**–**	35.3	–
10.0% depreciation of above foreign currencies against sterling	**(14.7)**	**–**	(35.3)	–

During the period, the currencies to which the Group is exposed appreciated and depreciated against sterling by between 10.1% and (10.3)%. Given these historical movements, a 10.0% appreciation or depreciation of foreign currencies is deemed reasonably likely to occur, and so has been used for the above analysis. The analysis assumes that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk on its variable rate cash and cash equivalents. The Group's interest rate risk policy seeks to minimise finance charges and volatility by structuring the interest rate profile into a diversified portfolio of fixed rate and variable rate financial assets and liabilities.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	27 November 2022 £m	28 November 2021 £m
Fixed rate instruments		
Financial assets	**414.2**	523.2
Financial liabilities	**(1,865.1)**	(1,828.4)
Variable rate instruments		
Financial assets	**928.0**	945.4
Financial liabilities	**(40.0)**	–

Sensitivity analysis

Based on the Group's variable rate interest-bearing borrowings and cash and cash equivalents existing at the end of the period, a 2% increase in interest rates (2021: 1% increase) would affect equity and profit or loss by the amounts shown below.

	27 November 2022 £m	28 November 2021 £m
Increase in profit	**17.8**	9.5
Increase in equity	**–**	–

Notes to the consolidated financial statements
continued

4.6 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 share premium

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 9,447,982 (2021: 7,259,291). 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 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	1.4	–	1.9
Allotted in respect of share option schemes	1.9	–	8.5
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	**73.9**	**1.5**	**565.0**
Allotted in respect of share option schemes	**0.6**	**–**	**2.3**
Balance at 27 November 2022	**825.9**	**16.5**	**1,939.3**

In June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares") at a price of £7.95 per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors subscribed for a total of 246,405 new Ordinary Shares at the Placing Price (the "Retail Offer Shares") and the Group CEO, CFO and GC subscribed for an aggregate of 150,944 new ordinary shares at the Placing Price (the "Subscription Shares").

In aggregate, the Placing Shares, the Retail Offer Shares and the Subscription Shares comprise 72,724,393 new Ordinary Shares, which raised proceeds of £564.1m net of qualifying transaction costs directly related to the issuance of shares amounting to £14.1m, which were deducted from the share premium.

Included in the total number of ordinary shares outstanding above are 10,438,075 (2021: 10,454,148) ordinary shares held by the Group's Employee Benefit Trust (see Note 4.7). 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 Ocado Group Value Creation Plan ("Group 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 2.9, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Treasury shares reserve

The treasury shares reserve arose when the Group issued equity share capital under its JSOS. In 2019, the Group issued share capital relating to the linked jointly owned equity ("JOE") awards under the Group 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 Group VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares. See Note 4.7 for more information on the JSOS and VCP.

Other reserves

The movements in other reserves are set out below:

	Other reserves						
	Reverse acquisition reserve £m	Convertible bonds reserve £m	Merger reserve £m	Translation reserve £m	Fair value reserve £m	Hedging reserve £m	Total £m
Balance at 29 November 2020	(116.2)	184.5	–	(1.3)	10.0	(0.1)	76.9
Gain arising on cash flow hedges	–	–	–	–	–	0.4	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	–	–	–	(10.5)	–	–	(10.5)
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	–	–	–	0.8	–	–	0.8
Loss on equity investments designated as at fair value through other comprehensive income	–	–	–	–	(3.9)	–	(3.9)
Acquisition of Haddington Dynamics Inc.	–	–	6.2	–	–	–	6.2
Balance at 28 November 2021	(116.2)	184.5	6.2	(11.0)	6.1	0.3	69.9
Loss arising on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
Foreign exchange gain on translation of foreign subsidiaries and joint venture	**–**	**–**	**–**	**69.1**	**–**	**–**	**69.1**
Gain on equity investments designated as at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**33.3**	**–**	**33.3**
Tax on gain on equity investments	**–**	**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**
Balance at 27 November 2022	**(116.2)**	**184.5**	**6.2**	**58.1**	**32.2**	**(0.8)**	**164.0**

Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Holdings Limited was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". Consequently, the previously recognised book values and assets and liabilities have been retained, and the consolidated financial information for the period to 27 November 2022 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.

Refer to Note 4.1 for further details on the senior unsecured convertible bonds issued by the Group.

Merger reserve

The merger reserve comprises shares issued as consideration for Haddington Dynamics Inc.

Translation reserve

The translation reserve comprises cumulative foreign exchange differences on the translation of foreign subsidiaries.

Fair value reserve

The fair value reserve comprises cumulative changes in the fair value of assets and liabilities recognised through other comprehensive income.

Hedging reserve

The hedging reserve comprises cumulative gains and losses on movements in the Group's hedging arrangements (see Note 4.3).

Notes to the consolidated financial statements
continued

4.7 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, including the cost of associated employer NIC on certain taxable equity-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 service and 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 associated employer taxes 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 elapsed, 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.

Share options and other equity instruments

The total expense for the period relating to all share-based payment transactions is as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Executive Share Option Scheme	1.3	2.4
Joint Share Ownership Scheme	–	–
Sharesave Scheme	3.1	2.0
Long-term Incentive Plan	–	0.4
Share Incentive Plan	2.2	1.9
Ocado Group Value Creation Plan	11.3	21.0
Ocado Retail Value Creation Plan	(19.0)	5.0
Long-term Operating Plan	–	0.7
Annual Incentive Plan	2.6	2.2
Employee Share Purchase Plan	0.2	0.5
Ocado Restricted Share Plan	11.6	1.7
Consultant Option Plan	0.2	0.6
Deferred Consideration Shares	2.4	3.4
Total expense	**15.9**	41.8
Of which:		
Equity settled expense	**42.0**	35.5
Cash-settled expense	**(26.1)**	6.3
Total expense	**15.9**	41.8

The Group had the following schemes in operation during the financial period:

(a) Executive Share Option Scheme (ESOS)

The Group's ESOS was established in 2001 and 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 and also under the terms of the Internal Revenue Service which are both qualified and non-qualified. 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.

Under the ESOS, the Group or the trustees of an employee trust may grant options over shares of the Company to eligible employees and may impose performance targets or any further conditions 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.

With the exception of replacement options, the vesting period for the ESOS is three years. If the options remain unexercised after a period of ten years from the date of grant or the employee leaves the Group, the options expire (subject to a limited number of exceptions).

In the prior period, on acquisition of a subsidiary, its existing unvested options were cancelled and replaced by options of the Company granted under the ESOS. Replacement options shall vest in three equal instalments on the first three anniversaries of the closing date of acquisition, subject to the option holder's continued employment within the Group.

Details of the movement of the number of share options outstanding during each period are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	2,074,654	7.43	1,965,039	5.96
Granted during period	275,528	12.04	649,047	10.09
Forfeited during period	(164,020)	11.51	(173,891)	8.40
Exercised during period	(255,807)	2.97	(365,541)	3.78
Outstanding at end of period	**1,930,355**	**8.34**	2,074,654	7.43
Exercisable at end of period	**1,083,446**	**5.25**	1,105,599	3.44

At the reporting date, the Group had 1,440,504 (2021: 1,369,887) approved options outstanding and 489,851 (2021: 704,767) unapproved options outstanding. At the end of the period, the range of exercise prices for approved options outstanding was £1.28 to £25.08 (2021: £0.85 to £25.08) and for unapproved options outstanding was £2.56 to £14.47 (2021: £1.05 to £20.84).

The weighted average remaining contractual life for the ESOS share options outstanding as at 27 November 2022 was 6.1 years (2021: 6.4 years).

For exercises during the period, the weighted average share price at the date of exercise was £11.77 (2021: £20.77).

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:

	27 November 2022	28 November 2021
Weighted average share price	£12.04	£21.10
Weighted average exercise price	£12.04	£10.09
Expected volatility	50.0%	34.0%
Weighted expected life, years	3.00	2.32
Weighted average risk-free interest rate	1.3%	0.0%
Expected dividend yield	0.0%	0.0%

The expected volatility was determined by considering the historical performance of the Company's shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the consolidated financial statements
continued

4.7 Share options and other equity instruments continued

(b) Joint Share Ownership Scheme (JSOS)

The JSOS is an executive incentive scheme that was introduced to incentivise and retain the Executive Directors and senior managers of the Group ("Participants"). It is a share ownership scheme permitting a Participant to benefit from the increase (if any) in the value of a number of ordinary shares of the Company ("Shares") over specified threshold amounts. To acquire an interest a Participant enters into a joint share ownership agreement with Ocorian Limited, Trustee of the Employee Benefit Trust ("Trustee"), whereby 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.

