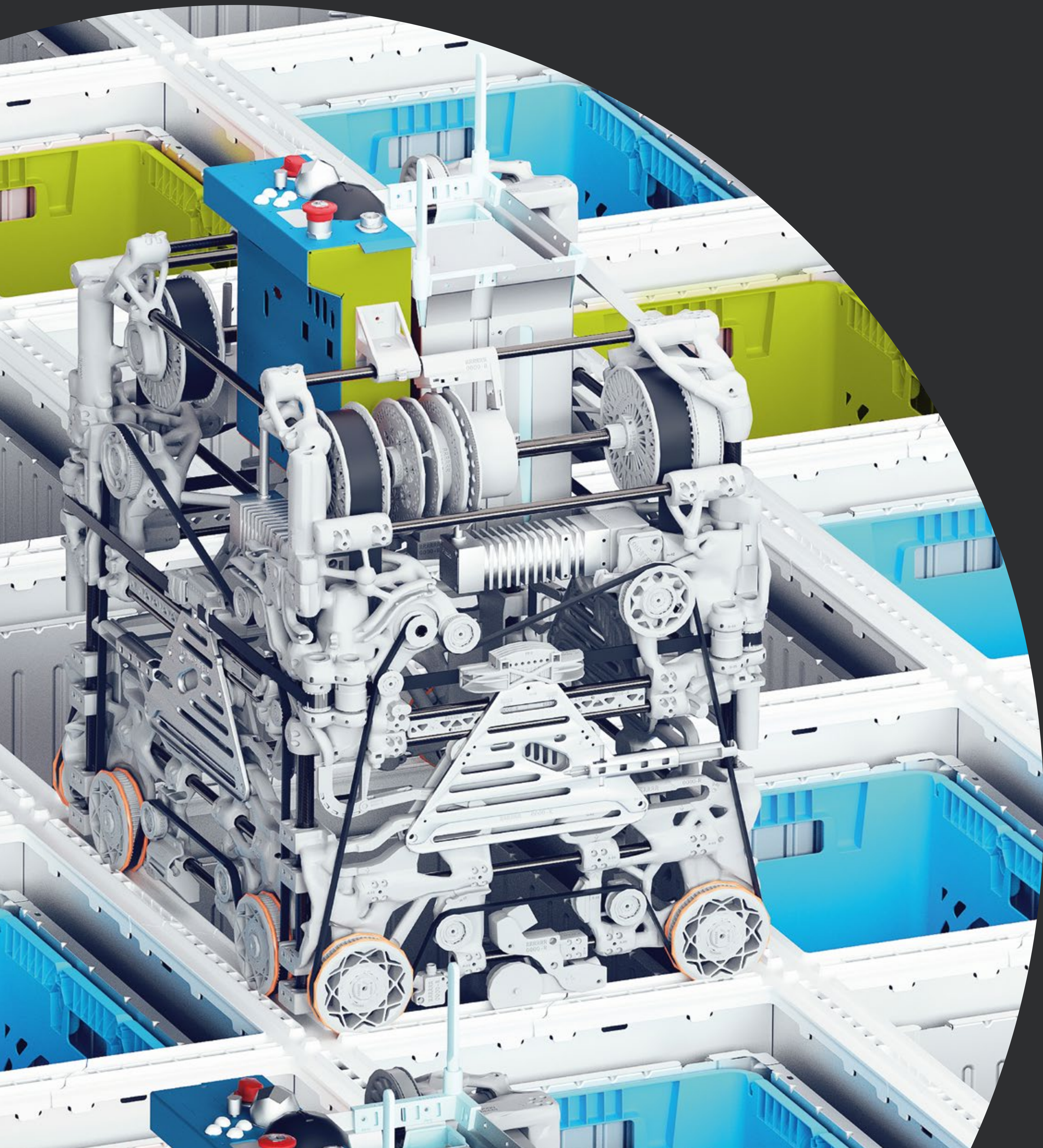
ocado
GROUP

Solutions that deliver, **Innovations** that inspire

Ocado Group plc Annual Report and Accounts
for the 53 weeks ended 3 December 2023



Our purpose is to reimagine the world of distribution, fulfilment and ecommerce to drive outstanding customer outcomes.

Our mission is to change the way the world shops, for good.

Our strategic vision is to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond.

Strategic Report

Governance

Financial Statements

Additional Information

Financial, Operational and Strategic Progress Across Ocado Group in FY23

FY23 is a 53-week year to 3 December 2023. The comparative period is 52 weeks to 27 November 2022. To aid comparability, the headline results, associated commentary and percentage changes are presented on an unaudited 52-week basis unless otherwise stated.

Financial progress

- Group revenue of £2,766m (52 weeks) and £2,825m (53 weeks).
- Group adjusted EBITDA® growth driven by revenue growth in Technology Solutions and Ocado Retail ("ORL") and a Group-wide focus on costs.
- Group loss before tax of £(394)m (52 weeks) and £(403)m (53 weeks).
- Significant underlying cash outflow® improvement and strong liquidity.

Operational progress

- 25% year-on-year increase in average live modules and three new Customer Fulfilment Centres ("CFCs") went live.
- Productivity and cost efficiency improvements across all business segments.
- Partner Success teams supported and delivered tangible results for Ocado Smart Platform ("OSP") Partners.

105
average live modules (FY22: 84)

1.65%
OSP direct operating costs as a percentage of installed sales capacity (FY22: 2.02%)

Strategic progress

- Ocado Intelligent Automation ("OIA") announced its first deal to provide automated fulfilment technology at a distribution site for McKesson Canada.

