Strategic Report

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Group at a Glance

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

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

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

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

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

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

Building future value beyond core business

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

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

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

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Our Investment Case

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

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

**Leadership**

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

**Speed**

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

**Resilience**

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

**Partnership**

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

**Problem Solving**

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

How we’re positioned for success:

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

How we’re positioned for success:

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

How we’re positioned for success:

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

How we’re positioned for success:

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

How we’re positioned for success:

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

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

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

Likewise, it is inspiring to see the energetic exploration of our erstwhile mission ‘changing the way the world shops’, a mission that has never been more prescient.

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

We intend to make the most of the accelerated opportunity this new normal represents. In the first instance, that means responding to this ever-growing demand. We have ramped up capacity, both by reaching new geographies and expanding our ability to deliver to customers within these areas. We signed a new partner, Alcampo, to deliver across Spain via Customer Fulfilment Centres (‘CFCs’) and in-Store fulfilment (‘ISP’), opening up a new region and taking the number of the Group’s Solutions partners to 10 globally. Despite the start of the pandemic we delivered our first two CFCs for Kroger in Ohio and Florida. The former is in their heartland and the latter in completely new territory, showing the versatility of our CFC format. This continued when they placed an order for five new CFCs in October; one is in the North-East, versatile uses of our CFC format. This continued when they placed an order for five new CFCs in October; one is in the North-East, the latter in completely new territory, showing the versatility of our CFC format. This continued when they placed an order for five new CFCs in October; one is in the North-East, and the latter in completely new territory, showing the versatility of our CFC format.

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

The Ocado culture of innovation and risk taking has been central to our previous success and, although it can be challenging to do this at increased scale, I believe it's central to the future of the business. The core skills we will need to continue to foster are developing transformational technology, partnering with grocery retail clients all over the world, and having ruthless efficiency in our core engineering and operations. The Board has approved a new strategy to enable this entrepreneurial business and simultaneously provide the right governance to a global partner of choice in providing autonomous vehicles into the Ocado Smart Platform.

Key Activity in the Year

• December 2020: Ocado Group’s acquisitions of Kindred Systems, Inc. and Haddington Dynamics, Inc. to bolster robotic manipulation capabilities are successfully completed.

• March 2021: Ocado Group and Ocado Retail announced the go live of the first mini-CFC in Bristol.

• April 2021: Ocado Solutions announced the launch of the first Ocado CFC in the USA for Kroger in Monroe, Ohio.

• April 2021: Ocado Group announced its investment in Otsokha Limited, to collaborate on integrating autonomous vehicles into the Ocado Smart Platform.

• July 2021: Ocado Solutions partnered with Auchan Retail to develop Alcampo’s online business in Spain using the Ocado Smart Platform.

• August 2021: Ocado Group and Ocado Retail announced the reopening of the Andover CFC, following the previous CFC’s fire damage in 2019.

• September 2021: The Group’s second largest CFC in the UK to date at Purfleet went live.

• October 2021: Ocado Group successfully completed a redemption of £225 million Senior Secured Notes and its subsequent offering of Senior Unsecured Notes, raising a total of £500 million.

• October 2021: Ocado Group announced that it has acquired a stake in Wayte Technologies Ltd, to develop the Group’s autonomous grocery delivery capability.

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

Claudia Arney stepped down on 25 December 2020. I would like to thank her very much.

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

Rick Haythornthwaite
Chair
11 February 2022

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Question and Answer

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

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

Luke Jensen
CEO, Ocado Solutions

As Tim notes, this year has seen execution of the OSP roll-out really pick up: the number of partners, geographies, sites, and types of solution deployed. A critical enabler of continued successful execution lies in supporting the increased scale and complexity of the business, and we've made significant steps to strengthen our capabilities – talent, systems and processes – to this end. Notably, we restructured the Finance team to enable scope for greater specialisation and improvements in business partnering, and implemented new accounting and treasury systems to handle the implications of international growth. We have commenced projects to similarly strengthen our systems for both procurement and project management in the year ahead.

Smart capital management is critical and we’ve been pleased to be able to raise our first sizeable unsecured bond, bolstering our healthy liquidity position to support our bold growth ambitions. As our accelerated roll-out continues, we are focused on delivering and improving upon our targeted OSP economics, as well as ensuring strong communication on this progress for our partners, so that they can continue on this growth journey with us with confidence.

Stephen Daintith
Chief Financial Officer

This year, the business welcomed its tenth OSP partner and successfully went live with five further CFCs in the UK and US. Despite disruption to travel and supply chains, we launched all of these sites on time. Other projects remain broadly on track.

We have been improving our installation processes and have stressed our technology so that we can launch and ramp-up sites faster than ever before. We are innovating at pace. During the year, we rolled out our new generation box and significantly progressed our work on a commercial solution for robotic pick in grocery, as well as other innovations to further improve the flexibility and reduce the cost of OSP, which we expect to bring even greater operating benefits for partners and Group over time.

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

We also significantly refinanced our £255 million senior secured note to a £500 million senior unsecured note, at a reduced coupon rate, bolstering our liquidity position to support continued investment and growth in the year ahead.

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Our Strategy

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

Stephen Daintith
Chief Financial Officer

We are focused on creating value with purpose

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

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

Grow our revenue
Developing, building, acquiring and diversifying our revenue streams

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

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

Deliver on our client commitments
Providing efficient and scalable solutions – listening first and delivering a best in class customer service

Develop global scale-up capabilities
Building the foundations to continue scaling and growing at pace

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

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

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

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

We are focused on creating value with purpose

A strategy informed by materiality

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

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

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

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

2021 progress

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

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

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

Supported by the ESG committee, the business has:

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

2022 in focus

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

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

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

A large and growing opportunity for OSP

The Global Acceleration in Online Grocery

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

5.1% Online share of grocery, globally in 2020

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

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

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

Trends Shaping Grocery Fulfilment Worldwide

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

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

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

OSP is a leading solution for each of these structural trends

Our Superior Offering

Leading quality and service

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

Pioneer in online grocery innovation delivering unparalleled efficiency

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

Changing the way the world shops, for good

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

The Opportunity for Ocado Solutions

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

Using assumptions to carve out ‘key markets’ that reflect relatively affluent geographies with a minimum population size, we estimate a £3.5–£26.3 billion fee opportunity, depending on the level of online penetration reached in these markets.

OCADO GROUP PLC

Annual Report and Accounts 2021
The Marketplace

Providing superior options to global grocery retailers

Enabling a flexible, efficient fulfilment strategy

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

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

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

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

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

An end-to-end expanding software platform

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

Spanning functions like promotional enhancements for partner web-shops, to new supply chain management capabilities, to last-mile routing optimisations, we are constantly delivering a growing and integrated software platform to our partners. Alongside our proprietary robotics technology, it’s this end-to-end integrated software approach that sets us apart from the often piecemeal and fragmented solutions landscape for online grocery globally.

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

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

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

Luke Jensen
CEO of Ocado Solutions
Our Business Model

1 Why we do it
Our Purpose

To solve complex problems for the world’s largest grocery retailers and businesses beyond grocery. We equip our people and our partners with market-leading technology and platform, to ensure we enable a better future for food shopping for all.

Our Values and Culture

Our People
Over 16,000 passionate colleagues who deliver our business objectives, through their drive to make change, learn and grow, and that’s why we’re in it together. Our people are our greatest asset. We believe that if you put the team first, then the team will deliver the best for their clients from us on the planet and regulators.

Intellectual Property and Brand
Our cutting-edge IP - 320 patents granted and 1,028 more applications live in our network of intellectual property portfolios and solutions and drives a fundamental source of competitive advantage. Our brand stands as both an international solutions provider and a marker of choice, to drive more business, and attracting and retaining the best talent.

Physical Assets
The growing installed MHE base within our client sites, which reflects our technological leadership and underpins our ongoing financial growth. These assets are a key piece of what we believe to be the most efficient solution for our clients and the planet.

Financial Resources
Our strong liquidity position of almost £1.5 billion, enabling and investor to our business. Today, this position reflects proven access to capital markets, outstanding growth profile and leading position in Ocado Retail and cash taxes reserved from International Solutions partners.

Our Networks
Our relationships with our key stakeholders, which build on shared values to support continued growth. For example, our market-leading collaboration with GIS clients through the leadership side, enabling accelerated learning and growth. We are also developing a strong collaboration with key suppliers on new efficient and robust routes of production.

Natural Resources
Resources that we harness to sustain our business and, where necessary, work to better maintain through investments in innovative technologies. For example, the world’s leading developer of sustainable manufacturing and resources, or the renewable energy we use to power our sites in the UK.

2 Our key relationships and resources

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

Our People
Over 16,000 passionate colleagues who deliver our business objectives, through their drive to make change, learn and grow, and that’s why we’re in it together. Our people are our greatest asset. We believe that if you put the team first, then the team will deliver the best for their clients from us on the planet and regulators.

Why we do it

Delivering long-term value for all our stakeholders

Key added value of OSP:

Leadership customer offer:
- Flexibility to serve the whole range of customer needs;
- Best service: 95% on-time delivery, 99% based accuracy, 56-500 litres range, and winning flexibility;

Compelling economics:
- Best-in-class operating costs in fulfilment;
- Efficient use of natural resources: industry-low food waste, optimised energy efficiency, or the ability to adapt near closed-loop recycling of plastic bag material;

Accelerated innovation:
- 3,600 patents granted or pending;
- 2,600 technology headcount;
- GSR Leadership Lab, 10 pioneering countries, multinational collaborations;

Competitive advantage:
- Operational resilience supported by critical policies and procedure and regular dialogue to proactively resolve any issues;

Process optimization investments to support future growth

Society, including community, planet and regulators

- An improved grocery shopping experience for customers worldwide;
- More opportunities for decent work with a growing employer in 16 countries.
- Investment in growing a pipeline of talent that can thrive in our technology-led workforce;
- Efficient use of natural resources to protect our planet for future generations;
- Constructive engagement and dialogue with industry and regulatory bodies.

The Ocado Spirit is what makes us special, it’s the essence of life at the Ocado Group and the glue that sticks us together. It’s our values and culture that live in our DNA. At its core are the beliefs that make us who we are.