At the reporting date the Participants and Trustee held separate beneficial interests in 1,192,474 (2021: 1,208,547) ordinary shares, which represents 0.1% (2021: 0.2%) of the issued share capital of the Company. Of these shares, 627,486 (2021: 643,559) are held by the Employee Benefit Trust on an unallocated basis.

Details of the movement of the number of allocated Interests in shares during the current and prior periods are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of interests in shares	**Weighted average exercise price (£)**	Number of interests in shares	Weighted average exercise price (£)
Outstanding at beginning of period	**564,988**	**2.24**	646,339	2.26
Exercised during period	**–**	**–**	(81,351)	2.36
Outstanding at end of period	**564,988**	**2.24**	564,988	2.24
Exercisable at end of period	**564,988**	**2.24**	564,988	2.24

(c) Sharesave Scheme

The Sharesave Scheme ("SAYE") is a HMRC-approved scheme that is open to all employees of the Group. Under the scheme, members save a fixed amount each month for three years. At the end of the three-year period, they are entitled to use these savings to buy shares of the Company at 90% of the market value at launch date.

At the reporting date, employees of the Company's subsidiaries held 4,394 (2021: 4,671) contracts in respect of options over 2,114,080 shares (2021: 1,970,813).

Details of the movement of the number of Sharesave options outstanding during the current and prior periods are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**1,970,813**	**15.10**	3,049,851	7.73
Granted during period	**1,887,609**	**12.00**	783,704	23.46
Forfeited during period	**(1,725,049)**	**15.44**	(320,662)	15.78
Exercised during period	**(19,293)**	**5.53**	(1,542,080)	4.62
Outstanding at end of period	**2,114,080**	**12.14**	1,970,813	15.10
Exercisable at end of period	**12,191**	**12.39**	16,327	4.57

(d) Long-Term Incentive Plan

The Group's equity-settled long-term incentive plans ("LTIP") awarded shares conditionally to Executive Directors and certain senior managers calculated as a percentage of the participants' salaries. The awards vested over a three year period subject to continued employment and the achievement of certain performance conditions. All awards vested, or were forfeited, in the prior period.

Outstanding share awards under the LTIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	**–**	813,935
Forfeited during period	**–**	(173,661)
Vested during period	**–**	(640,274)
Outstanding at end of period	**–**	–
Exercisable at end of period	**–**	–

(e) Share Incentive Plan

In 2014, the Group introduced the Share Incentive Plan ("SIP"). This HMRC-approved scheme provides all employees, including Executive Directors, the opportunity to receive and invest in the Company's shares. All SIP shares are held in a SIP Trust, administered by Solium Trustee (UK) Limited.

There are two elements to the plan: the Buy As You Earn ("BAYE") arrangement and the Free Share Award. Under the BAYE, participants can purchase shares of the Company ("Partnership Shares") each month using contributions from pre-tax pay, subject to an upper limit. For every seven shares purchased, the Company gifts the participant one free share (a "Matching Share").

Under the Free Shares Award, shares are given to eligible employees, as a proportion of their annual base pay, subject to a maximum. Eligible employees are those with six months' service at the grant date.

For Partnership Shares, eligible employees are those with three months' service. Partnership shares can be withdrawn from the Plan Trust at any time, but Matching Shares and Free Shares are subject to a three-year holding period, during which continuous employment within the Group is required. The Matching Shares and Free Shares will be forfeited if any corresponding Partnership Shares are removed from the Plan Trust within this three-year period, or if the participant leaves the Group.

Outstanding shares held under the SIP at the beginning and end of the period can be reconciled as follows:

	Partnership Shares	**Matching Shares**	**Free Shares**	**Total**
Outstanding at 28 November 2021	**388,285**	**54,749**	**1,045,977**	**1,489,011**
Awarded during period	**268,140**	**37,743**	**640,043**	**945,926**
Forfeited during period	**–**	**(8,091)**	**(84,311)**	**(92,402)**
Released during period	**(86,586)**	**(3,772)**	**(105,730)**	**(196,088)**
Outstanding at 27 November 2022	**569,839**	**80,629**	**1,495,979**	**2,146,447**
Unrestricted at 27 November 2022	**569,839**	**34,225**	**691,525**	**1,295,589**

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 29 November 2020	370,750	52,559	1,126,148	1,549,457
Awarded during period	100,435	13,529	183,239	297,203
Forfeited during period	–	(4,438)	(103,162)	(107,600)
Released during period	(82,900)	(6,901)	(160,248)	(250,049)
Outstanding at 28 November 2021	388,285	54,749	1,045,977	1,489,011
Unrestricted at 28 November 2021	388,285	32,412	640,171	1,060,868

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4.7 Share options and other equity instruments continued

(f) Ocado Group Value Creation Plan

Under the Ocado Group 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. Participants will receive the right at the end of each year of the five-year 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.

At each Measurement Date, up to 3.25% (FY21: 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 Threshold Total Shareholder Return or hurdle that 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% per annum (Initial Price – Tranche 1 £13.97; Tranche 2 £19.60; Tranche 3 £7.95).

If the value created at the Measurement date does not exceed the hurdle, nothing will accrue in that year under the VCP.

At the first Measurement Date in March 2020, no nil-cost options were banked. At the second Measurement Date in March 2021, 4,839,781 nil-cost options were banked. At the third measurement date in March 2022, 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% 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:

a. A minimum TSR of 10.0% CAGR being maintained:
   - Where the TSR has been achieved at the third Measurement Date, 50% 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% 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% 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 £20m for the CEO and a proportionate limit for other participants:
   - In the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid-out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Share awards rolled forward will not be subject to further underpins, performance or service conditions.

Valuation of awards

In 2019, 2.55% of the original maximum 2.75% was awarded in total to participants, of which 0.25% lapsed and 0.25% was subsequently granted during prior periods. In the current period, a further 0.10% lapsed and 0.2% was awarded to participants. Also, in FY20, Tranche 2 of the VCP award was created following the June 2020 Capital Raise and in the current period Tranche 3 was created following the June 2022 Capital Raise. As such, Tranche 1 is based on the total number of shares in issue, less the number of shares under Tranche 2 and Tranche 3. Tranches 2 and 3 are based on the total number of shares issued in the June 2020 and June 2022 Capital Raise respectively.

The fair value of awards granted under the VCP to date is £71.9m (2021: £65.2m) spread over the five-year period. In determining the fair value of the VCP awards granted in the current and prior period, a Monte Carlo model was used with the following inputs:

	Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3(G1)	Tranche 3(G2)
Date of grant	22.03.2021	22.03.2021	04.08.2022	04.08.2022	07.09.2022	07.09.2022
Portion of VCP granted	0.25%	0.25%	0.20%	0.20%	2.55%	0.20%
Share price at grant	£20.60	£20.60	£9.40	£9.40	£7.34	£7.34
Initial price	£13.97	£19.60	£13.97	£19.60	£7.95	£7.95
Exercise price	–	–	–	–	–	–
Expected volatility	34.0%	34.0%	50.0%	50.0%	50.0%	50.0%
Expected life from date of grant – years	1.0/2.0/3.0	1.0/2.0/3.0	2.6/3.6/4.6	2.6/3.6/4.6	0.5/1.5	2.5/3.5/4.5
Risk-free interest rate	0.1%	0.1%	1.8%	1.8%	3.0%	2.9%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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 Ocorian 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 Retail Value Creation Plan

The Ocado Retail Value Creation Plan (Retail VCP) was established in 2019 for the senior leadership team of ORL. Grants under the Retail VCP will be settled in cash and include a market-based performance condition relating to the value of the ORL. 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 ORL, 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 4.0% of value above the hurdle, of which 3.9% has been allocated to employees/secondees.

At each reporting date the accounting cost will be trued up to reflect the expected payout under the scheme based on the current performance of ORL. During the period, the decision was taken to cancel the Retail VCP on the basis that valuation at the first measurement date indicated no amounts would vest. As such, amounts previously recognised have been released (refer to Note 3.13).