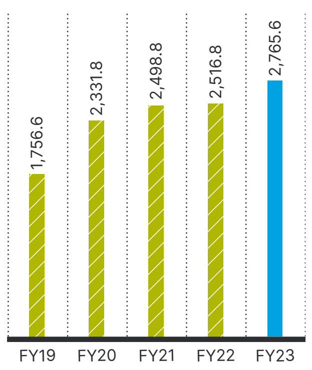
Responsible business progress

- Net Zero Roadmap approved by Board and Group-wide carbon reduction initiatives in place.
- Focus on talent and diversity: new initiatives and programmes for leadership and management development; new diversity targets launched.

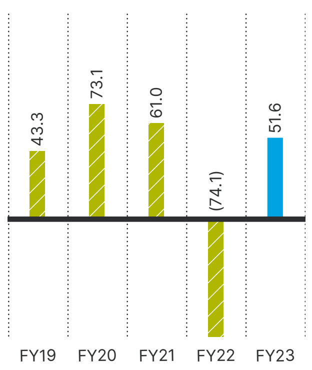
"The quality and productivity of our technology is compelling. It's incredibly exciting to see our newest innovations driving even better results as we strive to transform the economics of online grocery retailing. It is also critical that our partners see attractive returns from the capital that they have invested in the Ocado Smart Platform. Their success is our success and our dedicated Partner Success teams are working hard to help them expand profitably through increased automation, utilisation and productivity. Ocado Group's own performance in FY23 is down to our teams and their disciplined execution, driving financial, strategic and operational progress across the Group. I am proud to witness the day-to-day energy, passion and commitment to innovation shown by our employees."

Tim Steiner, CEO

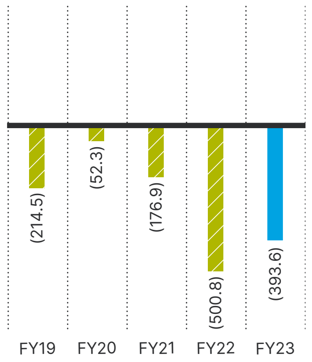
Group revenue (£m)



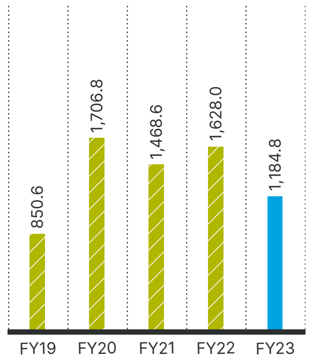
Group adjusted EBITDA® (£m)



Loss before tax (£m)

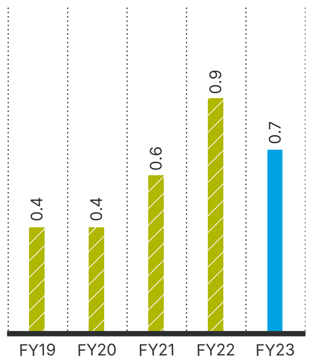


Gross liquidity* (£m)

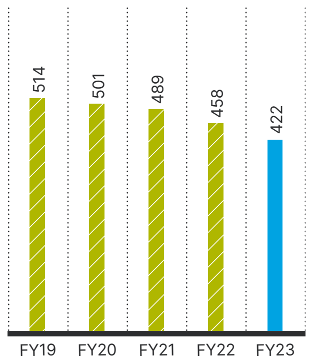


* FY23 is 53 weeks

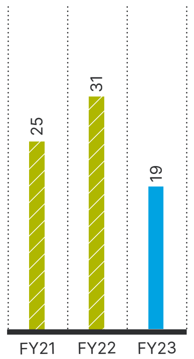
Food waste (% of sales), Ocado Retail



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



Employee Net Promoter Score ("eNPS") (Technology Solutions)



® Where this symbol appears throughout the Report, see Alternative Performance Measures on pages 302 and 303

→ Read more about our strategy on page 21 and our responsible business approach on pages 67 to 81

Ocado Group at a Glance

Our strategic vision

is to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond.

Who we are

Ocado Group brings to market cutting-edge technology solutions that leverage the latest advances in automation, robotics, machine learning and artificial intelligence (“AI”) for the online grocery and non-grocery distribution industries.

We are headquartered in Hatfield, UK and employ 18,869 people globally across our technology and logistics operations. We have a strong retail heritage with Ocado Retail Limited (“ORL”), the UK’s largest pure-play online grocery retailer, which is a 50:50 JV with Marks & Spencer Group plc (“M&S”).

What we do

We use our deep know-how within the online grocery domain together with our patent-protected technology from over 20 years’ experience as one of the world’s most successful pure-play online grocers to help transform both the economics and service in grocery ecommerce worldwide. We do this through OSP, which we provide as a managed service to grocery retailers around the world (see case study on page 31). We have recently expanded into new sectors with our first non-grocery warehouse fulfilment technology deal announced with McKesson Canada.

→ Read more on our business model and strategy on pages 18 to 21

Our culture and values

We pride ourselves on the distinctive culture that runs through all of our businesses and defines who we are today. Our culture is open and collegiate, engaged, innovative and entrepreneurial. These qualities are vital in shaping our future success and delivering our strategic vision. In FY23 we set specific values for each business segment, acknowledging their different capabilities and their importance in helping us achieve our strategic vision.

→ Read more about our culture and values on page 22

Our structure

Ocado Group consists of three business segments: Technology Solutions, Ocado Logistics and Ocado Retail, a 50:50 owned JV with M&S. These three business segments have their own management teams and distinctive business models, and benefit from clear profit & loss ownership and performance accountability. Our ownership and understanding of the operations of Ocado Retail and Ocado Logistics provides detailed visibility of the entire OSP value chain and an in-depth understanding of Ocado’s international partners’ own OSP operations, shaping how we support them to achieve scalable and profitable growth.