Why we do it

Provide our client partners with sustainable and efficient solutions, enabling competitive advantage, and profits, scalable growth for them and our trusted suppliers. We achieve this responsibility with strong impact and meaningful change, by reflecting on the commitments we make.

Delivering long-term value for all our stakeholders

Key added value of OSP:

Leadership customer offer:
- Flexibility to serve the whole range of customer needs;
- Best service: 95% on-time delivery, 99% based accuracy, 56-500 litres range, and winning flexibility;

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- Efficient use of natural resources to protect our planet for future generations;
- Constructive engagement and dialogue with industry and regulatory bodies.

Our Values and Culture

Our People
Over 16,000 passionate colleagues who deliver our business objectives, through their drive to make change, learn and grow, and that’s why we’re in it together. Our people are our greatest asset. We believe that if you put the team first, then the team will deliver the best for their clients from us on the planet and regulators. We believe that the winners in the channel will be those with the widest toolkit available for serving a market-leading customer experience in all geographies, underpinned by sustainable and efficient solutions, driving change through learning and growth.

Why we do it

Delivering long-term value for all our stakeholders

Key added value of OSP:

Leadership customer offer:
- Flexibility to serve the whole range of customer needs;
- Best service: 95% on-time delivery, 99% based accuracy, 56-500 litres range, and winning flexibility;

Compelling economics:
- Best-in-class operating costs in fulfilment;
- Efficient use of natural resources: industry-low food waste, optimised energy efficiency, or the ability to adapt near closed-loop recycling of plastic bag material;

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- More opportunities for decent work with a growing employer in 16 countries.
- Investment in growing a pipeline of talent that can thrive in our technology-led workforce;
- Efficient use of natural resources to protect our planet for future generations;
- Constructive engagement and dialogue with industry and regulatory bodies.
We're developing, building, acquiring and diversifying our revenue streams.

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

2021 progress
- With the roll-out of OSP picking up, globally, the International Solutions segment grew its international material revenues for the first time, £44.0 million, up 10% on the prior year, Fast revenue in UK Solutions and International Solutions grew 301% on the prior year. Fee revenue in UK Solutions and International Solutions segment began to recognise the long runway for growth.
- We launched two CFCs in the US, doubling our live CFCs, five are using ISF, in dark stores as well as the grocery store in some cases, and two have either rolled-out mini and micro CFCs, or are shortly to do so.
- In addition, our 10 global OSP partners have announced capacity commitments equivalent to 56 CFCs. Since the year end, we have gone live with three of these (in Sweden, Canada and the US). With the equivalent of 56 CFCs once again, to 19. For the first time, we expect to nearly double the number of live CFCs once again, to 19. For the first time, we expect to nearly double the number of live CFCs.
- Our Swedish partner, ICA, went live with a suite of OSP solutions designed to flexibly serve their unique, co-operative business model. This began with the roll-out of our ISF solution in eight dark stores and store settings during the year, followed by the launch of their first CFC.
- Ocado Retail, our US partner and joint venture business in which we have a 65% share, grew revenue to £2.13 billion, up 5% on the prior year notwithstanding the challenges of industry-wide labour shortages and temporary fluctuation associated with a fire at the Griffin CFC.
- Ocado Retail also continued to invest in a strong capacity pipeline. The business went live with a further three CFCs, increasing potential growth capacity by 40% compared with the end of 2020.
- Though travel restrictions related to the ongoing pandemic continue to impact the ability of major supermarket chains to implement significant contract signings, with the addition of a new contract signing, we added Acoxi, the Spanish subsidiary of Aucocentra Retail, as our tenth OSP partner with plans to open a first CFC in Madrid in 2022 and use our ISF offering.
- Beyond grocery, we have successfully integrated the Kindred Systems team into the business and will continue to support them to grow their client base for their robotic picking solution. Though revenues have ramped more slowly than originally expected, we remain excited by the long-term opportunity for Kindred’s robotic picking solution to scale, particularly in the general merchandise and store settings market, leveraging our strong position both as a solutions provider and a retailer through our joint venture with M&S, to create additional value for all our stakeholders over time.

Future focus
- The roll-out of OSP will continue to accelerate. In our 2022 financial year, we expect to nearly double the number of live CFCs once again, to 19. For the first time, we expect to launch nine new CFCs internationally that should provide market of the future capability.
- Partners are already upsizing plans because of the unique flexibility it brings to serve all missions, through whatever format is most appropriate, in the near and long term.
- With seven partners across the UK, Europe and UK live on the platform, six have live CFCs, three are using ISF to date while as well as the delivery service in store and dark store cases, and two have either closed out mini and micro CFCs, or are shortly to do so. They are serving dense cities and suburban, even rural, locations, and the big basket shop as well as the spectrum of top-up missions.

Key Performance Indicators
- £149.7m Revenue (UK S&L)
- £66.6m Revenue (International Solutions)
- £203.3m Fee revenue
- £117.1m Fee revenue
- £149.7m Logistics
- £12.5m Profit before tax
- £13.8m Profit after tax
- £66.6m Revenue (International Solutions)

Risks
- Product OSP Delivery and Service
- Supply Chain
- Management Quality

Read more about How We Manage Our Risks on pages 48 to 51.
Optimise OSP economics

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

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

We are committed to ongoing innovation, to drive ever better efficiencies as we scale so that we can continue to deliver attractive margins and returns, for partners and Ocado Group, for the long term.

2021 progress

For partners

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

• We measure efficiency within CFCs by average eaches processed per labour hour (“UPH”). In our mature CFCs, UPH was 170, up vs. 169 in 2020, as the benefits from the ramp up of volumes in the first half of the year more than offset the disruptions to operations caused by a fire at Erith in the second half of the year. At maturity, we expect our robotic CFCs in the UK and internationally to operate at 200+ UPH.

• We measure efficiency in the last mile through average deliveries per van per week (“DPV”). In 2021, DPV was 177, down from 184 in 2020.

• Ocado Retail continued to operate with industry low food waste (food not sold) of just 0.6% of sales (0.4% in 2020).

• We launched three further CFCs for Ocado Retail. In the early stages following go live, each of these sites set new speeds for ramp up. Though industry-wide labour shortages constrained growth in the second half, these sites are ramping up in line with expectations.

• The mini CFC in Bristol (30k DPW) was our fastest CFC to launch to date, going live just 15 months from announcement.

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

For Ocado Group

• We operate OSP as a managed service, and are acutely focused on reducing our costs of ownership whilst maintaining best-in-class service.

• Engineering costs have fallen by 36% versus the prior year in Erith CFC, our most mature site. This progress is ahead of plan and, combined with the improvements to reliability and maintainability of the 500 series bot, is expected to make CFCs significantly cheaper to run in the future.

• We have achieved our targeted level of cost for hosting and other support costs at the CFC level.

• Though capital costs were higher than our long-term target, largely a result of global supply chain challenges, we remain confident in our long-term trajectory.

• We implemented process improvements, reducing our time to build, including bi-directional grid build and a new method of aligning the grid build and build of peripherals to decouple the two tasks.

Future focus

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

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

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

Key Performance Indicators

<table>
<thead>
<tr>
<th>UPH</th>
<th>DPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020: 169</td>
<td>2020: 184</td>
</tr>
<tr>
<td>2021: 170</td>
<td>2021: 177</td>
</tr>
</tbody>
</table>

Risks

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

Read more about How We Manage Our Risks on pages 84 to 98.
Strategy in Action

Deliver transformational technology

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

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

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

2021 progress

• In 2021, we scaled the Ocado Smart platform globally at pace, successfully launching operations for our partners Kroger and new CFCs for ORL and ICA, and continued to build innovative products and services for offering the best-in-channel economics and customer proposition.

• We’ve continued to innovate to automate our CFCs further. For example, we have made notable advances in robotic pick performance, increasing the UPH and range.

• We rolled out the 500 series bot, a more cost-effective, modular configuration that enables more seamless maintenance – designed entirely in-house from almost 100% new components.

• We’ve also implemented a number of processes that have helped us to reduce our operating costs in areas like engineering operations.

• We continued to grow, opening a new Development Centre in Hertfordshire as a base for further experimentation.

• We are successfully protecting important innovations, with over 1,500 patents granted or patent applications filed.

• Throughout the year, we’ve also brought in new partners in innovation; making £10 million investments in each of Oxbotica and Wayve. We are now actively working on a bespoke Ocado autonomous mobility solution that we think is well positioned to receive regulatory approval. It will be applicable to grocery and beyond.

Future focus

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

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

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

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

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

Problem Solving

Autonomous Mobility Investments

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

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

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

Read more about our Investment on page 22.

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

Luke Jensen
CEO Ocado Solutions
Strategy in Action

Deliver on our client commitments

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

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

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

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

2021 progress

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

Future focus

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

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

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

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

Showcasing

Partnership

Client Partnership Principles

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

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

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

Key Performance Indicators

<table>
<thead>
<tr>
<th>10</th>
<th>Number of CFCs live 2020: 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>OSP leadership club facilitated meetings 2020: not formalised</td>
</tr>
</tbody>
</table>

Risks

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

Read more about How We Manage Our Risks on pages 84 to 98.
Strategy in Action

Develop global scale-up capabilities

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

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

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

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

2021 progress

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

Future focus

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

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

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

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

Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2021 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>32% of workforce new joiners</td>
<td>19,347</td>
</tr>
<tr>
<td>2020: 36%</td>
<td>2020: 18,743</td>
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</tbody>
</table>

Risks

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

Read more about How We Manage Our Risks on pages 84 to 96.