(h) Long-Term Operating Plan

In 2019, the Group granted shares to selected employees. The number of awards issued was calculated based on a percentage of the participants' salaries. The awards will vest in three equal tranches over three years. Upon vesting, each tranche is subject to an additional two-year holding period after which the shares will be released to the participants. The vesting of each tranche is conditional on continued employment within the Group and subject to the Company's share price exceeding a predetermined minimum.

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4.7 Share options and other equity instruments continued

Outstanding share awards under the Long-Term Operating Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	179,815	179,815
Released during period	(55,617)	–
Outstanding at end of period	124,198	179,815
Exercisable at end of period	–	–

(i) Annual Incentive Plan
Under the Annual Incentive Plan ("AIP"), awards are granted annually in the form of nil-cost options over shares of the Company to the Executive Directors and selected members of senior management. The number of options granted is dependent on performance against targets and subject to threshold and maximum conditions (refer to the Remuneration Report on pages 144 to 170). The awards will vest in full three years from grant date, with a further two-year holding period for the Executive Directors only, during which time they cannot be sold. An award will lapse if a participant ceases to be employed by the Group before the vesting date.

Outstanding share awards under the AIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	365,552	150,035
Granted during period	251,286	215,517
Lapsed during period	(17,612)	–
Outstanding at end of period	599,226	365,552
Exercisable at end of period	–	–

The expense recognised in a given financial year relates to all unvested AIP awards granted in prior periods, and also to awards yet to be granted for the current period. The performance period for the 2022 AIP is the 52 weeks ended 27 November 2022. The expectation of meeting the 2022 AIP performance targets was taken into account when calculating this expense.

(j) Employee Share Purchase Plan
The Employee Share Purchase Plan ("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% of the market value on the date of grant or at the end of the offering period, whichever is lower. During the period, employees purchased 352,517 (2021: nil) shares of the Company at an exercise price of £4.25.

At the reporting date, employees of the Group held 906 (2021: 963) contracts in respect of granted SPP Options.

There were nil SPP Options exercisable at the reporting date (2021: nil).

(k) Ocado Restricted Share Plan
The Ocado Restricted Share Plan ("RSP") is used for two key purposes:

(a) to allow all-employee Free Share Awards outside the United Kingdom, similar to the Group's Share Incentive Plan; and

(b) to give the Group the flexibility to make Discretionary Share Awards, particularly to aid recruitment.

RSP Free Share Awards are conditional awards of shares granted to eligible non-UK employees, as a proportion of their annual base pay. Eligible employees are those with six month's service at the grant date. Awards are subject to a three year vesting period.

RSP Discretionary Awards can either be nil-cost options over shares of the Company or conditional awards of shares. These awards may be granted subject to performance conditions, and an additional holding period following vesting. The vesting period and profile is award specific.

Unvested RSP awards will lapse immediately upon a participant ceasing to hold office or employment within the Group.

Outstanding share awards under the RSP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022			52 weeks ended 28 November 2021		
	RSP Free Shares	RSP Discretionary	Total	RSP Free Shares	RSP Discretionary	Total
Outstanding at beginning of period	34,846	351,808	386,654	11,698	25,145	36,843
Granted during period	127,056	2,592,352	2,719,408	26,294	377,929	404,223
Forfeited during period	(13,668)	(209,998)	(223,666)	(3,146)	(49,707)	(52,853)
Exercised during period	–	(162,377)	(162,377)	–	(1,559)	(1,559)
Outstanding at end of period	148,234	2,571,785	2,720,019	34,846	351,808	386,654

There were no awards exercisable as at 27 November 2022.

(l) Consultant Option Plan
Under the rules of the Consultant Option Plan, options over shares of the Company can be granted to non-employees, both individuals and companies engaged to provide services to the Group.

The option exercise price is determined with reference to the closing share price of the shares on the day, or day prior to issuance. The options vest over a range of 18 months to three years depending on the award, and may be exercised once and in full anytime during a three year exercise period.

Any unvested options will lapse on cessation of the engagement to provide services to the Group.

Outstanding share awards under the Consultant Option Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	225,000	185,000
Granted during period	240,000	40,000
Outstanding at end of the period	465,000	225,000
Exercisable at end of period	185,000	185,000

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4.7 Share options and other equity instruments continued

(m) Deferred Consideration Shares

In the prior period, shares were issued to select employees of a subsidiary on acquisition. These shares will be held in trust until such time as the agreement allows the shareholders to access them. On each of the first three anniversaries of the closing date of acquisition, one third of these shares will be released from transfer restrictions subject to achievement of performance conditions and continued employment.

Outstanding consideration shares at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	294,472	–
Granted during period	–	294,472
Released during period	(98,153)	–
Outstanding at end of the period	**196,319**	294,472
Unrestricted at end of period	**–**	–

4.8 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 debt®.

Net debt® 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 £1,934.3m (2021: £1,709.4m), and it had net debt® of £577.1m (2021: net debt £359.8m).

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.

In June 2022, the Group successfully completed a capital raising generating £564.1m to fund growth (refer to Note 4.6 for details) and secured additional liquidity through a three-year multi-currency Revolving Credit Facility ("RCF") of £300.0m with a syndicate of international banks.

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, and cash and cash equivalents were as follows:

	Notes	27 November 2022 £m	28 November 2021 £m
Total facilities available		2,381.9	2,041.6
Facilities drawn down		(2,022.9)	(1,978.6)
Undrawn facilities		359.0	63.0
Cash and cash equivalents	3.11	1,328.0	1,468.6
Undrawn facilities, cash and cash equivalents and other treasury deposits		**1,687.0**	1,531.6

4.9 Cash generated from operations

A reconciliation from profit before tax to cash generated from operations is as follows:

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash flows from operating activities			
Loss before tax		(500.8)	(176.9)
Adjustments for			
– Revenue recognised from long-term contracts	2.1	(24.7)	(15.2)
– Depreciation, amortisation and impairment charges	2.4	348.6	238.4
– Property, plant and equipment write off		10.8	–
– Insurance reimbursement recognised as other income	2.6	(73.8)	(80.6)
– Non-cash exceptional items	2.6	59.8	(7.5)
– Share of results of joint ventures and associate	3.6	1.4	2.3
– Movement of provisions		(26.2)	4.2
– Net finance cost	2.7	48.2	42.3
– Share-based payments charge	4.7	42.0	35.5
Changes in working capital			
– Movement in contract assets		0.3	0.1
– Movement of contract liabilities		78.7	107.0
– Movement of inventories		(10.9)	(55.2)
– Movement of trade and other receivables		(50.7)	(77.6)
– Movement of trade and other payables		93.3	(1.8)
Cash (used in)/generated from operations		**(4.0)**	15.0

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Section 5 – Other notes

5.1 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, their countries of incorporation, and the effective percentage of equity owned at the reporting date is disclosed below. All undertakings are indirectly owned by the Company unless otherwise stated.