→ Read more about our businesses in our business model and strategy on pages 18 to 22

The FY23 Annual Report is the first time that we are reporting using this new business segment reporting structure to make the distinct business models underlying our value proposition clearer for our stakeholders.

→ Read more about revenue and cost re-allocation between business segments in our Financial Review on page 40

ocado GROUP

Ocado Group plc: UK company listed on the Main Market of the London Stock Exchange.

Technology Solutions | ocado logistics | ocado

Technology Solutions

Software and robotics platform business providing OSP as a managed service to partners around the world.

Technology Solutions includes OIA, a business dedicated to selling our technology to complex, high-volume warehouse environments in non-grocery markets.

FY23 **£420m** FY22: £291m revenue

£15m FY22: £(102)m adjusted EBITDA®

→ Read more on page 44

Ocado Logistics

High-performing third-party logistics and fulfilment business, operating in the UK for Ocado Retail and Wm Morrison Supermarkets Limited (“Morrisons”).

Every shopping bag is carefully packed in one of 12 automated sites using Ocado’s market-leading software and technology. Shopping is then delivered directly to customers using the Ocado Logistics network.

FY23 **£668m** FY22: £663m revenue

£30m FY22: £34m adjusted EBITDA®

→ Read more on page 46

Ocado Retail

50:50 owned JV with M&S; fully consolidated in Ocado Group’s accounts; separate board and governance.

Pure-play online grocery retail business serving customers in the UK, with a geographical coverage of over 80% of UK households.

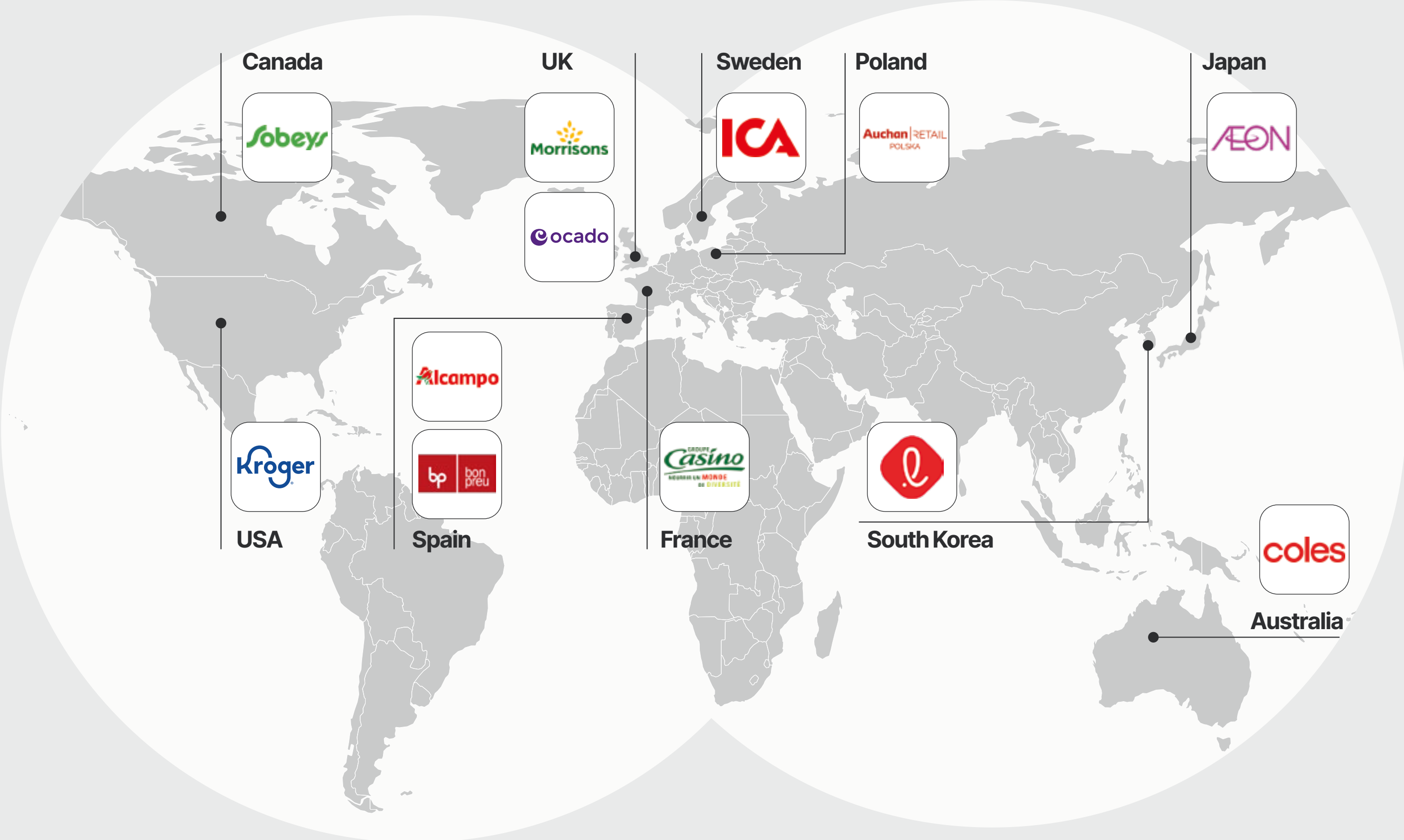
FY23 **£2,358m** FY22: £2,203m revenue

£10m FY22: £(4)m adjusted EBITDA®

→ Read more on page 48

Our geographical reach

Our "OSP club" has expanded significantly over the last decade. We signed our first partnership contract with Morrisons 10 years ago and have opened a total of 22 CFCs and 4 Zoom sites for our retail partners. In FY23, we were partnered with 12 leading retailers around the world, representing >£250bn of annual sales.