Resilience

Workplace of the future

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

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

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

Read more about Our People on pages 74 to 81.
### Key Performance Indicators

#### Revenue (Group) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
</tr>
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<td>17</td>
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<tr>
<td>18</td>
<td>4,432</td>
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<td>19</td>
<td>4,232</td>
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<td>20</td>
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<td>21</td>
<td>3,852</td>
<td>3,825</td>
<td>0.7%</td>
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</table>

#### Revenue (Retail) (£m)

<table>
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<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
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<tr>
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<td>26.1%</td>
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<tr>
<td>21</td>
<td>1,719</td>
<td>1,292</td>
<td>36.7%</td>
<td>1,292</td>
<td>1,292</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
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<td>19</td>
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<tr>
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<td>3,148</td>
<td>4,042</td>
<td>-22.2%</td>
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<td>21</td>
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<td>-34.3%</td>
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</table>

#### EBITDA (Group) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
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<tr>
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<td>711</td>
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<td>730</td>
<td>731</td>
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#### EBITDA (International Solutions) (£m)

<table>
<thead>
<tr>
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<th>2020</th>
<th>% Change</th>
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<th>2018</th>
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<tr>
<td>17</td>
<td>41</td>
<td>43</td>
<td>-4.7%</td>
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<td>43</td>
<td>60.5%</td>
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</table>

#### (Loss) Before Tax (Group) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>104</td>
<td>104</td>
<td>0%</td>
<td>104</td>
<td>104</td>
</tr>
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<td>18</td>
<td>104</td>
<td>104</td>
<td>0%</td>
<td>104</td>
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<tr>
<td>19</td>
<td>104</td>
<td>104</td>
<td>0%</td>
<td>104</td>
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<tr>
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<td>104</td>
<td>104</td>
<td>0%</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>21</td>
<td>104</td>
<td>104</td>
<td>0%</td>
<td>104</td>
<td>104</td>
</tr>
</tbody>
</table>

#### Why we use this measure

- **Revenue (Group)**: Measures growth at Group level reflecting revenue from the Ocado Retail joint venture, and our UK and International Solutions and Logistics businesses.
- **Revenue (Retail)**: Measures revenue growth of the Ocado Retail joint venture.
- **Revenue (Solutions Logistics: UK)**: Measures revenue growth of our UK Solutions & Logistics business.
- **EBITDA (Group)**: Measures operating profitability at Group level.
- **EBITDA (International Solutions)**: Measures operating profitability of our International Solutions business.

#### Strategic Pillars Key

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

*See Alternative Performance Measures on pages 324 and 325.*
Key Performance Indicators

Why we use this measure
Measures growth in total fees invoiced in the year from Solutions partners.
2021 Performance
15.4% vs 2020
Strategic reference

Why we use this measure
Measures order growth in the Ocado Retail business.
2021 Performance
11.9% vs 2020
Strategic reference

Why we use this measure
Measures aggregate impact on average shopping basket within the Ocado Retail business.
2021 Performance
(5.8)% vs 2020
Strategic reference

Average Deliveries per Van Per Week (“DPV”)
It has been another extremely busy year for Ocado Solutions, and indeed for the wider online grocery industry across major markets. We welcomed our tenth partner to the unique club of grocery retailers powering their businesses with Ocado’s technology, and we continue to grow with our existing partners.

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

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

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

Read more on pages 42 and 43.

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

Luke Jensen
CEO of Ocado Solutions

Seven of Ocado’s partners are now live with Ocado’s technology

Our OSP partnerships club

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

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

Read more on page 41.
Our Solutions Business

Facilitating shared learnings between OSP partners

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

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

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

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

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

“We are learning from other retailers on a regular basis, who have also partnered with Ocado.”

Ben Hassing
Chief Executive of Ecommerce, Coles Group

Partnership

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

Raimundo Gonzalo
Supply Chain Director, Alcampo

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

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

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

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

**Sobeys**

Michael Medline, President and CEO:

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

**Kroger**

Rodney McMullen, President and CEO:

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

**Ica**

Anders Svensson, CEO, ICA Sweden:

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

**Morrisons**

Melanie Smith, CEO Ocado Retail:

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

**Ocado**

Jean Paul Mochet, CEO, Monoprix:

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

**Alcampo**

Américo Ribeiro, CEO Alcampo:

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

**Aeon**

Motoya Okada, Chair and Representative Executive Officer:

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

**Ikea**

Anders Svensson, CEO, ICA Sweden:

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

**Newsweek**

Jean Paul Mochet, CEO, Monoprix:

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

**Coles**

Ben Hassing, CEO, Ecommerce:

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

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

Melanie Smith
CEO of Ocado Retail

Strong demand driving record customer growth

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

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

Investing to deliver strong growth in the years ahead

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

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

Delivering growth with positive impact

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

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

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

832k
active customers, +22% vs. 680k in 2020

6.6%
EBITDA margin vs. 6.8% in 2020

Leadership

Fastest growing British grocery brand

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

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

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

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

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

Stephen Daintith
Chief Financial Officer

• Revenue increased 7.2% to £2,498.8 million (2020: £2,331.8 million), reflecting the continued strong demand for Ocado Retail’s customer proposition and the increased popularity of UK online grocery in response to Covid-19. There was also strong revenue growth in International Solutions, up 301.2%, as retail partner sites became ‘live’. Gross profit and other income of £1,040.0 million increased in total by 17.2%, ahead of the 7.2% in revenue driven by a strong margin performance in Retail and the start of a more material contribution from International Solutions.

• Distribution and administrative costs of £976.7 million grew by 20.0% (2020: £813.6 million) largely due to continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfilment solutions, as well as expanding our support functions in order to fully support our rapidly growing and increasingly global business.

• Group EBITDA of £61.0 million (2020: £73.1 million), with Retail EBITDA of £150.4 million (2020: £148.5 million) as a result of continued good revenue growth and gross margin performance, and higher EBITDA in UK Solutions and Logistics driven by increased volume throughput and productivity improvements. This was more than offset by continued investment in our technology capability and support functions.

• Statutory loss before tax of £(176.9) million (2020: £(154.4) million) after including depreciation, amortisation and impairment charges of £249.8 million (2020: £168.9 million), net finance costs of £42.3 million (2020: £52.8 million), and net exceptional income of £42.8 million (2020: £(6.6) million) principally due to insurance income for the Andover and Erith CFCs.

• Strong balance sheet, with cash and cash equivalents of £1.5 billion as at the end of the period, supporting our significant UK and International growth plans. Net debt at the end of the period was £359.8 million (2020: £691.6 million net cash).

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

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

Distribution and administrative costs grew by £161.3 million to £976.7 million (2020: £813.6 million) as we expand both in the UK and internationally. The total costs of £976.7 million include £562.1 million of distribution costs (increase of 4.2%), (2020: £539.2 million) and £83.3 million of administrative costs (increase of 12.4%), (2020: £74.1 million) in UK Solutions & Logistics. UK costs increased ahead of the growth in eaches shipped per week of 3.6%, reflecting higher engineering costs due to inefficiencies incurred given the relative immaturity of the three CFCs that went live during the year (Bristol, Andover and Purfleet) and inflationary pressures on costs of labour, particularly for LGV and delivery drivers where we have introduced measures to attract and retain employees. Distribution and administrative costs in the International segment grew by 90.8% to £177.4 million as a result of increased engineering and technology costs to support the go-live of operations for the first two CFCs with Kroger, and continued investment in the development of our Ocado Smart Platform (OSP) as we build our capabilities for our partners, across both CFC and in-store fulfilment solutions. In total, technology costs have increased from £771.0 million to £1,072.0 million reflecting an increase in technology headcount from 2,100 to 2,600 over the year. These costs are allocated to the UK Solutions and Logistics International Solutions segments.

To patent infringement litigation between the Group and Blue Apron Holdings Inc., the Group has been awarded damages of £78.6 million of insurance income from the Andover CFC, offset by litigation costs of £28.9 million (principally related to patent infringement litigation between the Group and AutoStore Technology ASI) and other exceptional charges, the statutory loss before tax for the period was £176.9 million (2020: loss of £52.3 million).

The Group does not exercise control such as MHE JVCo Limited ("MHE JVCo"), Karauri Limted and Managing BV (which the Group disposed of in October 2021). The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated.

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

Revenue increased 7.2% to £2,498.8 million (2020: £2,331.8 million), reflecting the continued strong demand for Ocado Retail’s customer proposition and the increased popularity of UK online grocery in response to Covid-19. There was also strong revenue growth in International Solutions, up 301.2%, as retail partner sites became ‘live’. Gross profit and other income of £1,040.0 million increased in total by 17.2%, ahead of the 7.2% in revenue driven by a strong margin performance in Retail and the start of a more material contribution from International Solutions.

Distribution and administrative costs of £976.7 million grew by 20.0% (2020: £813.6 million) largely due to continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfilment solutions, as well as expanding our support functions in order to fully support our rapidly growing and increasingly global business.

Group EBITDA of £61.0 million (2020: £73.1 million), with Retail EBITDA of £150.4 million (2020: £148.5 million) as a result of continued good revenue growth and gross margin performance, and higher EBITDA in UK Solutions and Logistics driven by increased volume throughput and productivity improvements. This was more than offset by continued investment in our technology capability and support functions.

Statutory loss before tax of £(176.9) million (2020: £(154.4) million) after including depreciation, amortisation and impairment charges of £249.8 million (2020: £168.9 million), net finance costs of £42.3 million (2020: £52.8 million), and net exceptional income of £42.8 million (2020: £(6.6) million) principally due to insurance income for the Andover and Erith CFCs.

Strong balance sheet, with cash and cash equivalents of £1.5 billion as at the end of the period, supporting our significant UK and International growth plans. Net debt at the end of the period was £359.8 million (2020: £691.6 million net cash).

Total statutory reported 2,331.8 – 2,331.8 7.2% Pre-exceptional items
Pre-exceptional items

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is a commonly used measure of profitability. It is calculated as revenue minus cost of sales and distribution and administrative costs.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is calculated as revenue minus cost of sales and distribution and administrative costs.
**Finance Review**

**Segmental Summary**

<table>
<thead>
<tr>
<th></th>
<th>£ million 2021</th>
<th>£ million 2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,289.9</td>
<td>2,188.6</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Revenue Retail UK Solutions & Logistics International Solutions Inter-segment and other Group

2,289.9 710.4 66.6 (568.1) 2,498.8

2,188.6 654.3 16.6 (527.7) 2,318.7

4.6% 8.6% 301.2% 7.7% 7.2%

**Retail**

Revenue £2,289.9 million (2020: £148.5 million) increased from £148.5 million in 2020 to £150.4 million for the Retail business was £150.4 million (2020: £148.5 million).