Name	Country of incorporation	Principal activity	Share class	% of share capital held
Haddington Dynamics II LLC	United States of America[13]	Holding company	Ordinary shares	100.0%
JFC Hydroponics Ltd	United Kingdom[1]	Non-trading company	Ordinary shares	48.1%
Jones Food Company Limited	United Kingdom[1]	Vertical farming	Ordinary shares	48.1%
Karakuri Limited	United Kingdom[2]	Robotics	Preference shares	26.3%
Kindred Inc.	United States of America[13]	Holding company	Ordinary shares	100.0%
Kindred Systems II Inc.†	Canada[9]	Holding company	Ordinary shares	100.0%
Last Mile Technology Limited	United Kingdom[3]	Non-trading company	Ordinary shares	100.0%
MHE JVCo Limited	United Kingdom[3]	Leasing	"B" shares	50.0%
Myrmex Inc	United States of America[13]	Technology	Ordinary shares	99.9%
O'Logistics SAS	France[14]	Business services	Ordinary shares	50.0%
Ocado Bulgaria EOOD	Bulgaria[4]	Technology	Ordinary shares	100.0%
Ocado Central Services Limited	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Finco 1 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Finco 2 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Innovation Limited†	United Kingdom[3]	Technology	Ordinary shares	100.0%
Ocado Operating Limited	United Kingdom[3]	Logistics and distribution	Ordinary shares	100.0%
Ocado Polska Sp. z o.o.	Poland[6]	Technology	Ordinary shares	100.0%
Ocado Retail Limited	United Kingdom[7]	Retail	Ordinary shares	50.0%
Ocado Solutions Australia Pty Limited	Australia[8]	Business services	Ordinary shares	100.0%
Ocado Solutions Canada Inc.	Canada[5]	Business services	Ordinary shares	100.0%
Ocado Solutions France SAS	France[10]	Business services	Ordinary shares	100.0%
Ocado Solutions Japan K.K.	Japan[11]	Business services	Ordinary shares	100.0%
Ocado Solutions Limited†	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Solutions Polska sp z.o.o.	Poland[17]	Business services	Ordinary shares	100.0%
Ocado Solutions Spain S.L.	Spain[18]	Business services	Ordinary shares	100.0%
Ocado Solutions Sweden AB	Sweden[12]	Business services	Ordinary shares	100.0%
Ocado Solutions (US) ProCo LLC	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Solutions USA Inc.	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Spain S.L.U.	Spain[18]	Technology	Ordinary shares	100.0%
Ocado Sweden AB	Sweden[15]	Technology	Ordinary shares	100.0%
Ocado US Holdings Inc.†	United States of America[13]	Holding company	Ordinary shares	100.0%
Ocado Ventures Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (80 Acres) Limited	United Kingdom[3]	Non-trading company	Ordinary shares	100.0%
Ocado Ventures (Inkbit) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (JFC) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Karakuri) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Myrmex) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Oxbotica) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Wayve) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Oxford US LLC	United States of America[13]	Non-trading company	Ordinary shares	100.0%
Paneltex Limited	United Kingdom[16]	Manufacturing	Ordinary shares	25.0%

† Interest held directly by Ocado Group plc.

The registered offices of the above companies are as follows:

1 Phase 2 Celsius Parc, Cupola Way, Scunthorpe, United Kingdom, DN15 9YJ
2 Unit 2 Hammersmith Studios, 55a Yeldham Road, London, United Kingdom, W6 8JF
3 Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL
4 7th Floor, 13 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria
5 Suite 1300, 1969 Upper Water Street, McInnes Cooper Tower-Purdy Wharf, Halifax, NS B3J 3R7, Canada
6 High5ive Building, Pawia 21st, 31-154, Kraków, Poland
7 Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX
8 Level 9, 63 Exhibition Street, Melbourne, VIC 3000, Australia
9 Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8, Canada
10 TMF Pole, 3-5 Rue Saint-Georges, 75009 Paris, France
11 Hibiya Fort Tower 10F, 1-1-1 Nishi Shinbashi, Minato-Ku, Tokyo, Japan
12 Mätarvägen 30, 196 37 Kungsängen, Sweden
13 251 Little Falls Drive, New Castle, Wilmington, DE, 19808, United States of America
14 1 cours Antoine Guichard, 42000 Saint-Etienne, France
15 Mälarvarvsbacken 8, 117 33, Stockholm, Sweden
16 Paneltex House, Somerden Road, Hull, United Kingdom, HU9 5PE
17 ul. Gryzbowska 2 Lok 29, 00-131, Warsaw, Poland
18 calle Badajoz 112, 08018, Barcelona, Spain

Refer to Note 1.4 for management's conclusion to consolidate Ocado Retail Limited.

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

The proportion of equity interest held by non-controlling interests is provided below:

Name	Country of incorporation	27 November 2022 %	28 November 2021 %
Ocado Retail Limited ("Ocado Retail")	United Kingdom	**50.0%**	50.0%
Jones Food Company Limited ("Jones Food Company")	United Kingdom	**51.9%**	48.2%

In January 2022, Jones Food Company issued additional shares to three individuals, which resulted in the Group's shareholding in Jones Food Company decreasing to 48.1%. However, the Group has existing warrants (potential voting rights), which entitles the Group to acquire 2.3 million shares and therefore, the Group's shareholdings on a fully diluted basis amounts to 52.4%. As such, the Group retains control of Jones Food Company.

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 27 November 2022		
	Ocado Retail £m	Jones Food Company £m	Total £m
Non-current assets	615.1	17.0	632.1
Current assets	247.3	6.3	253.6
Current liabilities	(276.5)	(1.0)	(277.5)
Non-current liabilities	(415.9)	(0.4)	(416.3)
Net assets at end of period	170.0	21.9	191.9
Non-controlling interests at end of period	85.0	11.4	96.4
Revenue	2,203.0	0.8	2,203.8
Loss and total comprehensive expense for period	(47.9)	(3.7)	(51.6)
Share of total comprehensive expense attributable to non-controlling interests	(23.9)	(1.9)	(25.8)
Net increase in cash and cash equivalents	(108.0)	(12.3)	(120.3)

No dividends were paid to non-controlling interests during the current or prior period.

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5.3 Commitments

Capital commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	27 November 2022 £m	28 November 2021 £m
Land and buildings	0.4	0.2
Property, plant and equipment	275.1	374.0
Capital commitments	**275.5**	374.2

Of the total capital expenditure committed at the end of the period, £232.4m relates to new CFCs (2021: £348.9m), £1.3m to existing CFCs (2021: £1.0m), £7.6m to fleet costs (2021: £7.7m) and £26.5m to technology projects (2021: £6.9m).

5.4 Related party transactions

Key management personnel

Only members of the Board (the Executive and Non-Executive Directors) are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. The aggregate emoluments of key management personnel are as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Salaries and other short-term employee benefits	5.8	5.0
Post-employment benefits	0.2	0.2
Share-based payments	11.4	16.2
Aggregate emoluments	**17.4**	21.4

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 144 to 170.

Due to restrictions in place during the Covid-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircraft through accessing flying hours owned by a family member of one of the key management personnel. The price paid was at the open market rate and amounted to £32,100 (2021: £72,000). At the end of the period, no amounts were owed in relation to the purchase of these flights.

Other related party transactions with key management personnel made during the period amounted to £nil (2021: £nil). All transactions were on an arm's length basis. At the reporting date, no amounts were owed by key management personnel to the Group (2021: £nil). During the period, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Joint venture

MHE JVCo Limited

The following transactions were carried out with MHE JVCo:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Dividend received from MHE JVCo	8.0	7.7
Supplier invoices paid on behalf of MHE JVCo	1.1	2.5
Capital element of lease liability instalments paid to MHE JVCo	15.1	14.2
Capital element of lease liability instalments due to MHE JVCo	1.4	1.4
Interest element of lease liability instalments accrued or paid to MHE JVCo	1.3	2.1

During the period, the Group incurred lease instalments (including interest) of £17.8m (2021: £17.7m) to MHE JVCo.

Of the lease instalments incurred, £8.2m was recovered directly from Wm Morrison Supermarkets Limited in the form of other income (2021: £9.0m).

Included within trade and other receivables is a balance of £2.3m due from MHE JVCo (2021: £0.2m) which primarily relates to capital recharges.

Included within trade and other payables is a balance of £1.8m due to MHE JVCo (2021: £1.8m).

Included within lease liabilities is a balance of £17.5m due to MHE JVCo (2021: £34.0m).

Associate

Karakuri Limited

During a prior period, the Group lent £1.7m to Karakuri. The loan was recognised within other financial assets, and its carrying amount was £1.8m (2021: £1.9m) at the reporting date. During the period, £0.2m (2021: £0.1m) of interest was recognised within finance income. Karakuri also issued warrants to Ocado to subscribe for additional shares in the future. The warrants expire in 2024. For more details on the Group's relationship with Karakuri, see Note 3.6. For more details on the terms of the loan, see Note 3.7.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

5.5 Post-Balance Sheet events

Exercise of warrants in Oxbotica Limited

On 1st December 2022, Oxbotica Limited ("Oxbotica"), a company in which the Group holds a minority interest, successfully completed its Series C Fundraising. This resulted in the Group's warrants being exercised to acquire 21,934 B shares. Following exercise of the warrants and the Series C fundraising, the Group holds a 12.5% interest in Oxbotica.