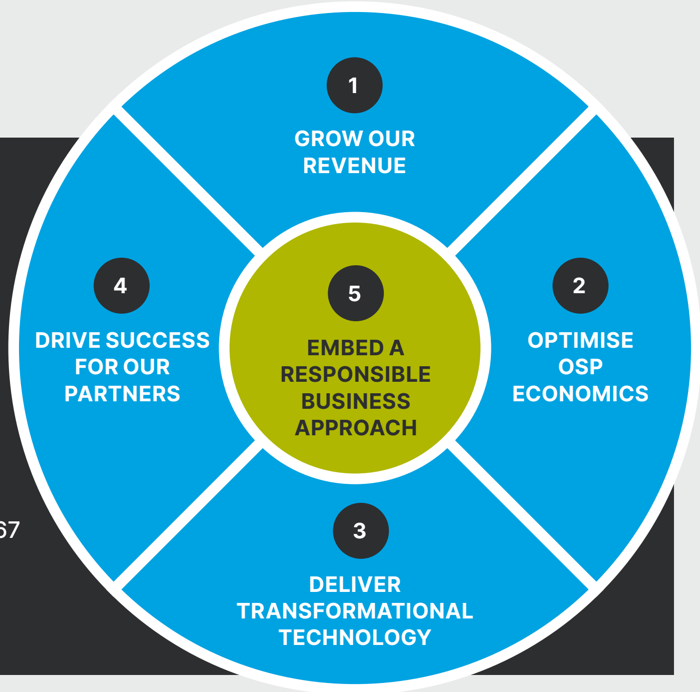
Our strategy

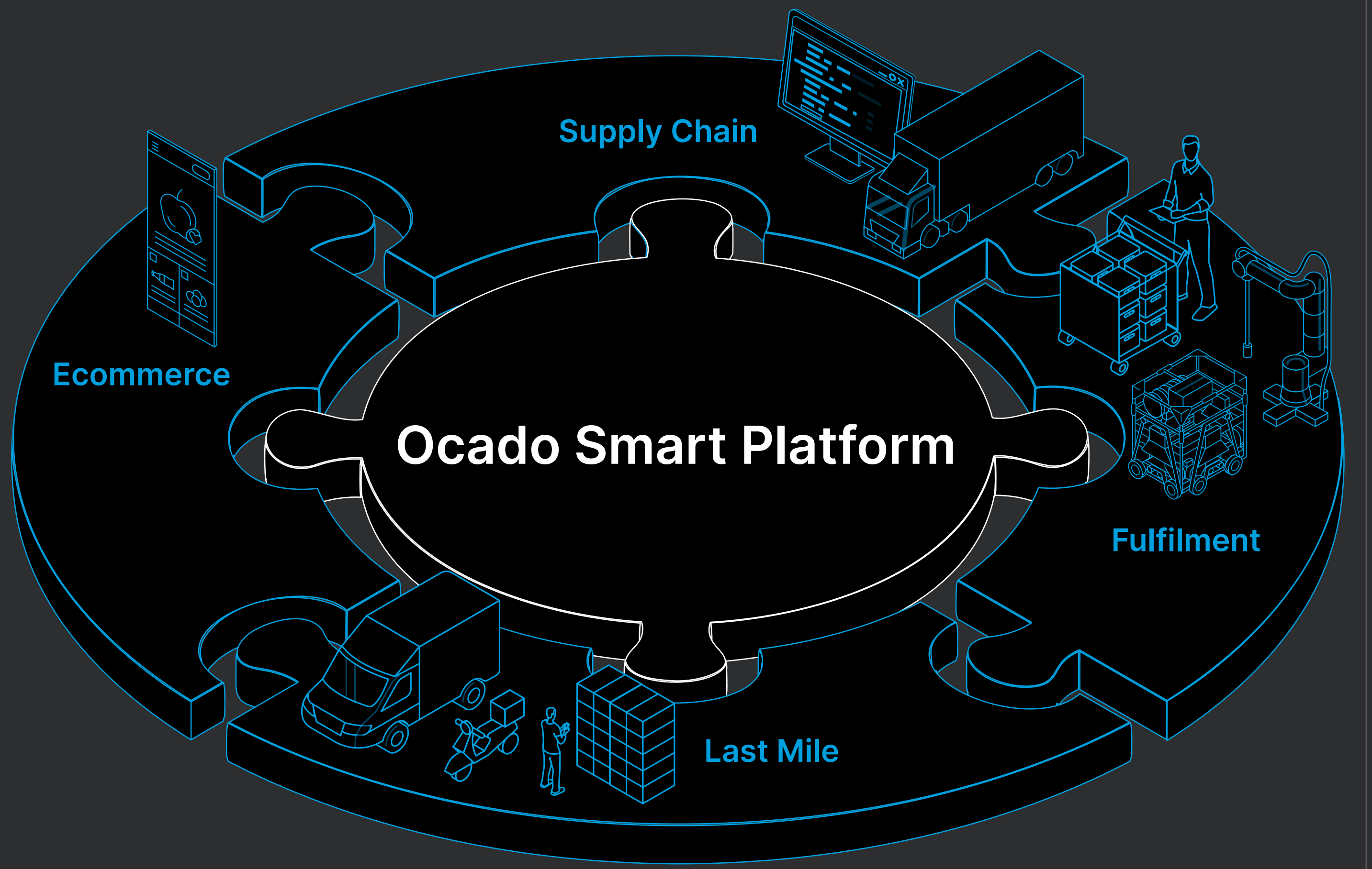
Our strategic vision is to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond. Our vision is supported by five high-level priorities that are relevant for each of our three business segments. We measure progress against these to ensure we deliver value for all our stakeholders. We are pleased to report progress against all areas in FY23.