- **Gross profit and other**
  - **Distribution costs** £(111) (£654.3) (£12.3%
  - **Marketing (non-voucher) costs** £(40.3) 82.4%
  - **Other administrative costs** £(94.9) 86.6%

- **EBITDA** £150.4

(1) The results of the Ocado Retail Limited joint venture (referred to as “Ocado Retail” or “Retail”) are fully consolidated in the Group.

(2) Retail segment includes results from Specialty Stores Limited (“Fetch”) until its disposal on 31 January 2021.

(3) A module is classified as ordered when a contractual agreement is available for use by our partner.

(4) Including the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics.

(5) Trunking and delivery costs include the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics.

(6) Marketing costs exclude vouchers.

**Inter-Segment Eliminations and Other**

All revenue charged to Ocado Retail Ltd is eliminated on consolidation. For 2021, this totals £56.8 million on a pro-forma basis and is included as “Inter-segment and other” revenue. This is partly offset by revenue earned by Joons Food Company.

**Group Key Performance Indicators**

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of modules live</td>
<td>61</td>
<td>44</td>
<td>38.6%</td>
</tr>
<tr>
<td>No. of modules ordered</td>
<td>213</td>
<td>169</td>
<td>26.8%</td>
</tr>
<tr>
<td>Direct operating cost (% of sales)</td>
<td>2.7%</td>
<td>3.7%</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

**Retail Revenue**

Retail Revenue grew by 4.6% year-on-year (underlying growth of 6.3% adjusted for the disposal of Fetch) and was 41.5% higher than before the second half of the year. CFC costs were also affected, particularly in the second half, by the immaturity of the three new CFCs launched in the year. CFC costs have been reduced in order to maintain exclusivity agreements, but which have contributed to a strong margin performance in the period.

- **Distribution costs**
  - **Marketing costs**
  - **Other administrative costs**

**Distribution Costs**

Gross profit excluding other income grew by 10.9% to £73.5 million driven by a combination of higher order volumes, improved product mix, changes in sourcing arrangements and cost savings. Supplier funding income of £80.9 million grew by 1.6% compared to 2020 due to business growth and sourcing negotiations. Cost of sales efficiencies have allowed us to invest in retail prices and at the same time improve gross margins (including other income) year-on-year to 35.3% (2020: 33.6%). The increase in treatment of payment processing costs from distribution costs to cost of sales has brought the gross margin down by 0.5% for both 2020 and 2021.

**Key Drivers**

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active customers (000s)</td>
<td>180.1</td>
<td>158.0</td>
<td>14.0%</td>
</tr>
<tr>
<td>Trunking and delivery</td>
<td>250.8</td>
<td>235.6</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>105.8</td>
<td>84.3</td>
<td>25.5%</td>
</tr>
</tbody>
</table>

**EBITDA**

EBITDA for the Retail business was £150.4 million (2020: £70.7 million). The increase is primarily due to the increase in OSP fees payable to UK Solutions from additional Erith ramp up capacity, and the new CFCs in Bristol, Andover and Purfleet in the period.

- **Marketing costs**
  - **Administrative costs**

**Key Items**

- **Active customers**
  - **Average basket value**
  - **Average selling price**

The second half of the year saw the rate of revenue growth reduce given the comparatives of the exceptionally strong second half sales in 2020. Revenue in the second half was also affected by increased capacity overall through three new CFCs and more normalised shopping behaviour, average orders per week for the full year grew to 357,000 (+11.9% year-on-year), with +16% against 2019 with active customers growing to 382,000 (+22.4% year-on-year from 308,000 at the end of 2020), as we invested in marketing activity to drive long-term stable growth.

The second half of the year saw the rate of revenue growth reduce given the comparatives of the exceptionally strong second half sales in 2020. Revenue in the second half was also affected by increased capacity overall through three new CFCs and more normalised shopping behaviour, average orders per week for the full year grew to 357,000 (+11.9% year-on-year), with +16% against 2019 with active customers growing to 382,000 (+22.4% year-on-year from 308,000 at the end of 2020), as we invested in marketing activity to drive long-term stable growth.

- **EBITDA**
  - **Trunking and delivery costs**
  - **Other operating costs**
Finance Review

UK Solutions & Logistics

<table>
<thead>
<tr>
<th></th>
<th>£ million 2021</th>
<th>restated</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee revenue(1)</td>
<td>149.7</td>
<td>117.7</td>
<td>27.8%</td>
</tr>
<tr>
<td>Cost recharges(2)</td>
<td>34.6</td>
<td>35.7</td>
<td>3.2%</td>
</tr>
<tr>
<td>Revenue</td>
<td>210.2</td>
<td>153.3</td>
<td>37.2%</td>
</tr>
<tr>
<td>Other income, net of cost of sales</td>
<td>2.5</td>
<td>0.9</td>
<td>166.7%</td>
</tr>
</tbody>
</table>

Operating costs include:

- Distribution costs(3) (£656.1 million) (£539.2 million) 22.0%
- Administrative costs(4) (£83.3 million) (£74.1 million) 12.4%

Distribution and Administrative Costs

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

Total distribution costs grew by 4.2% to £562.1 million (2020: £539.2 million), against a growth in average eaches shipped per week (total CFC throughput) of 3.6% to 24.5 million eaches per week. Distribution costs grew ahead of the growth in eaches delivered due to cost inflation and costs incurred, largely temporary in nature, to address labour shortages. This was particularly prevalent during the second half of the year and one which became an increasingly important issue for the industry throughout 2021 following lockdowns across the UK.

Average deliveries per van per week was 177 in 2021 which impacted available capacity for the remainder of the 2022 financial year. This impact is partially offset by improvements in CFC operational employee value proposition to respond to the challenge of the UK labour market throughout the second half of 2021. This is impacted partially by improvements in CFC efficiency for our more established CFCs.

Cost recharges represent the relevant operational variable and fixed costs (recharged by Ocado Retail to Ocado Retail and Morrisons (costs recharged to Ocado Retail and Morrisons) and an allocation of central technology costs allocated on a per hour basis to £337.6 million (2020: £74.1 million), primarily as a result of the allocation of additional headcount and technology resources to support and improve the platform and infrastructure required for UK growth. Total technology headcount for the Group increased to 2,600 by the end of 2021, compared to 2,100 at the same point in 2020.

EBITDA (£ million)

EBITDA(5) from UK Solutions & Logistics activities was £68.5 million, an increase of £24.1 million, driven by growth in fees from additional Ocado Retail capacity and the re-entry of Morrisons into the Erith CFC. The value of Morrisons fees foregone prior to re-entry into Erith forms part of the business interruption insurance claim for Andover. Amounts recoverable under this claim are included in exceptional income, and therefore are excluded from the UK Solutions & Logistics segmental result.

Key Drivers

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders per week</td>
<td>1,273.3</td>
<td>1,229.1</td>
<td>3.6%</td>
</tr>
<tr>
<td>Mature site UPH(6)</td>
<td>462.0</td>
<td>416.4</td>
<td>11.0%</td>
</tr>
<tr>
<td>Average deliveries per van per week</td>
<td>177</td>
<td>184</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

International Solutions

International Solutions activities, for which fees are invoiced, were £337.6 million (2020: £93.0 million), primarily reflecting the increase in technology costs allocated to the segment. Losses in the period grew from £83.3 million (2019: £119.3 million). During the 2021 financial year, we went live with our first CFC in the US in Monroe, Ohio, and Cleveland, Ohio. These facilities were opened on time, on budget, and continue to ramp up with partner expectations. Consequently, we have ramped up the existing international CFCs with Groupe Casino in Paris, and with Sobeys in the Greater Toronto area that opened in the second half of 2020, the International Solutions business has started to deliver material revenue for the first time, with revenue in the period of £66.6 million. Since year end we have gone live with our first CFC with ICA Gruppen in Stockholm, the second CFC with Sobeys in Montreal and third CFC with Kroger in Atlanta, Georgia. We are expecting a further 5 Kroger sites to go live in the remainder of the 2022 financial year. This means that by the end of 2022 we will have 12 live international sites (the 4 we started the year with plus the 8 that are going live this year). We have a strong pipeline of further CFC commitments in addition to significant in-store fulfilment capabilities to be delivered across a number of our existing partners, including a new partnership with Alcamp that was signed in July 2021.

We continue to invest in the Ocado Smart Platform and build the support functions to support rapid international expansion with distribution and administrative costs growing to £174.4 million from £93.0 million in 2020, primarily reflecting the increase in technology costs allocated to the segment. Losses in the period grew from £83.3 million (2019: £119.3 million).

Under revenue recognition rules, fees relating to OSP are not recognised as revenue until a working solution is delivered to customers within the general merchandise and logistics sectors.

Fees and Revenue

The fee invoice for the year totalled £143.0 million (2020: £132.9 million), and includes design and capacity fees invoiced across a number of clients relating to existing and future CFC and in-store fulfilment commitments, including our new contract with Sobeys. Volumes invoiced and fees associated with the go-live of operations with Kroger.

Under revenue recognition rules, fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the “CFC goes live”. At the end of the period, cumulative fees not yet recognised as revenue amounted to £143.0 million.

Revenue in the period of £66.6 million reflects ongoing capacity fees and amortised amounts relating to design and upfront fees across our current operational partners, Group Casino, Sobeys, and Kroger, which amounted to £61.4 million. In addition, the contribution of £8.6 million from Kindred Systems. International Solutions revenue results include £8.1 million relating to the sale of equipment to a number of partners that is recognised as revenue. This has nil impact on EBITDA.
Financial Review

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

Administrative costs
Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised costs of employees who are developing the OSP platform, such as research costs. These costs grew from £84.4 million in 2020 to £121.8 million in 2021 as we continued to increase our investment in building our long-term OSP capabilities for our partners, across both CFC and in-store fulfilment solutions.

EBITDA
EBITDA from our International Solutions activities was a loss of £(119.3) million (2020: £(83.3) million), principally due to the grid robotic pick.