Company Balance Sheet
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Non-current assets			
Investments	3.1	**850.5**	815.8
Amounts due from subsidiaries		**3,286.2**	1,589.3
		4,136.7	2,405.1
Current assets			
Other receivables	3.2	**3.5**	0.3
Cash and cash equivalents	3.3	**7.5**	879.2
		11.0	879.5
Total assets		**4,147.7**	3,284.6
Current liabilities			
Trade and other payables	3.4	**(291.1)**	(7.2)
Provisions	3.5	**(0.2)**	(0.4)
		(291.3)	(7.6)
Net current (liabilities)/assets		**(280.3)**	871.9
Non-current liabilities			
Provisions	3.5	**(1.1)**	(8.2)
Borrowings	4.1	**(1,332.2)**	(1,300.0)
		(1,333.3)	(1,308.2)
Net assets		**2,523.1**	1,968.8
Equity			
Share capital	4.7	**16.5**	15.0
Share premium	4.7	**1,939.3**	1,372.0
Merger reserve		**6.2**	6.2
Convertible bonds reserve		**184.5**	184.5
Retained earnings		**376.6**	391.1
Total equity		**2,523.1**	1,968.8

The Company's loss for the period was £56.5m (2021: £47.4m).

The notes on pages 265 to 274 form part of these financial statements.

The Company financial statements on pages 262 to 274 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

Ocado Group plc

Company number: 07098618 (England and Wales)

28 February 2023

Company Statement of Changes in Equity
for the 52 weeks ended 27 November 2022

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Convertible bonds reserve £m	Retained earnings £m	Total £m
Balance at 29 November 2020		15.0	1,361.6	–	184.5	403.0	1,964.1
Loss for the period		–	–	–	–	(47.4)	(47.4)
Total comprehensive expense for the period		–	–	–	–	(47.4)	(47.4)
Transactions with owners							
– Issue of ordinary shares	4.7	–	1.9	–	–	–	1.9
– Allotted in respect of share option schemes	4.7	–	8.5	–	–	–	8.5
– Share-based payments charge	4.8	–	–	–	–	35.5	35.5
– Acquisition of Haddington Dynamics Inc.		–	–	6.2	–	–	6.2
Total transactions with owners		–	10.4	6.2	–	35.5	52.1
Balance at 28 November 2021		15.0	1,372.0	6.2	184.5	391.1	1,968.8
Loss for the period		**–**	**–**	**–**	**–**	**(56.5)**	**(56.5)**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**(56.5)**	**(56.5)**
Transactions with owners							
– Issue of ordinary shares	4.7	**1.5**	**565.0**	**–**	**–**	**–**	**566.5**
– Allotted in respect of share option schemes	4.7	**–**	**2.3**	**–**	**–**	**–**	**2.3**
– Share-based payments charge	4.8	**–**	**–**	**–**	**–**	**42.0**	**42.0**
Total transactions with owners		**1.5**	**567.3**	**–**	**–**	**42.0**	**610.8**
Balance at 27 November 2022		**16.5**	**1,939.3**	**6.2**	**184.5**	**376.6**	**2,523.1**

The notes on pages 265 to 274 form part of these financial statements.

Company Statement of Cash Flows
for the 52 weeks ended 27 November 2022

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash flows from operating activities			
Loss before tax		**(56.5)**	(47.4)
Adjustments for			
– Net finance cost		**55.2**	48.5
– Movement of provisions		**–**	(1.8)
Changes in working capital			
– Movement of amounts due from subsidiaries		**(1,692.5)**	519.4
– Movement of other receivables		**(0.1)**	1.3
– Movement of trade and other payables		**284.4**	(13.1)
Cash generated from / (used in) operating activities		**(1,409.5)**	506.9
Interest paid		**(27.4)**	(16.5)
Net cash flow from / (used in) operating activities		**(1,436.9)**	490.4
Cash flows from investing activities			
Proceeds from other treasury deposits		**–**	150.0
Purchase of equity investments		**–**	(191.6)
Interest received		**1.0**	–
Net cash flow from / (used in) investing activities		**1.0**	(41.6)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**566.5**	1.9
Proceeds from allotment of share options		**0.8**	8.5
Proceeds from issue of borrowings		**–**	500.0
Transaction costs on issue of borrowings		**(3.4)**	(8.4)
Repayment of borrowings		**–**	(225.0)
Net cash flow from financing activities		**563.9**	277.0
Net (decrease) / increase in cash and cash equivalents		**(872.0)**	725.8
Cash and cash equivalents at beginning of period		**879.2**	158.2
Effect of changes in foreign exchange rates		**0.3**	(4.8)
Cash and cash equivalents at end of period	3.3	**7.5**	879.2

The notes on pages 265 to 274 form part of these financial statements.

Notes to the Company financial statements
for the 52 weeks ended 27 November 2022

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc ("Company") is incorporated in England and Wales. The Company is 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 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021.

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 UK-adopted International Financial Reporting Standards.

The financial statements are presented in pounds sterling, rounded to the nearest million unless otherwise stated. They have been prepared under the historical cost convention.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company.

Further details of the Group's considerations are provided in the Group Viability Statement and Going Concern Statement on page 98.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone.

Exemptions

New standards, amendments and interpretations adopted by the Group

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the period beginning 29 November 2021, 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
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
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

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 Company have been issued but are not effective for the period beginning 29 November 2021, and have not been adopted early:

		Effective date
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
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Company's financial statements.

Notes to the Company financial statements
continued

1.2 Basis of preparation continued

Accounting policies

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, where items are remeasured, at the dates of the remeasurements. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Income tax

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1.3 Critical accounting judgement and key sources of estimation uncertainty

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. Judgements and estimates are evaluated regularly, and represent management's best estimates based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, events or actions may mean that actual results ultimately differ from those estimates, and the differences may be material.

Key estimation uncertainties

Key areas of estimation uncertainty are the key assumptions concerning the future and other data points 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.

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.	3.2
Impairment of investments	The Company considers impairment of its investments in subsidiaries by estimating the recoverable amounts of its investments. The impairment review for the Company's investments was performed using the same projections used in the impairment review in relation to the Group's goodwill. Details of the goodwill impairment review are disclosed in note 3.2 of the consolidated financial statements.	3.1

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 £0.1m (2021: £0.1m).

2.3 Employee information

The Company does not incur direct staff costs as the Group's employees are employed by its subsidiaries.

See note 4.8 for information on share-based payments.

Section 3 – Assets and liabilities

3.1 Investments

Accounting policies

Investments in subsidiaries are carried at cost, less any impairment in value. Where the recoverable amount of an investment is less than its carrying amount, impairment is recognised. Impairment reviews are undertaken whenever there is an indication of impairment, and at least once a year.

	27 November 2022 £m	28 November 2021 £m
Cost	**674.3**	674.3
Contributions to subsidiaries		
– Novation of derivative liability in respect of warrants issued by Ocado Holdings Limited	**1.1**	1.1
– Group share-based payments	**175.1**	140.4
Investments	**850.5**	815.8

Investments represent investments in subsidiaries, Kindred Systems II Inc., Ocado Holdings Limited, Ocado Innovation Limited, Ocado FinCo 1 Limited ("Finco 1"), Ocado FinCo 2 Limited ("Finco 2"), Ocado Solutions Limited, Ocado Ventures Holdings Limited and Ocado US Holdings Inc. A list of subsidiaries held by the Company is disclosed in note 5.1 to the consolidated financial statements.

During the prior period, the Company subscribed for shares aggregating to £185.9m in Finco 1, Finco 2, Canada Holdings Inc. and US Holdings Inc. in order to facilitate the acquisition of 100% of the issued shares of Kindred Systems and 100% of the issued share capital of Haddington Dynamics Inc.

The Company charges subsidiaries the amounts recognised as share-based payments relating to awards to their employees. These are recognised as an increase in the investment in relevant subsidiaries in accordance with IFRS 2 "Share-based Payment". For details of the share-based payments that have increased the Company's investments, see note 4.7 to the consolidated financial statements.

During the annual impairment review as at the reporting date, no indicators of impairment were identified.

3.2 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.

	27 November 2022 £m	28 November 2021 £m
Other receivables	**3.5**	0.3

3.3 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.

	27 November 2022 £m	28 November 2021 £m
Cash at bank and in hand	**7.5**	187.6
Short-term treasury deposits	**–**	470.1
Money market funds	**–**	221.5
Cash and cash equivalents	**7.5**	879.2

Notes to the Company financial statements
continued

3.4 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.

	27 November 2022 £m	28 November 2021 £m
Amounts due to subsidiaries	285.8	1.5
Accruals and other payables	5.3	5.7
Trade and other payables	**291.1**	7.2

3.5 Provisions

Accounting policies

Employee incentive schemes

Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes. For all taxable schemes, the Company is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to note 4.7 of Consolidated financial statements.