→ Read more in our CEO's Review on page 12

→ Read more in our Responsible Business Report on page 67

→ Read more on our strategy on page 21





Ocado Smart Platform

OSP is the world's most advanced end-to-end ecommerce, fulfilment and logistics platform. Operating the full suite of OSP capabilities enables high levels of productivity and efficiency due to the automation of manual tasks throughout the online grocery model, helping the retailer improve margins as well as grow their ecommerce business.

OSP has been designed specifically for the grocery market to offer the best available proposition to their customers. Consumers benefit from a convenient end-to-end shopping experience and extensive product choice.

The solution enables retailers to ensure that their customers get fresh products, very low substitution rates and flexible lead times on deliveries. Service is everything.

OSP software supports a number of growth levers, enabling partners to acquire and retain high-value customers, grow every basket, increase frequency and spend, and unlock new revenue streams.

Ocado Group is today powering live online operations for nine grocery retailers worldwide. The competencies, technologies and Intellectual Property ("IP") we have acquired through innovation and self-disruption are being applied to solve many complex problems in the grocery sector and beyond.

→ Read more about our IP on page 24

Read more about OSP online by scanning the QR code

Chair's Letter

Rick Haythornthwaite
Chair

"We have made further strides towards achieving our vision."

The Board is pleased to report on Ocado Group's financial, operational and strategic progress and is particularly encouraged that each of our three businesses delivered positive adjusted EBITDAⒶ, alongside significantly improving Group underlying cash flowⒶ. This performance is a milestone for us and a key step in bringing that all-important moment of sustainable profitability ever closer. On behalf of the Board, I thank everyone involved for their hard work and dedication.

Our progress

We have made further strides towards achieving our vision: to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond. Three new CFCs went live during the year in Japan, Canada and the UK and are a clear demonstration of our global capability and opportunity. Our technology is working well and we are proud to see the productivity and cost efficiency potential for our clients enabled by our latest design innovations.

Several key elements of the Re:Imagined technology unveiled in January 2022 have been deployed successfully for the first time in the UK and Sweden.

→ Read more on page 14

Of course, our partners' success will ultimately determine our success, and in FY23 the Board had strong oversight of how the business is helping our partners drive CFC utilisation and productivity to achieve profitable growth. As such, while still early days, the Board was pleased to see the expansion of the newly established Partner Success teams. It is encouraging to report on how closely and collaboratively our teams are working with our partners to help unlock the full potential of OSP and accelerate growth. You will read more about our activities and progress throughout this report, including initiatives to increase warehouse productivity, drive more efficient last mile economics and optimise the consumer-facing front end experience.

In a world where labour resources are increasingly limited and costly, the Board remains confident that Ocado's cutting-edge automation solutions will enable our partners to transform the economics, productivity and service levels of their online grocery businesses. We are well on the path to delivering this again at our Ocado Retail business and it is important that we share our know-how to enable other partners to achieve similar results. Key events such as the Ocado:Beyond conference provide an excellent forum for feedback and exchange of ideas between Ocado Group and our OSP leadership club of 12 international retailers. We will continue to pay close attention to the development of the Partner Success capability and the progression of our partner economics in FY24.

Beyond grocery with Ocado Intelligent Automation

Another exciting milestone for the Group was the signing of OIA's first deal outside of the grocery market with McKesson Canada, a leading diversified healthcare provider in Canada and the largest pharmaceutical distributor in the country. The deal is a clear demonstration that our technology can be applied to automate and solve challenges in industries beyond online grocery. We are optimistic our teams will sign more contracts in the coming years that will leverage our existing technology R&D investment to drive higher returns on capital for Ocado Group, a core ongoing focus for the Board.

AutoStore settlement

The successful settlement reached with AutoStore Technology AS ("AutoStore") in July 2023 demonstrated the value of our IP portfolio. The agreement included the settlement of all claims between the companies, avoiding further litigation and associated costs, and is confirmation that we were correct to have vigorously defended our patents. We will continue to protect our innovations through our IP capability. At the same time, our ongoing capital expenditure on R&D, recognised on the Balance Sheet, will drive future value for Ocado's shareholders.

Organisational change

FY23 is the first time we are reporting under the new segmental structure and the Board is pleased with the resulting improved financial and operational visibility. This new reporting structure, reflecting the three distinct businesses of Technology Solutions, Ocado Logistics and Ocado Retail, has brought additional focus on the allocation of capital and how we manage our costs. You will see the results of this in the reduced support costs over the year.

In conjunction with the revised reporting structure we have revisited our Group purpose to better describe what we are striving to achieve: to reimagine the world of distribution, fulfilment and ecommerce to drive outstanding customer outcomes.

Managing our teams by business segment has brought a sharper focus on the needs, skills and training requirements of Technology Solutions and Ocado Logistics but maintains interaction across the Group, sharing leadership and management programmes as well as recruitment and re-training opportunities. These teams are doing an excellent job in embedding the changes without losing the dynamism of our culture, something we monitor closely (read more on page 22). We see these advancements as a natural evolution of the Group, ensuring we stay fit for the future, driving transparency for stakeholders, setting priorities and assessing and managing performance.