The unique combination of the arms’ design and construction are critical to unlocking the potential for the future of our on-demand robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

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

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

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

<table>
<thead>
<tr>
<th>£ million</th>
<th>2021</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced fees (£ million)</td>
<td>143.0</td>
<td>123.9</td>
<td>15.4%</td>
</tr>
<tr>
<td>No. of modules (live)</td>
<td>12</td>
<td>4</td>
<td>200.0%</td>
</tr>
<tr>
<td>No. of modules ordered</td>
<td>145</td>
<td>109</td>
<td>33.0%</td>
</tr>
</tbody>
</table>

= A module is considered live when it has been fully installed and is acquired for use by our partners.
= A module is classified as ordered when a contractual agreement has been reached and the contract has been signed. Invoices 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 laid out and invoiced.
= A module of capacity is assumed as approximately 5,000 each per hour dependent on the specific metrics of a partner.

Group and Other
The ‘Group and Other’ segment represents revenue and costs which do not relate to the Retail, UK Solutions and Logistics, and International Solutions segments. This includes Board costs, the consolidated results of Jones Food Company, and MHE rental income. This segment reported an EBITDA loss of £(27.4) million in 2021 (2020: £(13.0) million).

Exceptional Items
Exceptional items are not limited to, professional fees relating to insurance claims processes, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs.

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

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

Other Exceptional Costs
The impact of stock and fixed asset write-offs and other incremental costs associated with the fire are estimated to be around £10 million. In addition, operating losses due to the business interruption losses are estimated at £4.0 million. Total insurance income associated with the fire are estimated to be around £10 million. These losses have adversely impacted EBITDA for the current financial year.

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

We have determined that £13.3 million of related costs (incurred and capitalised during FY21) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale. A total of £9.9 million of SaaS costs are retained on the balance sheet as an intangible asset.

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

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Finance Review

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

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

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

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres’ issued share capital, resulting in a gain on disposal of £5.5 million. 80 Acres was one of three joint venture partners in Infinite Acres. The company builds and operates vertical farms.

Litigation Costs and Litigation Settlement

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

In June 2021, the proceedings against Jonathan Fainan, Jonathan Hillary and Today were settled. The defendants gave commitments to Ocado and the Court to refrain from using Ocado confidential information and IP, to destroy c.500 files under the supervision of an independent party, and to pay compensation to Ocado. They paid £1.75 million to the Group as part of the settlement, in addition to the £4.4 million previously recovered from Mr. Hillary under the malus and clawback provisions of the Group’s incentive scheme.

The increase was principally driven by the annualisation of CFCs going live in the prior period as well as CFCs going live in 2021 in the UK and internationally (£50.3 million including right-of-use leases). The remaining movement is driven by amortisation of technology projects following the go-live of CFCs in the period (£23.7 million) and our investment in Kindred & Haddington (£7.5 million).

Net Finance Costs

Net finance costs of £43.2 million reduced by £19.0 million to £26.8 million, primarily reflective of unrealised foreign exchange gains in the year of £19.3 million (£24.8 million in 2020). This was partly offset by the costs incurred with the issue of a £350.0 million unsecured Convertible Bond in June 2020 and the issue of £500.0 million of Senior Secured Notes in October 2021. Total finance costs in the period (£1.7 million) are split as follows: £0.8 million related to interest on the convertible bond and £0.9 million related to interest on the senior secured notes.

Share of Results from Joint Ventures and Associates

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons’ online business and is linked by development of ODL IT system linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its materiality.

Depreciation, Amortisation and Impairment

Total depreciation, amortisation and impairment costs were £236.4 million (2020: £169.8 million), an increase of 41.1% year-on-year, and includes depreciation of property, plant and equipment of £84.4 million (2020: £57.2 million), depreciation of right-of-use assets of £65.6 million (2020: £57.3 million), amortisation expense of £78.0 million (2020: £49.0 million), and impairment costs of £10.4 million (2020: £52.2 million).

The increase was principally driven by the annualisation of CFCs going live in the prior period as well as CFCs going live in 2021 in the UK and internationally (£50.3 million including right-of-use leases). The remaining movement is driven by amortisation of technology projects following the go-live of CFCs in the period (£23.7 million) and our investment in Kindred & Haddington (£7.5 million).

Net Finance Costs

Net finance costs of £43.2 million reduced by £19.0 million to £26.8 million, primarily reflective of unrealised foreign exchange gains in the year of £19.3 million (£24.8 million in 2020). This was partly offset by the costs incurred with the issue of a £350.0 million unsecured Convertible Bond in June 2020 and the issue of £500.0 million of Senior Secured Notes in October 2021. Total finance costs in the period (£1.7 million) are split as follows: £0.8 million related to interest on the convertible bond and £0.9 million related to interest on the senior secured notes.

Loss Before Tax

The loss before tax for the period was £176.9 million (2020: £52.8 million) after including the impact of depreciation, amortisation and impairment costs of £23.8 million (2020: £168.9 million) and net finance costs post-exceptials of £43.2 million (2020: £52.8 million).

Taxation

The Group’s reported total tax charge for the period was £1.1 million (2020: £25.6 million reported tax charge). This charge includes a UK corporation tax charge of £7.7 million (2020: £1.4 million) in respect of the Retail Business. The reduction in the tax charge in Retail is due to availability of higher capital allowances on our investment in fixed assets. A deferred tax charge of £0.4 million (2020: £0.6 million) was recognised in the period arising from the future change in the UK’s tax rate from 19% to 25% with effect from 1 April 2023, and from expected overseas tax credits. At the end of the period, the Group had £677.7 million (2020: £407.4 million) of tax contingency carried forward for tax losses.

Dividend

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

Loss Per Share

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

Capital Expenditure

Capital expenditure totalled £86.0 million in the period (2020: £525.6 million) as we continued to develop new CFCs both in the UK and with our International retail partners. We also continued to invest in technology to support our GSP growth ambitions, and also within our Group support functions.
Operating cash flow during the year was £16.0 million, a reduction from the year prior (2020: £225.4 million). This year-over-year movement was primarily driven by a large working capital (cash flow arising from working capital contract liabilities) during the year of £13.4 million compared to a working capital inflow of £32.1 million in 2020.

EBITDA of £61.0 million (2020: £73.1 million) reflects strong Retail trading performance, gains from the UK Online Solutions revenues, offset by investment in new capabilities and capacity. Cash flow from operations, excluding tax, was £67.0 million (2020: £97.5 million). The increase is due to the on-going growth in the Group’s UK Online Solutions revenues, as the Group continues to receive stage payments across a number of clients as new CFC build programmes continue to progress.

There was a net increase in other working capital (representing a net cash outflow of £23.1 million) during the year. This movement was an increase in inventories of £55.2 million (net cash outflow), which includes a reduction in inventory accruals of £30.1 million (2020: increase of £38.5 million) and additional investment in stock due to the go-live of the three new CFCs for Ocado Retail during the year. Trade and other receivables increased by £77.6 million (2020: £58.9 million) which was primarily driven by the expansion of International Solutions activity, offset by a reduction in amounts owed by Solutions clients and an increased tax accruals of £30.1 million (2020: increase of £38.5 million) within accrued income.

Net taxation paid of £26.2 million (2020: £18.4 million) mainly reflected tax paid by Ocado Retail as a result of continued strong Retail trading performance and the net cash inflow from the UK Online Solutions. The Group continued to invest in future growth, including additional investment in UK Online Solutions of £119.6 million compared to a £17.5 million payment for the purchase of land items of capital expenditure required for CFCs under construction and additional accrued income in relation to supplier promotional activity in Ocado Retail.

There was a small decrease in Trade payables of £1.8 million (2020: £690.7 million) driven primarily by the expansion of International Solutions activity, offset by a reduction in amounts owed by Solutions clients and an increased tax accruals of £30.1 million (2020: increase of £38.5 million) within accrued income.

The total net debt and cash flow from operations in 2021 amounted to £690.7 million (2020: £451.8 million) of which was primarily driven by the expansion of International Solutions activity, offset by a reduction in amounts owed by Solutions clients and an increased tax accruals of £30.1 million (2020: increase of £38.5 million) within accrued income.

Net debt and financing cash flow for the period was £218.0 million (2020: £33.9 million) which was primarily driven by the expansion of International Solutions activity, offset by a reduction in amounts owed by Solutions clients and an increased tax accruals of £30.1 million (2020: increase of £38.5 million) within accrued income.

The Group conducted a rights issue in January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until at least 2023.

Ocado filed claims against three AutoStore companies in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). The German system is bifurcated in that the question of validity of the IP rights is separated from the question of infringement of those rights. Our infringement claims have been stayed by the German court, subject to a decision by the German Patent Office in the matter. Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group’s claims.

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

**Update on Convertible loan note with Wayne Technologies Limited**

On 17 December 2020, Wayne Technologies Limited (“Wayne”), a company in which the Group holds a minority interest, successfully completed its Series B Fundraising. This resulted in Wayne issuing a convertible loan note to the Group, which carries a conversion ratio based on the valuation of Wayne and the Group’s holding. There is no impact on the Group’s warrants in Wayne. Following the exercise of those warrants, the Group holds 2.17% of the total issued share capital of Wayne.
Section 172(1) Statement

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

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

The Board of Ocado Group plc is subject to all of the duties codified in law, which includes the duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and the matters set out in Section 172(1) of the Companies Act 2006 (“Section 172(1)”). The Board considers its duties under Section 172(1) at each Board meeting. A reference to Section 172(1) and the duty to consider stakeholder interests is highlighted in each meeting and recent changes to the structure of Board papers formalises the requirement to provide an assessment of the effect on stakeholders in proposals submitted to the Board. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected. These decisions are recorded in the Board meeting minutes.

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

In the ‘What ESG means to us’ section on page 14, we detail those ESG issues most material to Ocado Group, drawing on our experience of the Board match the interests of those principal stakeholders.

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 ocadderetail.com and the Ocado Retail Limited Annual Report and Accounts.

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

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

For more information on Ocado Retail, see page 44.