	Employee incentive schemes £m
Balance at 29 November 2020	9.5
Charged to Income Statement	
– Additional provision	1.2
Used during period	(2.1)
Balance at 28 November 2021	8.6
Charged to Income Statement	
– Additional provision	**0.6**
– Unused amounts reversed	**(7.7)**
Used during period	**(0.2)**
Balance at 27 November 2022	**1.3**

Provisions for employee incentive schemes as at 27 November 2022 can be analysed as follows:

	£m
Current	**0.2**
Non-current	**1.1**
	1.3

Provisions for employee incentive schemes as at 28 November 2021 can be analysed as follows:

	£m
Current	0.4
Non-current	8.2
	8.6

Employee incentive schemes

During the period, an additional provision of £0.6m (2021: £1.2m) has been recognised in relation to employers NIC on taxable equity-settled schemes and £0.2m (2021: £2.1m) utilised in the period as a result of exercises of taxable equity-settled share awards. Releases in the period of amounts previously provided include £7.0m for employers NIC on the Ocado Group VCP (2021: £0.7m additional provision).

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2023 and 2027, and allotment will take place between 2023 and 2032.

Section 4 – Capital structure and financing costs

4.1 Borrowings

Facility	Inception	Coupon rate	Maturity	Carrying amount 27 November 2022 £m	Carrying amount 28 November 2021 £m
£0.3m chattel mortgages	January 2019	8.800%	January 2023	–	0.1
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	**540.7**	522.0
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	**295.2**	283.3
£500m senior unsecured notes	October 2021	3.875%	October 2026	**496.3**	494.6
Borrowings				**1,332.2**	1,300.0
Disclosed as:					
Non-current				**1,332.2**	1,300.0

Please refer to note 4.1 of the Consolidated Financial Statements for details.

4.2 Movements in net (debt)/cash[A]

	Notes	28 November 2021 £m	Cash flows £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	27 November 2022 £m
Cash and cash equivalents	3.3	879.2	**(872.0)**	**0.3**	**–**	**7.5**
Liabilities from financing activities:						
Borrowings	4.1	(1,300.0)	**–**	**–**	**(32.2)**	**(1,332.2)**
		(1,300.0)	**–**	**–**	**(32.2)**	**(1,332.2)**
Net (debt)/cash[A]		(420.8)	**(872.0)**	**0.3**	**(32.2)**	**(1,324.7)**

	Notes	29 November 2020 £m	Cash flows £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	28 November 2021 £m
Other treasury deposits		150.0	(150.0)	–	–	–
Cash and cash equivalents	3.3	158.2	725.8	(4.8)	–	879.2
		308.2	575.8	(4.8)	–	879.2
Liabilities from financing activities:						
Borrowings	4.1	(997.2)	(266.5)	–	(36.3)	(1,300.0)
		(997.2)	(266.5)	–	(36.3)	(1,300.0)
Net (debt)/cash[A]		(689.0)	309.3	(4.8)	(36.3)	(420.8)

Notes to the Company financial statements
continued

4.3 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 that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the 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:

		Amortised cost	
	Notes	**27 November 2022 £m**	28 November 2021 £m
Financial assets			
Amounts due from subsidiaries		**3,286.2**	1,589.3
Other receivables	3.2	**3.5**	0.3
Cash and cash equivalents	3.3	**7.5**	879.2
Total financial assets		**3,297.2**	2,468.8
Financial liabilities			
Accruals and other payables	3.4	**(291.1)**	(7.2)
Chattel mortgages	4.1	**–**	(0.1)
Senior unsecured notes	4.1	**(496.3)**	(494.6)
Senior unsecured convertible bonds	4.1	**(835.9)**	(805.3)
Total financial liabilities		**(1,623.3)**	(1,307.2)

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 unsecured convertible bonds and senior unsecured 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:

		27 November 2022		28 November 2021	
	Notes	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Amounts due from subsidiaries		**3,286.2**	**3,286.2**	1,589.3	1,589.3
Other receivables	3.2	**3.5**	**3.5**	0.3	0.3
Cash and cash equivalents	3.3	**7.5**	**7.5**	879.2	879.2
Total financial assets		**3,297.2**	**3,297.2**	2,468.8	2,468.8
Financial liabilities					
Accruals and other payables	3.4	**(291.1)**	**(291.1)**	(7.2)	(7.2)
Chattel mortgages	4.1	**–**	**–**	(0.1)	(0.1)
Senior unsecured notes	4.1	**(496.3)**	**(392.5)**	(494.6)	(488.1)
Senior unsecured convertible bonds	4.1	**(835.9)**	**(700.4)**	(805.3)	(1,067.4)
Total financial liabilities		**(1,623.3)**	**(1,384.0)**	(1,307.2)	(1,562.8)

The fair values of cash and cash equivalents, amounts due from subsidiaries, other receivables and accruals and other payables are assumed to approximate to their carrying values but for completeness are included in this analysis.

4.4 Credit risk

The Company's exposures to credit risk arise from holdings of cash and cash equivalents and amounts due from subsidiaries.

Exposure to credit risk

The carrying value of financial assets, as set out in note 4.3, 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.

Notes to the Company financial statements
continued

4.5 Liquidity risk

The Company has adequate cash resources to manage the short-term working capital needs of the business. 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 4.8 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.

			Contractual cash flows				
27 November 2022	Notes	**Carrying amount £m**	**Total £m**	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**
Accruals and other payables	3.4	**(291.1)**	**(291.1)**	**(291.1)**	**–**	**–**	**–**
Senior unsecured notes	4.1	**(496.3)**	**(577.6)**	**(19.4)**	**(19.4)**	**(538.8)**	**–**
Senior unsecured convertible bonds	4.1	**(835.9)**	**(980.8)**	**(7.9)**	**(7.9)**	**(965.0)**	**–**
		(1,623.3)	**(1,849.5)**	**(318.4)**	**(27.3)**	**(1,503.8)**	**–**

			Contractual cash flows				
28 November 2021	Notes	Carrying amount £m	Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Accruals and other payables	3.4	(7.2)	(7.2)	(7.2)	–	–	–
Chattel mortgages	4.1	(0.1)	(0.1)	–	(0.1)	–	–
Senior unsecured notes	4.1	(494.6)	(596.9)	(19.4)	(19.4)	(558.1)	–
Senior unsecured convertible bonds	4.1	(805.3)	(988.9)	(7.9)	(7.9)	(621.0)	(352.1)
		(1,307.2)	(1,593.1)	(34.5)	(27.4)	(1,179.1)	(352.1)

4.6 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. These financial assets are exposed to interest rate risk as the Company holds 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.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	27 November 2022 £m	28 November 2021 £m
Fixed rate instruments		
Financial assets	**–**	470.1
Financial liabilities	**(1,332.2)**	(1,300.0)
Variable rate instruments		
Financial assets	**7.5**	409.1
Financial liabilities	**–**	–

Sensitivity analysis

Based on the Company's variable rate interest-bearing borrowings and cash and cash equivalents existing at the end of the period, a 2% increase in interest rates (2021: 1% increase) would affect equity and profit or loss by the amounts shown below.

	27 November 2022 £m	28 November 2021 £m
Increase in income	**0.2**	4.1
Increase in equity	**–**	–

4.7 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 10,438,075 (2021: 10,454,148) ordinary shares held by the Group's Employee Benefit Trust (see note 4.7 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 Ocado Group Value Creation Plan ("Group 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 2.9 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 9,447,982 (2021: 7,259,291). 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 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	1.4	–	1.9
Allotted in respect of share option schemes	1.9	–	8.5
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	**73.9**	**1.5**	**565.0**
Allotted in respect of share option schemes	**0.6**	**–**	**2.3**
Balance at 27 November 2022	**825.9**	**16.5**	**1,939.3**

4.8 Share-based payments

For more information on the Group's share schemes, see note 4.7 to the consolidated financial statements.

4.9 Capital management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 4.8 to the consolidated financial statements.

Notes to the Company financial statements continued

Section 5 – Other notes

5.1 Related party transactions

Key management personnel

Only members of the Board (the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Company. The Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 144.

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 £0.8m (2021: £4.1m) was charged on these loans during the period. All intra-Group loans and balances are unsecured and repayable on demand.