Board evolution

The Board evolved this year, bringing new experience and increased gender diversity to the mix. In January 2023, we welcomed Julia M. Brown and, in September, Rachel Osborne to the Board as independent Non-Executive Directors and Rachel as Chair of the Audit Committee. Julia has significant expertise in change management and the consumer goods sector and was previously Chief Product Officer at Mars. Rachel, former CEO of Ted Baker, brings a wealth of executive, financial and retail experience. We said thank you and farewell to both Michael Sherman, who stepped down due to other executive commitments, and Luke Jensen, who announced his intention to retire. The Board extends a particular appreciation to Luke for the pivotal role he played in the transformation of the business since his appointment in 2018 and driving our partnerships across the world. His position has been filled by John Martin, who stepped down from the Board to become CEO, Ocado Solutions, a great demonstration of how we continue to move talent around the Group. We are confident he will be a great business leader of Ocado Solutions and play a key role in driving our success. On 2 February 2024, Neill Abrams and Mark Richardson stepped down as Executive Directors from the Board, although they remain part of the Executive Committee. Following the resignation of Neill and Mark, the Board has 10 members.

New Directors' Remuneration Policy and Share Plan

As we are approaching the end of the original Value Creation Plan ("VCP") in March 2024, the Remuneration Committee has undertaken an in-depth review of the current Directors' Remuneration Policy, giving very careful consideration to whether the VCP remains as motivational and retentive as it once was. Following extensive shareholder consultation, the Remuneration Committee has decided to put forward a new Directors' Remuneration Policy and 2024 Performance Share Plan ("PSP") to the 2024 AGM, one year before the expiry of the current Policy, to ensure that a suitable remuneration structure will be in place following the end of the original VCP.

Full details of the Directors' Remuneration Policy and the PSP can be found on pages 186 to 203.

Responsible business

As well as monitoring the Group's strategic, financial and operational progress the Board spent time understanding the evolving environmental, social and governance ("ESG") risks and opportunities for the Group. These include upcoming sustainability reporting requirements and the need to operationalise these changes, especially in the collection of data we require to evidence actions and results.

More importantly, we focused on looking beyond the numbers in search of strategic and operational insights and pathways to effective action.

Our assessment of the Group's Scope 3 carbon emissions provided a fuller understanding of our total carbon footprint, enabling the development of a Net Zero Roadmap and re-affirming our commitment to be Net Zero in our operations (Scope 1 and 2) by 2035 and in our value chain (Scope 3) by 2040. Like many companies, we have been able to plan in detail the near-term actions and costs which kick off this programme but our medium- and longer-term plans are likely to evolve significantly. The Net Zero Roadmap was approved by the Board in November 2023. It is also pleasing to see the progress in the depth of analysis in our Task Force on Climate-Related Financial Disclosures ("TCFD") report on page 82.

Looking forward

We made good progress on many levels in FY23, but there is much more we can and must achieve. The year ahead will see an even deeper focus on driving the success of all of our partners, innovating to enhance the efficiency and longevity of our technology, rolling out Re:Imagined technology globally and exploring new business opportunities with OIA. We retain sufficient capital to fund our growth and are focused on managing our cash flows to reach cash flow positive in the mid-term. Improving cash flow dynamics is vitally important for a successful refinancing of our debt, a topic that, as you would expect, continues to be a core area of Board discussion.

Above all, the Board hopes to look back at FY24 with a sense of pride and achievement: that Ocado Group has continued to deliver tangible progress for all stakeholders, whilst driving technological advantage through innovation, hard work and collaboration. It is this combination that will create long-lasting value for all.

Rick Haythornthwaite
Chair

29 February 2024

Key Performance Indicators ("KPIs")

Group KPIs reflect aggregate performance across our reported segments. In FY23 we reviewed our KPIs to reflect the new reporting structure and the focus on driving profitability and cash flow across the Group.

All FY23 KPIs are on a 52-week basis to aid comparability, with the exception of underlying cash flow movement, tonnes of CO_2e and year end active customers which are all on a 53 week basis.

→ Read more about how these, and our key segmental drivers (pages 28 and 43), have driven performance in FY23 (CEO's Review on pages 12 to 17) and are considered in Directors' remuneration (pages 154 to 203)

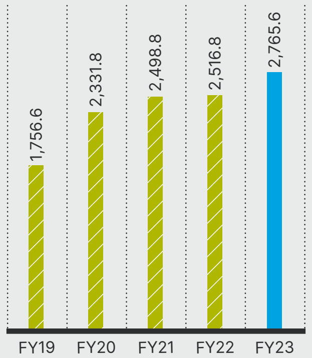
→ Read more about our strategy on pages 21 to 23

→ Read more about our responsible business approach on pages 67 to 81

Group

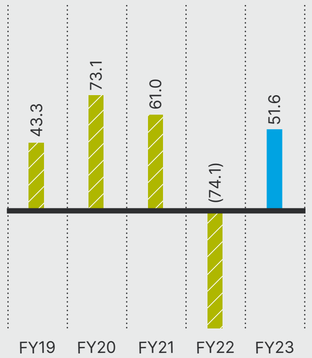
Financial KPIs

Group revenue (£m)



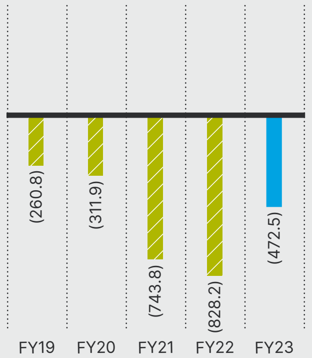
Why we use this measure
Measures revenue growth of Ocado Group.

Group adjusted EBITDAⒶ (£m)



Why we use this measure
Measures the adjusted EBITDA performance of Ocado Group.