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

S172(1)(a) Consequence of any decision in the long term

Key example

Our Strategy 12

S172(1)(b) Interests of employees

Key example

Our Strategy 12

S172(1)(c) Impact of operations on the community and the environment

Key example

Our Strategy 12

S172(1)(d) Maintaining high standard of business conduct

Key example

Our Strategy 12

S172(1)(e) Maintaining high standard of business conduct

Key example

Our Strategy 12

S172(1)(f) Acting fairly between members

Key example

S172(1) Statement 58

Engaging with our Stakeholder Groups 42
Engaging with Our Stakeholder Groups

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

<table>
<thead>
<tr>
<th>Our People</th>
<th>Why We Value Them</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Our current and potential investors ensure our continued access to capital. It is important to maintain regular and constructive dialogue to communicate Ocado’s strategy and business objectives in order to promote investor confidence.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Group caring about their wellbeing.</td>
</tr>
<tr>
<td>• Being offered flexibility and choice.</td>
</tr>
<tr>
<td>• Having opportunities for growth and development.</td>
</tr>
<tr>
<td>• An inclusive and diverse working environment.</td>
</tr>
<tr>
<td>• Fair reward and recognition.</td>
</tr>
<tr>
<td>• Having a voice and feeling heard.</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Why We Value Them</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our current and potential investors ensure our continued access to capital. It is important to maintain regular and constructive dialogue to communicate Ocado’s strategy and business objectives in order to promote investor confidence.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial and operating performance of the business.</td>
</tr>
<tr>
<td>• Understanding the purpose, values and culture of the Company.</td>
</tr>
<tr>
<td>• Understanding the risks and opportunities that affect Ocado’s strategy and performance.</td>
</tr>
<tr>
<td>• Long-term sustainable and profitable growth of the Company.</td>
</tr>
<tr>
<td>• Good governance and transparency.</td>
</tr>
<tr>
<td>• Competitive advantage of technology.</td>
</tr>
<tr>
<td>• Execution risk.</td>
</tr>
<tr>
<td>• Talent acquisition.</td>
</tr>
<tr>
<td>• Climate change; notably carbon emission and the move to TCFD reporting.</td>
</tr>
<tr>
<td>• Diversity and inclusion and, in particular, the gender imbalance on the Board.</td>
</tr>
</tbody>
</table>

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

**Partners**

**Why We Value Them**

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

**How the Group Engages**

- Direct engagement with Senior Management, procurement managers and commodity managers, as well as broader engagement in operations across the business as relationships with our partners develop, and the global CFCs are becoming operational.
- Corporate responsibility and ethics reporting.
- Setting KPIs and providing feedback during ongoing projects.
- Bringing together representatives from all our global partners as part of the OSP Leadership Club to work collaboratively and discuss experiences of shared learnings helps us to better understand the needs of our partners and to develop and improve our offering to continue to provide cutting-edge solutions.
- Direct engagement with Senior Management, and met with one of our partners, Kroger, looking at our latest generation of hardware design that uses additive manufacturing.
- Regular Executive Director engagement with the senior executives of partners, including quarterly executive leadership meetings between all global partners.
- Board review and approval of any significant partnerships or orders by current partners.
- Update reports at each Board meeting on partner relationships and progress of their operations and ongoing projects.

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

**How the Board Engages**

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

**Material Interest**

- Innovation.
- Product development.
- Quality and financial performance.
- Supply chain management.
- Building a long-term relationship.

**Suppliers**

**Why We Value Them**

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

**How the Group Engages**

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

**How the Board Engages**

- Executive Director sponsorship of the Senior Management relationship with Suppliers (Solutions). For example, Senior Management holds quarterly business reviews (“QBR”) with key suppliers (determined by turnover and business risk). If there are any material changes to these relationships, these are fed directly back to the executive sponsor, namely Mark Richardson. Further, the outcome of these QBR engagements are fed directly to the Board by way of formal reports.
- The Board oversees prompt payment practices. Filings are made every six months and in line with government requirements must be approved by a named Director prior to filing. Currently these fillings are approved by Stephen Daintith.

**Material Interest**

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

Environment, Society and Community

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

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

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

How the Group Engages
- Corporate Responsibility reporting on our website, including carbon, modern slavery, education and Code for Life, as well as the Ocado Foundation.
- Code for Life as a free education resource for children, parents and teachers keen to learn.
- The Ocado Foundation, the home of Ocado Group’s charity, employee and philanthropic activities.
- Executive sponsorship of the ESG Committee by both Rick Haythornthwaite and Neill Abrams, together with Andrew Griffiths, UK Government Net Zero Business Champion, as part of our campaign to be net zero carbon emissions by 2040.
- As a result of the engagement with this stakeholder group, key issues and recommendations they have raised (including carbon emissions, diversity and inclusion and corporate responsibility) alongside the materiality assessment that we carried out in 2021 with all of our key stakeholder groups, have formed the basis of our ESG Strategy.

Regulatory Bodies

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

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

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

Our strategy for moving towards a sustainable future is Ocado Unlimited

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

Our alignment to the UN SDGs:

1. **Natural Resources**
   - We will use our expertise and insight to enable partners to reduce their impact on the planet, whilst radically reducing the impact of our own operations.
   - **Focus Areas:**
     - Climate – responding to the climate crisis and mapping our resource usage
     - Operations – reducing the climate impact of our operations
     - Innovation – investing in new technologies and innovating for good

2. **Skills for the Future**
   - We will share our skills and capabilities to ensure that everyone can learn today the life skills they will need tomorrow, providing opportunities to address basic life skills where we feel, as a business, we can contribute time or expertise.
   - **Focus Areas:**
     - Enabling – reading as a basic necessity to get on in life
     - Safety – keeping the communities we live and work in safe
     - Connected – getting people online and targeting the digital divide

3. **Responsible Sourcing**
   - A tech company putting people first, we go further to create a positive impact for everybody across our supply chain.
   - **Focus Areas:**
     - Managing risk – mapping and assessing high risk products and materials
     - Modern slavery – tackling forced labour and human trafficking
     - Human rights – stepping up our commitments to human rights within our supply chain
Corporate Responsibility

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

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

Our relationship with Ecometrica continued for the sixth year, providing a centralised data management system for carbon emissions from our operations within 2021. We expanded our use of the system to include, for the first time, scope 3 reporting, and we intend to include this in future reports. Compared to 2019/20 there has been a 0.86% increase in our location-based scope 1 and 2 total carbon emissions. The financial year included acquisition of two companies (Kindred and Haddington Dynamics), CFCs increasing in their ramp-up, as well as delivering more homes orders that are increasing in intensity. Our location-based intensity measure of CO2e per 100,000 orders has decreased from our 2012/13 baseline by 40.65% as we continued to invest in energy and carbon saving measures such as increasing our LED lighting use, continuing electric van trials and increased governance in this area. In 2020, due to the COVID-19 pandemic, our numbers sizes as customers purchased greater basket sizes. As a consequence, and in order to try and reflect the changing dynamic but continue to consistently report, we introduced a CO2e per 100,000 normalised orders, to more accurately reflect this. As the COVID-19 pandemic has continued into 2021, we have continued this reporting for this financial year.

99.4% of our total energy consumption (from scope 1 and 2 sources) is UK based and total energy consumption for 2020/21 is 1,697,458kWh. Scope 2 (location-based) emissions are 212kWh. They are not reporting on any energy efficiency measures this year, but plan to in future reports. Their footprint is solely UK based and total energy consumption for 2020/21 is 1,679,458kWh.

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

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

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

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

Goverance

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

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

Strategy

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

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

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persistent weather and extreme temperatures will lead to crop and livestock disruption to business operations</td>
<td>Chronic heat rises may impact food safety and also the ability to ship perishable goods on time, leading to higher costs and potential losses for customers.</td>
</tr>
<tr>
<td>Transition to Net Zero</td>
<td>Business model changes will lead to a shift in the demand for solar and wind power, which may lead to increased costs and potential supply chain disruptions.</td>
</tr>
<tr>
<td>Rising sea levels</td>
<td>Potential for increased flooding and erosion in coastal areas, leading to increased costs and potential business disruption.</td>
</tr>
<tr>
<td>Water scarcity</td>
<td>Cost to transport certain existing sites and new site selection.</td>
</tr>
<tr>
<td>Reporting standards</td>
<td>Impact on internal operations and costs for work to meet new standards. Potential risk of fines and penalties for non-compliance.</td>
</tr>
</tbody>
</table>

Metrics and Targets

We have reported on our scope 1 and 2 emissions on page 68, which summarises in a tabular format these emissions for our business. The full scope 1 and 2 emissions data is on page 72. We have an internal plan to extend our focus to include scope 3 emissions reporting, and continue upskilling of our team and the Executive.

Next Steps

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

2 Skills for the Future

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

TutorMate

TutorMate is a unique, online, remote reading support solution for 5-7 year olds in disadvantaged areas. It is the core programme of Innovations for Learning ("I4L"), a UK registered charity, established in December 2017, which believes in the power of literacy to transform lives.

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

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

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

Skills for the Future in Action

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

3 Responsible Sourcing

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

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

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

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

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

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

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

Employee Support

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

**BizGive**

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

<table>
<thead>
<tr>
<th>Groups identified as a beneficiary across all funded projects (%)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Children</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 The General Public</td>
<td></td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Minority and LGBTQ+</td>
<td></td>
<td></td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>4 Young Adults</td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>5 Adults and the Elderly</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>6 Disabled People</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 In Poverty or Sick</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Refugees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Men</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**£16,478**

Social Impact Grants disbursed

**51,510**

Planned Direct Beneficiaries

**59,157**

Planned Indirect Beneficiaries

**1,287**

Volunteering Hours

**£135,369**

Donations

**280**

Donated Laptops

Ocado + Run Grateful Global Challenge

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

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

**Run Grateful**

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

Mark White
Founder of Run Grateful

SHOWCASING

Resilience through Gratitude

Case Study
Meet James Piper

James is an Ocado Group Product Manager based at our London office. Taking part in the Grateful Run this year enabled him to be part of a global Ocado Group team. He’s passionate about looking after himself and enjoying life to the full. Running for four years, he started by setting himself a goal to run the London Marathon. Unfortunately, he suffered an injury just before the event; however, against these odds, he still managed to complete the marathon and raised funds for Age UK. Shortly after the London marathon, James lost a very close friend to mental health; he then went on to complete a half marathon in their honour. During the pandemic, running and being grateful for life was a saviour for his own mental health.