Transactions with subsidiaries	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Group share-based payments	42.0	35.5
Increase/(decrease) in amounts due from subsidiaries	1,696.9	(510.8)
Increase/(decrease) in amounts due to subsidiaries	284.3	(11.2)

Balances with subsidiaries	27 November 2022 £m	28 November 2021 £m
Amounts due from subsidiaries	3,286.2	1,589.3
Amounts due to subsidiaries	(285.8)	(1.5)

5.2 Post-Balance Sheet events

No significant events affecting the Company have occurred since the reporting date.

Glossary

2019 Directors' Remuneration Policy or 2019 Policy – means the Directors' Remuneration Policy which was approved by shareholders at the 2019 Annual General Meeting.

Active customer (ORL) – means a customer who has shopped at Ocado.com within the previous 12 weeks.

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 2 May 2023 at 2.30 pm at Numis Securities Ltd, 45 Gresham Street, London, EC2V 7BF.

AIP – means the Annual Incentive Plan for the Executive Directors and selected senior managers.

Alcampo – means Alcampo S.A., a company incorporated in Spain under registered company number C.I.F. A-28581882 whose registered office is at Madrid, c/ Santiago Compostela Sur, s/n (Edificio de Oficinas la Vaguada) CP.28029 Madrid.

American Depositary Receipts – means securities that have been created to permit United States investors to hold shares in non-United States companies and, in a Level 1 programme, to trade them on the over-the-counter market in the United States of America.

Articles – means the articles of association of the Company.

ASRS – mean Automated Storage Retrieval Systems.

Auchan Polska – means Auchan Polska Sp. z.o.o., a company incorporated in Poland, whose registered office is at ul. Puławska 46, 05-500 Piaseczno.

AutoStore – means AutoStore Technology AS, a company incorporated in Norway, whose registered office is at Stokkastrandvegen 85, 5578, Nedre Vats, Rogaland, Norway.

Average basket value – means the average amount spent by shoppers in one transaction.

Average orders per week (ORL) – means the average number of Orders per week processed within CFCs.

Average selling price – means gross sales divided by total eaches.

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.

Client Partner – means a client of Ocado Group that has purchased the Ocado Smart Platform Solution or part of the OSP Solution to deliver their operations.

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.

DEI – means Diversity, Equity and Inclusion.

Deloitte – means Deloitte LLP, the Group's statutory auditor and advisor in respect of non-audit services.

Direct Operating Cost (% of site sales) – means the direct costs of running our CFCs (legacy & OSP) estate within Technology Solutions and includes On-site Operational costs, Allocation of Remote Support Costs, Cloud Costs, Direct Technology Costs (on call labour).

Directors – means the Directors of the Company, whose names and biographies are set out on pages 106 to 109, 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.

Glossary
continued

DNED – means the Designated Non-Executive Director for workforce engagement.

DPV – means deliveries per van.

EBITDA – means the non-GAAP measure which Ocado has defined as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items.

EBT – as relating to the Consolidated Income Statement, means earnings before tax; as relating to share schemes, means Employee Benefit Trust.

EBT Trustee – means the Trustee from time to time of the Employee Benefit Trust established for the purposes of the JSOS, currently Ocorian Limited.

eNPS – means employee Net Promoter Score.

ESG – means Environmental, Social, and Corporate Governance.

ESOS – means the HMRC-approved 2001 Executive Share Option Scheme and the 2001 HMRC-unapproved Executive Share Option Scheme and 2014 Executive Share Option Scheme.

Exceptional items – means items that due to their material and/or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements.

Executive Directors – means Tim Steiner, Stephen Daintith, Mark Richardson, Luke Jensen and Neill Abrams.

Fabled or Fabled.com – means the Group's premium beauty online store in collaboration with Marie Claire and Time Inc., sold to Next Holdings Limited in 2019.

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.

Gross Liquidity – means cash and cash equivalents plus unused availability of revolving credit facility.

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 His 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.

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 Unit 2 Hammersmith Studios, 55a Yeldham Road, London, England, W6 8JF.

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).

Lotte – means Lotte Shopping Co., Ltd, a company incorporated and registered in the Republic of Korea with registered number 5298500774 whose registered office is at Lotte World Tower, 26th floor, 300, Olympic Street, Songpagu, Seoul, Republic of Korea.

LTIP – means the Long-Term Incentive Plan for Executive Directors and selected Senior Managers.

Marks and Spencer or M&S – means Marks and Spencer Group plc, a company incorporated in England and Wales with company number 04256886, whose registered office is at Waterside House, 35 North Wharf Road, London, W2 1NW.

MHE – means mechanical handling equipment.

MHE JVCo – means MHE JVCo Limited, a company incorporated in England and Wales with company number 08576462, jointly owned by Ocado Holdings and Morrisons, whose registered office is at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

Morrisons – means Wm Morrison Supermarkets plc, a company incorporated in England and Wales with company number 00353949, whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire, BD3 7DL.

Morrisons.com – means Morrisons' online retail business.

Myrmex – means Myrmex Inc., a company incorporated in Delaware, United States of America, whose business address is 2350 Mission College Boulevard, Suite 495, Santa Clara, CA, 95054.

Net finance cost – means finance costs less finance income. Finance costs are composed primarily of interest on borrowings and lease liabilities. Finance income is composed principally of bank interest.

Non–Executive Directors – means the Non–Executive Directors of the Company designated as such on pages 106 to 109.

Notice of Meeting – means the notice of the Company's AGM.

NPS – means net promoter score.

Number of modules live – means modules that are fully installed and available for use by our partners.

Number of modules ordered – means the number of modules contractually ordered by our partners.

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 Re:Imagined or Re:Imagined – means a series of innovations and changes to the technology powering our Ocado Smart Platform (OSP).

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 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 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.

Glossary
continued

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 £500m senior secured notes due 2026. For more details, see pages 175 and 236.

Senior unsecured convertible bonds or convertible bonds – means the Company's offerings of £600m senior unsecured convertible bonds due 2025 at a coupon of 0.875% and an issue price of 100.0%, and of £350m senior unsecured convertible bonds due 2027 at a coupon of 0.750% and an issue price of 100.0%. For more details, see pages 175 and 236 to 206.

Shareholder – means a holder for the time being of ordinary shares of the Company.

SAYE – means the Sharesave Scheme, the HMRC-approved share option plan for employees.

SID – means Senior Independent Director.

SIP – means the Share Incentive Plan.

SPP – means the Employee Share Purchase Plan.

SKU – means stock-keeping unit; that is, a line of stock.

Smart Pass (previously Saving Pass) – means the Ocado pre pay membership scheme which includes the delivery pricing scheme previously known as Delivery Pass and the discount membership scheme formerly known as Saving Pass.

Sobeys – means Sobeys Inc., a wholly-owned subsidiary of Empire Company Limited incorporated in Canada, whose registered office is at 115 King Street, Stellarton, Nova Scotia.

Spoke – means the trans-shipment sites used for the intermediate handling of customers' orders.

SOC – means System and Organisation Controls, as defined under the Association of International Certified Professional Accountants Trust Services Principles and Criteria.

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.

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.

Webshop – means the customer-facing internet-based virtual shop accessible via the website www.ocado.com.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures that are not defined under IFRS and are, therefore, termed "non-IFRS" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-IFRS measures used are:

- Exceptional items;
- EBITDA;
- Segmental revenue;
- Segmental EBITDA;
- Segmental gross profit;
- Segmental other income;
- Segmental distribution costs and administrative expenses;
- Net cash/debt;
- External gross debt; and
- International Solutions fees invoiced.

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 items of income and expenditure that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include corporate reorganisations, material litigation, and any other material costs outside of the normal course of business as determined by management.

The Group has adopted a three-columned approach to the Consolidated Income Statement to aid clarity and allow users of the financial statements to understand more easily the performance of the underlying business and the effect of one-off events.

Exceptional items are disclosed in Note 2.6 to the consolidated financial statements.

EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

A reconciliation of operating profit with EBITDA can be found on the face of the Consolidated Income Statement on page 192.

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.

Alternative Performance Measures
continued

Segmental gross profit

Segmental gross profit is a measure that seeks to reflect the profitability of segments in relation to their revenues earned.