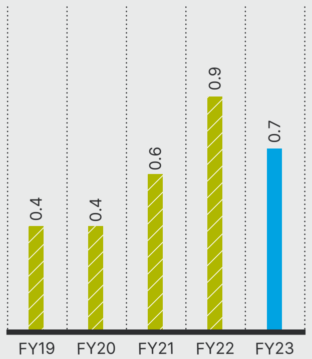
Group underlying cash flowⒶ (£m)



Why we use this measure
Measures the underlying movement in cash and cash equivalents.

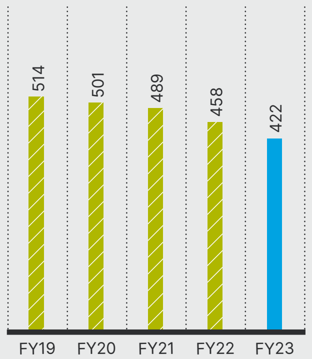
Non-financial KPIs

Food waste (% of sales), Ocado Retail



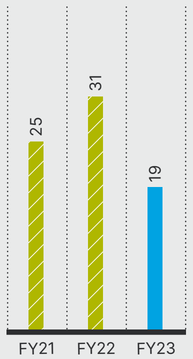
Why we use this measure
Measures efficiency of Ocado Retail operations, as enabled by OSP technology, in terms of waste minimisation: the lower the better.

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



Why we use this measure
Measures the greenhouse gas emissions intensity (direct and indirect) of our total business operations.

Employee Net Promoter Score ("eNPS") (Technology Solutions)



Why we use this measure
This is a scoring system widely used in industry designed to help us measure the engagement of our people.

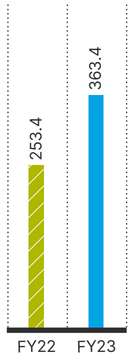
Business segment KPIs

In FY23 Ocado Group changed its segmental reporting to reflect the three distinct business models of Technology Solutions, Ocado Logistics and Ocado Retail. The KPI metrics and methodologies shown below have been selected to best reflect the objectives and growth strategies of each business.

Technology Solutions

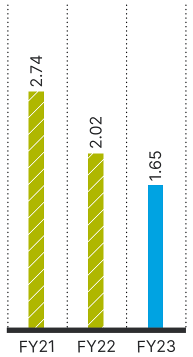
Financial KPIs

OSP recurring revenue (£m)



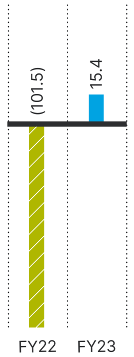
Why we use this measure
Measures OSP recurring revenue growth of Technology Solutions.

OSP direct operating costs as % of installed sales capacity



Why we use this measure
Measures the exit rate position at the period end for the Group's site-level operational costs, including engineering, cloud, insurance and property tax costs.

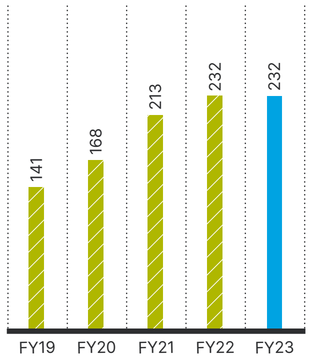
Adjusted EBITDAⒶ (£m)



Why we use this measure
Measures the adjusted EBITDA of the Technology Solutions segment.

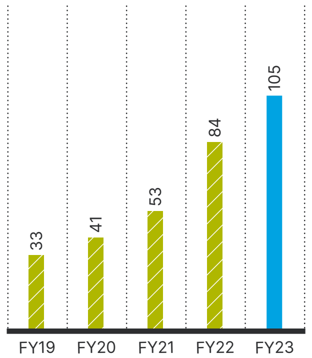
Non-financial KPIs

Number of modules ordered



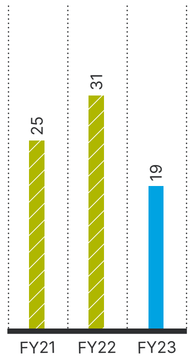
Why we use this measure
Measures cumulative modules of maximum capacity for which a contractual agreement has been signed with a partner and an invoice issued for the associated site fees, providing near-to medium-term visibility of ongoing capacity build.

Average number of live modules



Why we use this measure
Measures the weighted average modules of capacity installed and ready for use by OSP clients during the year, which drives Technology Solutions recurring revenue.

Employee Net Promoter Score ("eNPS")

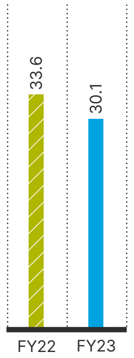


Why we use this measure
This is a scoring system widely used in industry designed to help employers measure loyalty and satisfaction of people within organisations.

Ocado Logistics

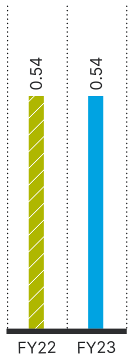
Financial KPIs

Adjusted EBITDAⒶ (£m)



Why we use this measure
Measures the adjusted EBITDA of the Ocado Logistics segment.

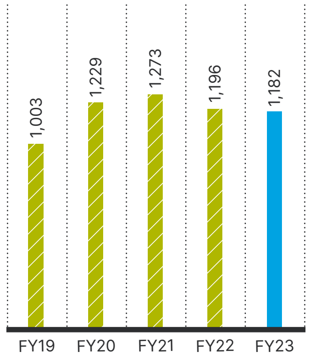
Cost per each (£)



Why we use this measure
Measures total Ocado Logistics costs divided by total units (eaches) of volume fulfilled for UK clients.