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

Mark White
Founder of Run Grateful

You can hear more about James’s journey (podcast) here: buzzsprout.com/1751998/8368317.

Please watch our inspiring Run Grateful video here: youtube.com/watch?v=t1s3l3pfXyA&ab_channel=RunGrateful."
Our People
We’re building a workforce for the future

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

Our employees’ commitment to deliver, in spite of the continuing global pandemic, has enabled us to continue to grow, innovate, find solutions and deliver world-class service. We’d like to take this opportunity to thank every one of our Ocado Group colleagues. Our people demonstrated enormous and ongoing pragmatism and resilience as Ocado Group delivered more capacity than ever before to serve our global customers.

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

We call this the Ocado Spirit: it’s what makes us special. It’s the essence of life at Ocado Group and the glue that sticks us together. The Ocado Spirit is what’s driven our success so far and provides the energy. We work hard and at a pace few organisations can sustain as we scale globally; that’s what makes us progressive. That’s why we believe our current and future success is dependent on our people and we know that by putting them first, they will put our clients and their customers first.

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

Our message for our people is: You matter.

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

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

Please see our Statement of Employee Engagement on page 111.

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

- Flexible ways of working
  - Work from Anywhere – for those who can work remotely, we have enhanced our agile ways of working offering our people the choice to work from another location or country for up to 30 calendar days in a calendar year. This was introduced in June 2021 following Board endorsement, opening up a worldwide workspace and giving our people the freedom to be closer to family, expand their horizons or simply have a change of scenery!
  - Roster choice and flexibility – following feedback from our delivery drivers on their shifts, 89% of our Customer service team members (“CSTMs”), on Core Roster received at least one in four weekends off in the latter half of 2021, an increase of 54% in the Summer Roster. Five-shift-per-week CSTMs (~80%) saw the biggest increase – 15% in Autumn 2020 vs. 80% in Autumn 2021.

- Flexible benefits
  - We launched our new Benefits+ tool in the summer, starting with our US-based colleagues. Engagement was high with almost 80% signing into the platform to look around and 80% signing up to additional services and benefits. Upon launch to our UK-based employees, our internal population, we received 79% signing up with 21% submitting requests for additional benefits.
  - We also launched many new Ocado-funded and voluntary benefits including a salary sacrifice company car scheme that offers only electric or hybrid cars in the UK.
  - Enhanced parental leave – we conducted a global review of parental leave and pay entitlements, and increased them from January 2021, improving time and support for those combining work and family life.

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

Analysed over 186,000 feedback comments from our people

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

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

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

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

We're in it together
We can be even better
We're proud of what we do
Our People

4. Inclusion to improve diversity

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

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

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

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

Championing Inclusivity

Ocado Group Communities are groups of employees that are formed based on shared characteristics or common social interests. They serve as a platform for our people to connect, voice their opinions and create an opportunity to influence and create change. Together, they create a strong sense of belonging and act as a driving force behind our inclusive culture. Our Core Communities are expanding so they can drive influence and support our global inclusion strategy to create greater equity across under-represented groups. They provide extra support, with access to central toolkits, and work closely with the Global Culture and Inclusion team to drive positive changes for the groups that they represent.

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

The Designated Non-Executive Director for Workforce Engagement meets with Community Chairs twice a year as part of our global inclusion governance forums. Our inclusion communities are also helping to create connections every day.

Ensuring Fairness and Progressing Policies

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

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

5. Increasing diversity

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

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

 SHOWCASING
Leadership

Attracting amazing women in tech

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

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

Learning and growing our shared ambition

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

Valuing Human Leadership

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

Learning leaders and skills for the future

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Total No.</th>
<th>% New Starters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Business (Overall)</td>
<td>4,948</td>
<td>32%</td>
</tr>
<tr>
<td>Ocado Technology</td>
<td>2,316</td>
<td>22%</td>
</tr>
<tr>
<td>Client Services</td>
<td>1,009</td>
<td>49%</td>
</tr>
<tr>
<td>Group Operations</td>
<td>852</td>
<td>36%</td>
</tr>
<tr>
<td>Platform Implementation</td>
<td>645</td>
<td>32%</td>
</tr>
<tr>
<td>Ocado Solutions</td>
<td>126</td>
<td>54%</td>
</tr>
<tr>
<td>Logistics (Overall)</td>
<td>14,381</td>
<td>33%</td>
</tr>
<tr>
<td>Logistics (Monthly)</td>
<td>1,387</td>
<td>20%</td>
</tr>
<tr>
<td>Logistics (Hourly)</td>
<td>12,994</td>
<td>34%</td>
</tr>
<tr>
<td>(No Mission)</td>
<td>18</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>19,347</td>
<td>32%</td>
</tr>
</tbody>
</table>

This year, we worked with our Executive Directors, Senior Leaders and managers across the business to create the Ocado DNA. They told us there are certain things that have made Ocado great and that we must keep for the future. They also identified new behaviours to develop so that we continue to evolve our unique culture, or ‘Ocado Spirit’. In challenging ourselves to decode this, we created the DNA behaviours. These behaviours have been crafted to focus on what Ocado requires for the future, to help employees understand what is expected of them and support their future development.

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

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

Emerging Talent

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

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

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

Leadership

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

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

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

We’re in it together
We can be even better
We’re proud of what we do...

- Learn Fast, Fail Fast
- Harness Collective Intelligence
- Start with Possibility
- Think Like a Chess Engine
- Be Customer-Obsessed
- Own Every Decision
- Remain Confidently Humble
- Believe in Belonging
- Connect in Chaos
- Champion Talent
Our People

Delivering, for good

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

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

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

Creating community and connection

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

Our Code of Conduct

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

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

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

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

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

Whistleblowing

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

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

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

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

Spotlight on Leadership Diversity

We are focused on increasing diversity across all levels of the business and by Gender.

Breakdown by country:

<table>
<thead>
<tr>
<th>Country</th>
<th>Eligible</th>
<th>Enrolled</th>
<th>Take-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>15</td>
<td>8</td>
<td>53%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>158</td>
<td>79</td>
<td>50%</td>
</tr>
<tr>
<td>Canada</td>
<td>171</td>
<td>82</td>
<td>48%</td>
</tr>
<tr>
<td>France</td>
<td>89</td>
<td>26</td>
<td>29%</td>
</tr>
<tr>
<td>Japan</td>
<td>15</td>
<td>3</td>
<td>20%</td>
</tr>
<tr>
<td>Poland</td>
<td>579</td>
<td>359</td>
<td>62%</td>
</tr>
<tr>
<td>Spain</td>
<td>181</td>
<td>98</td>
<td>54%</td>
</tr>
<tr>
<td>Sweden</td>
<td>71</td>
<td>28</td>
<td>39%</td>
</tr>
<tr>
<td>US</td>
<td>326</td>
<td>129</td>
<td>39%</td>
</tr>
<tr>
<td>Total</td>
<td>1,611</td>
<td>812</td>
<td>50%</td>
</tr>
</tbody>
</table>

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

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

Case Study

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

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OCADO GROUP PLC Annual Report and Accounts for the 52 weeks ended 28 November 2021
Ethics and Compliance

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

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

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

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

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

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

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

Anti-Bribery and Anti-Corruption

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

Human Rights and Modern Slavery

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

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

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

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

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

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

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

Risk Management Governance

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

Overview of risk management governance structure

Ocado Risk Management Process

The Risk Committee reviews principal and emerging risks, monitors effectiveness of risk management across the Group and provides governance over programmes to strengthen our risk culture. This is supported by the Group Enterprise Risk team who are responsible for the application and maintenance of the Group’s risk management framework, and for creating the risk management improvement programmes under Executive Director ownership. Specialist risk committees and supporting second-line teams address specific risk areas such as information security, health and safety, and data privacy.

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

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

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

Ocado Risk Management Process

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

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

Our strategy informs the setting of objectives across the business and is widely communicated.

Executive Directors evaluate the most significant strategic risks for the Group. In addition, each mission director or selected department head prepares a risk register for their respective division, identifying and highlighting their significant risks. The Risk Committee oversees risk control processes and risk analysis from each part of the business, and reviews these top down and bottom up representations to ensure that no significant risks have been omitted.

Mission director or department heads identify how they will manage, and accept or mitigate, their significant risks. These actions are then summarised into a description of the Group-wide mitigation process for each risk.

Group-wide risks and mitigation processes are regularly reviewed by the Risk Committee and Audit Committee.

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

Improvements made during the year:

- Increased risk management resources enabling greater engagement and mitigation support across the Group;
- Introduces a central controls repository underpinning our SOC 2 activity;
- Formalised governance over our principal risks programmes; and
- Developed and engaged a risk champions network to enhance our reach.

Key improvement projects underway:

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

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

Principal and Significant Risks

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

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

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

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

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

Principal Risks

Talent and Capability

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

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

Movement:

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

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

Owner:
Chief People Officer

ESG materiality reference:
Talent Attraction and Development

Strategy reference:

Cybersecurity and Data

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

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

Movement:

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

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

Owner:
CEO Ocado Technology

ESG materiality reference:
Cybersecurity; Data Privacy Management

Strategy reference:
How We Manage Our Risks

Safety and Wellbeing

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

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

Legal and Regulatory Non-Compliance

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

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

Movement:

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

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

Owner:
Group General Counsel

ESG materiality reference:
Occupational Health and Safety

Strategy reference:

Supply Chain

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

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

Movement:

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

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

Owner:
Group General Counsel

ESG materiality reference:
Business Ethics and Governance

Strategy reference:

Business Interruption and Catastrophic Events

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

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

Movement:

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

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

Owner:
CEO Ocado Technology and Chief Operations Officer

ESG materiality reference:
N/A

Strategy reference:
How We Manage Our Risks

Product (OSP) Proposition and Commercial Viability

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

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

Movement:

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

Emerging threats:
Threat levels are being heightened by increasing economies of scale which are being realised in a competitive recruitment market. This is balanced by increasingly balanced product obsolescence, and a growing awareness of circularity.