A reconciliation of reported gross profit, the most directly comparable IFRS measure, with segmental gross profit is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail gross profit	657.9	737.5
UK Solutions & Logistics gross profit	802.7	710.4
International Solutions gross profit	144.9	57.5
Other gross profit	(0.7)	(1.0)
Group eliminations gross profit	(640.5)	(568.5)
Reported gross profit	**964.3**	935.9

Segmental other income

Segmental other income is a measure that seeks to reflect segmental income which is not generated through the primary trading activities of the segments (for example, volume-related rebates from suppliers in the Retail segment).

A reconciliation of reported other income, the most directly comparable IFRS measure, with segmental other income is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail other income	82.0	84.8
UK Solutions & Logistics other income	3.6	3.5
International Solutions other income	0.2	0.6
Other income	14.9	15.2
Reported other income	**100.7**	104.1

Segmental distribution costs and administrative expenses

Segmental distribution costs and administrative expenses is a measure that seeks to reflect the performance of the Group's segments in relation to the long-term, sustainable growth of the Group. These measures exclude certain costs that are not allocated to a specific segment: depreciation, amortisation, impairment and other central costs.

A reconciliation of reported distribution costs and administrative expenses, the most directly comparable IFRS measures, with segmental distribution costs and administrative expenses, is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail distribution costs and administrative expenses	743.9	671.9
UK Solutions & Logistics distribution costs and administrative expenses	739.1	645.4
International Solutions distribution costs and administrative expenses	258.3	177.4
Other distribution costs and administrative expenses	34.8	49.4
Group eliminations distribution costs and administrative expenses	(638.4)	(567.4)
Depreciation, amortisation, impairment and other central costs	348.6	238.4
Reported distribution costs and administrative expenses	**1,486.3**	1,215.1

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Reported distribution costs	830.2	666.7
Reported administrative expenses	656.1	548.4
Reported distribution costs and administrative expenses	**1,486.3**	1,215.1

Net cash/debt

Net cash/debt is calculated as cash and cash equivalents, plus other treasury deposits, less gross debt (borrowings plus lease liabilities).

Net cash/debt is a measure of the Group's net indebtedness that provides an indicator of the overall strength of the Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness. The use of the term "net cash" does not necessarily mean that the cash included in the net cash/debt calculation is available to settle the liabilities included in this measure.

Net cash/debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities (current and non-current) and cash and cash equivalents. A reconciliation of these measures with net cash/debt can be found in Note 4.2 to the consolidated financial statements.

External gross debt

External gross debt is calculated as gross debt (borrowings plus lease liabilities), less lease liabilities payable to the joint venture of the Group. External gross debt is a measure of the Group's indebtedness to third parties, which are not considered related parties of the Group.

A reconciliation of gross debt with external gross debt can be found below:

	27 November 2022 £m	28 November 2021 £m
Gross debt	1,905.1	1,828.4
Less: Lease liabilities payable to joint venture	(17.5)	(34.0)
External gross debt	**1,887.6**	1,794.4

International Solutions fees invoiced

International Solutions fees invoiced is used as a key measure of performance of the International Solutions business as an alternative to revenue and represent design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments.

Contents

Five-Year Summary

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m	52 weeks ended 2 December 2018 £m
Revenue	**2,513.8**	2,498.8	2,331.8	1,756.6	1,598.8
Gross profit	**964.3**	935.9	800.0	597.3	547.5
EBITDAⓐ	**(74.1)**	61.0	73.1	43.3	59.5
Adjusted operating (loss)/profit[1]	**(421.3)**	(175.1)	(94.9)	(93.5)	(33.0)

1 Adjusted to exclude exceptional itemsⓐ and share the results of joint ventures and associates.

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m	52 weeks ended 2 December 2018 £m
Active customer base	**940,000**	832,000	680,000	795,000	721,000
Average orders per week[5]	**377,000**	357,000	334,000	325,000	296,000
Average basket value (£)[2,3]	**118.46**	129.08	137.19	106.30	106.85
CFC efficiency (UPH)[4]	**175**	170	169	161	163
DPV per week	**176**	177	184	196	194
Product waste (%)	**0.9**	0.6	0.4	0.7	0.8

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 basket value excludes destination sites from 2014 onwards; prior to this, destination sites were not material.

4 Mature CFC operations (CFC is considered mature if it has been open 12 months by the start of the half year reporting period). Bristol is now included (with Hatfield, Dordon, Erith) as a mature CFC operation in FY22 numbers.

5 2018-2020 includes orders for Fetch.co.uk, Sizzle.co.uk and Fabled.com. 2021 includes Fetch.co.uk up to disposal in January 2021.

Shareholder Information

Analysis of share register at 27 November 2022

By type of holder	Total no. of holdings	Percentage of holders	Total no. of shares	Percentage of issued share capital
Individual	1,001	49.02	3,313,824	0.40
Institutions and others	1,041	50.98	822,565,667	99.60
By size of holding				
1-500	619	30.31	111,633	0.01
501-1,000	209	10.24	159,552	0.02
1,001-10,000	598	29.29	2,178,371	0.26
10,001-100,000	359	17.58	13,148,570	1.59
Over 100,000	257	12.59	810,281,365	98.11
Total	2,042	100.0	825,879,491	100.0

AGM

The AGM will be held at Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF at 2.30 pm on 2 May 2023. Further details can be found in the Notice of Meeting sent to shareholders, which is also available at www.ocadogroup.com.

Shareholder Queries

Please contact our Registrar, Link Group, directly for all enquiries about your shareholding:

Online: www.ocadoshares.com (you will need your shareholder reference number which can be found on your share certificate)

By telephone: 0345 608 1476. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.)

By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Electronic Shareholder Communication

We encourage our shareholders to opt for electronic communications as opposed to hardcopy documents by post. This has a number of advantages for the Company and its shareholders. Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as increasing the speed of communication and provision of information in a convenient form. Less paper also reduces our impact on the environment.

If you would like to receive notifications by email, you can register your email address via the Share Portal www.signalshares.com or by writing to Link Group FREEPOST SAS, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. No stamp or further address detail is required, please write in BLOCK CAPITALS as required. Please note that if you hold your shares corporately or in a CREST account, you are not able to use the Share Portal to inform us of your preferred method of communication and should instead write to Link Group at FREEPOST SAS, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Warning about Share Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the United Kingdom Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk/scamsmart/share-bond-boiler-room-scams, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the United Kingdom or +44 20 7066 1000 if calling from outside the United Kingdom.

Share Price Information

The Company's ordinary shares are listed on the London Stock Exchange. The price of the Company's shares is available on the Corporate Website at www.ocadogroup.com. This is supplied with a 15 minute delay to real time.

Donating shares to charity – ShareGift

Small numbers of shares, which may be uneconomic to sell, can be donated to ShareGift, the share donation charity. ShareGift transfers these holdings into their name, aggregates them, and uses the proceeds to support a wide range of UK charities. If you would like further details about ShareGift, please visit www.Sharegift.org, email help@sharegift.org or telephone them on 020 7930 3737.

ADR administration

Ocado Group plc operates an American Depositary Receipts programme. ADRs are traded on the over-the-counter market under the symbol OCDDY. One ADR represents two ordinary Ocado shares. BNY Mellon maintains the Company's ADR register. If you have any enquiries about your holding of Ocado ADRs, you should contact BNY Mellon by post at 240 Greenwich Street, Floor 8W New York, NY 10286.

Financial Calendar*

28 March 2023	Q1 Trading Statement
2 May 2023	Annual General Meeting
18 July 2023	Half Year Results Announcement
19 September 2023	Q3 Trading Statement
16 January 2024	Q4 Trading Statement
29 February 2024	Final Results Announcement

* Dates are provisional

Company Information

Registered office:	Buildings One & Two Trident Place Mosquito Way Hatfield Hertfordshire United Kingdom AL10 9UL
Company number:	07098618
Company Secretary:	Neill Abrams
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ

Forward-looking Statements

Certain Statements made in this Annual Report are Forward-looking Statements. Such Statements are based on current expectations, forecasts and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these Forward looking Statements. They appear in a number of places throughout this Annual Report and include Statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, objectives, strategies and the business. Nothing in this Annual Report should be construed as a profit forecast. All Forward-looking Statements in this Annual Report are made by the Directors in good faith based on the information and knowledge available to them as at the time of their approval of this Annual Report. Persons receiving this report should not place undue reliance on Forward-looking Statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake any obligation to update or revise publicly any Forward-looking Statements, whether as a result of new information, future events, future developments or otherwise.

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