Owner:
CEO Ocado Solutions

ESG materiality reference:
N/A

Strategy reference:

Product (OSP) Delivery and Service

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

How we manage it
• Ongoing monitoring of the key performance indicators and regular review meetings with Operational Management and the end customer.
• Ongoing initiatives to improve operational performance of the CFCs and scaling of operations.

Movement:

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

Emerging threats:
The threat evolves with our growth and the requirement to deploy improvements across a larger footprint, which is accompanied by increased experience in delivery.

Owner:
Chief Operations Officer

ESG materiality reference:
N/A

Strategy reference:

Product (OSP) Innovation, Quality and Safety

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

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

Owner:
CEO Ocado Technology

ESG materiality reference:

Strategy reference:

Intellectual Property

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

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

Movement:

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

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

Owner:
Group General Counsel

ESG materiality reference:
N/A

Strategy reference:
How We Manage Our Risks

Geopolitical and Economic Uncertainty

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

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

Movement:

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

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

Owner:
Chief Financial Officer

ESG materiality reference:
N/A

Strategy reference:

Climate Change – Transition and Physical

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

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

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

Movement:

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

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

Owner:
Chief Financial Officer, Group General Counsel

ESG materiality reference:
Energy Efficiency and Carbon Emissions

Strategy reference:

Changes to our Principal Risks

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

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

Linking Principal Risks with Strategy

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<tr>
<th>Grow our revenue</th>
<th>Optimise OSP economics</th>
<th>Deliver transformational technology</th>
<th>Deliver on our client commitments</th>
<th>Develop global scale-up capabilities</th>
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Ocado Retail Limited

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

- Risk of a decline in high service levels in the retail business from the continued disruption caused by Covid-19. This is managed through use of key performance indicators and regular operational review meetings.
- The risk of failing to maintain a retail proposition that appeals to a broad customer base and sustains growth rates. This is managed through various means, including own label range, closer supplier arrangements on product range, and investment in optimising marketing channels.
- The UK-wide logistics and supply chain disruption provides an ongoing challenge, and the risk of delays in the generation of additional capacity in the UK compounded by industry-wide recruitment challenges. Mitigation measures are governed in line with the management of our Talent principal risk.
The Group's planning cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group over the five successive financial years from FY 2022 to FY 2026.

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

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

At the time of preparing the plan, the Group had experienced about 15 months of Covid-19 and its associated impacts on consumer buying patterns. There had been a very significant positive impact on customer demand during this time period. In addition, there has been an acceleration of the longer-term consumer shift in buying patterns, 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 annual business plan was set. The Group's strategy remains embedded.

Liquidity and Financing Position

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

Part of the proceeds of the issuance was used to repay the Group's existing £225 million 4% Senior Secured Notes, due 2024. The Senior Unsecured Notes have a coupon of 3.875% and are repayable in October 2026. Demand was strong, with £0.4 billion (net of £0.2 billion recapitalised debt) taken up by the Group at issuance. The Senior Unsecured Notes contain typical high yield covenants, which are only tested upon an occurrence basis. These include a Fixed Charge Cover Ratio (“FCCR”), where the Group must maintain a FCCR of 1.6x in each of the years following the offering period, and a Consolidated Net Leverage Ratio (“CNLR”), which governs the Group’s ability to make certain restricted distributions. In both cases, these ratios are calculated only to the Restricted Group, which is essentially the consolidated group excluding the Ocado Retail and Jones Food joint ventures, and the results of the Group's captive insurance operations.

Under the terms of the Senior Unsecured Notes, a number of permitted carve-outs (“baskets”) are also available, which allow certain debt to be excluded if the FCCR falls below 2.0x. These include a “credit debt basket”, which permits debt to be raised on a 1.1 ratio basis in proportion to equity raised; a £500 million ‘general debt basket’ available until the end of FY 2023, which permits debt to be issued prior to this date without a requirement for equity to be issued; and a £300 million ‘credit facility basket’, which permits debt to be used for a Revolving Credit Facility or other bank credit facility.

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

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

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

In the event that the Group is unable to access the equity or debt-linked markets within this timescale, a number of key financial stress scenarios are envisaged. Notably:

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

Operational and Business Impact of Covid-19

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

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

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

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 assessment.

There are a number of factors that could support a longer-term time horizon – notably the five-year duration of the Group's financial planning horizon.

Financial Modelling

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

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

Stress Test Scenario

1. A material reduction in growth assumptions for the UK Retail business, in a highly competitive market with margin pressure from input inflation and competitor pricing – resulting in a reduction in the planned number of CFC openings in the UK compared to the base case, and a corresponding impact on the fee profile of our UK Solutions and Logistics business.

2. A reduction in the number of international client partnership additions compared to the base case – limiting growth in international CFCs either currently committed or under construction.

3. Severe downside scenario:

   As per (1) and (2) above, but also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. This is modelled by assuming that there will be no further reduction in costs as a percentage of client sales beyond those currently achieved at our mature sites.

   This scenario acted as the “reverse stress test” case to assess our ability to live on the cash flows we would need to raise such that going concern is no longer maintained. We have modelled this as being the point at which the Consolidated Group cash interest cover falls below 2.0x.
How We Manage Our Risks

Downside Stress Tests

Two downside stress scenarios were undertaken to determine the sensitivity to going concern and viability, and were combined to form the downside stress test.

The first scenario reflects a material reduction in growth assumptions for the UK retail business, in a highly competitive market with margin pressure from input inflation and competitor pricing. This was modelled as a reduction in the planned number of CFC openings in the UK compared to the base case, and a corresponding impact on the fee profile of our UK Solutions and Logistics business.

The second scenario reflects a reduction in the number of new international client partnership additions compared to the base case. This was modelled as a reduction in the assumed number of CFCs being ordered, limiting growth to those CFCs either currently committed or under construction.

Under both scenarios, EBITDA growth over the viability period is reduced compared to the base case. However, Consolidated Group cash interest cover remains strong, significantly above 2.0x in each year of the viability period (which we consider to be a reasonable proxy for the underlying strength in financial position to support the Group’s funding requirements), in addition, principally, as a result of the reduction in capital expenditure, the Group’s cash position is improved compared to the base case. This would reduce the quantum of funding required during the period, and also move the timing of any fundraise later.

The Directors have therefore concluded that going concern and viability would be maintained under the downside stress test.

The Severe Downside Case

This case applies the downside stress test as above, and also assumes a material reduction in the level of operational cost efficiencies achieved in client services and engineering compared to the base case. We have modelled this by assuming that there will be no further reduction in costs beyond those currently being achieved at our mature sites. This would represent a significant increase in the cost base of the business.

Under this scenario, EBITDA growth would be significantly reduced compared to the base and downside cases, and Consolidated Group cash interest cover would also be lower, albeit still above the 2.0x level. The timing of a fundraise under this scenario would be broadly in line with the base case, with the impact of lower EBITDA on the Group’s cash position provided for by lower capital expenditure. Under this scenario, although the Group would remain in compliance with its existing bond covenants, management action would likely be required to strengthen the financial position to support a fundraise. The Directors have identified a number of mitigating measures that would be available in a short timeframe to enable this, such as a pause on recruitment and discretionary investment.

The Directors have therefore concluded that going concern and viability would be maintained under the severe downside case.

Reversal Stress Test

The severe downside case acted as the reverse stress test scenario to assess the level to which client services and engineering costs would need to rise such that going concern is no longer maintained. We have modelled this as being the point at which Consolidated Group cash interest cover falls below 2.0x, which we consider to be a level for modelling purposes below which ongoing funding is harder to achieve.

The modelling undertaken indicates that technology and support costs would need to increase by a further 33% per annum compared to our downside case from FY 2023 onwards for this to occur. We consider this scenario to be remote, given the scale of increase in the Group’s cost base that would be required, on a just-in-time basis. There would be scope for cost reductions and rephasing the capital expenditure to help manage the cash position in such a scenario, de-risking the level of future funding required and enabling viability to be maintained.

Confirmation of Viability

The assessment of the Group’s viability considers severe but plausible scenarios aligned to the principal risks and uncertainties, set out on pages 84 to 98, where the realisation of these risks is considered remote, considering the effectiveness of the Group’s risk management and control systems and current risk appetite.

The degree of severity applied in these scenarios was based on management’s experience and knowledge of the industry to determine plausible movements in assumptions, including the impact of Covid-19 on the business.

The Directors have also considered mitigating actions available to the Group and have assumed that these mitigating actions can be applied on a timely basis.

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period from the approval of this Annual Report.

Going Concern Statement

The time horizon required for the Going Concern Statement is a minimum of 12 months from the date of signing the Financial Statements. However, consistent with prior periods, a time horizon of 18 months from the last year-end has been considered.

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare Financial Statements on a going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the Group’s ability to continue using the going concern basis of accounting for the 18 months following the end of the FY 2021 financial year.

In assessing going concern, the Directors take into account the Group’s cash flows, solvency and liquidity positions and borrowing facilities. As above, the Group had £1.5 billion of cash and cash equivalents as at the reporting date. The Group forecasts its liquidity requirements, working capital position and the maintenance of sufficient headroom against the financial covenants in its borrowing facilities. The financial position of the Group, including information on cash flow, can be found in the section on page 227.

In determining whether there are material uncertainties, the Directors consider the Group’s business activities, together with factors that are likely to affect its future development and position (see the information on pages 4 to 57) and the Group’s principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 84 to 97). Given the ongoing global economic uncertainty as a result of the Covid-19 pandemic, and taking into account the guidance issued by the FCA and the FRC, the Directors have considered the impact of Covid-19 for the going concern review.

After reviewing the Group’s liquidity and financial positions for the going concern period, the Directors considered it appropriate to adopt the going concern basis of accounting, beyond the uncertainty being treated in the preparation of the Company’s and Group’s Financial Statements.

Strategic Report Approval

The Company’s Strategic Report is set out on pages 04 to 98. The Strategic Report is approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary
11 February 2022