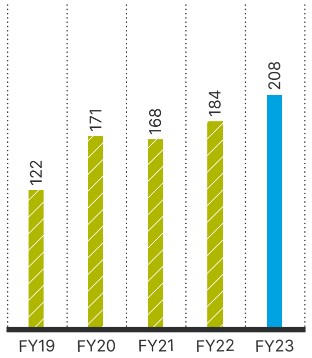
Non-financial KPIs

Total eaches shipped (million)



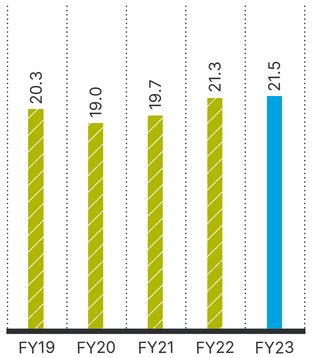
Why we use this measure
Measures total units of volume fulfilled for UK clients, the key driver of cost recharges revenue.

OSP CFC UPH



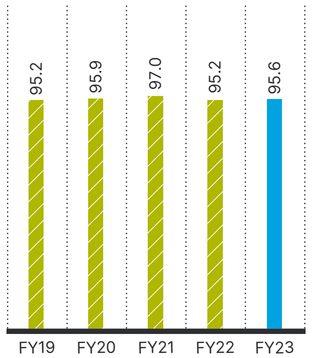
Why we use this measure
Measures CFC operational efficiency in average units picked per labour hour ("UPH") in our UK OSP CFCs (note: excludes Hatfield and Dordon CFCs).

Drops per van route (eight-hour shift)



Why we use this measure
Measures the efficiency of our service delivery operations (note: metric based on Ocado Retail data only).

On-time delivery (%)

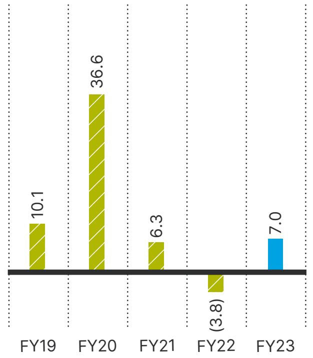


Why we use this measure
Measures the number of orders that are delivered on time to Ocado Retail customers (note: metric based on Ocado Retail data only).

Ocado Retail

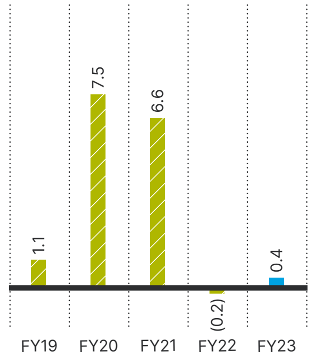
Financial KPIs

Revenue growth (%)



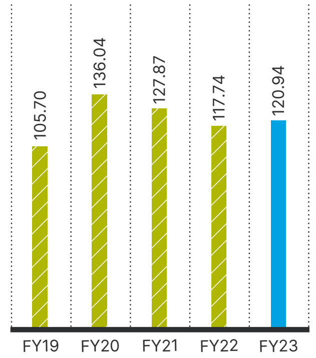
Why we use this measure
Measures revenue growth of the Ocado Retail joint venture.

Adjusted EBITDA marginⒶ (%)



Why we use this measure
Measures the adjusted EBITDA of the Ocado Retail segment as a percentage of revenue.

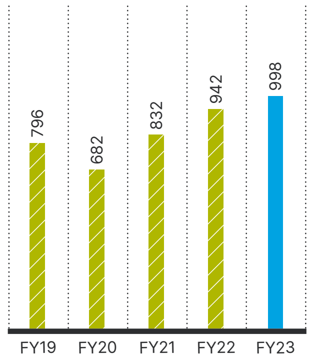
Average basket value (£)



Why we use this measure
Measures aggregate impact on average shopping basket for Ocado.com (note: comparatives restated to reflect no longer deducting cancelled orders on the road from total orders and changed from using gross sales to now using product sales).

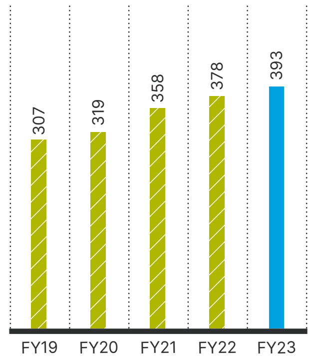
Non-financial KPIs

Year end active customers (000s)



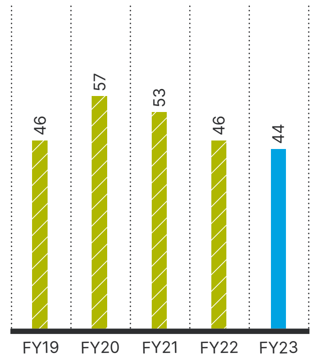
Why we use this measure
Measures growth in Ocado Retail core customers who shopped at Ocado.com within the previous 12 weeks.

Average orders per week (000s)



Why we use this measure
Measures order growth in the Ocado Retail business for Ocado.com (note: comparatives restated to reflect Ocado.com orders only and no longer deducting cancelled orders on the road).

Average eaches per basket



Why we use this measure
Measures total units of volume for Ocado.com divided by the total number of Ocado.com orders, the key driver of average basket value for the Ocado Retail business.

Chief Executive Officer's Review

Tim Steiner
CEO

"A year of operational, financial and strategic delivery."

Our technology continues to meet all of our demanding expectations, delivering strong productivity and efficiency performance. This past year we collaborated closely with our retail partners around the world to help them get the very best out of OSP and deliver attractive returns as they grow their online grocery operations. We know that their success drives ours and we are determined to fulfil the enormous potential that exists for all. Our teams have done a great job driving financial and operational progress across the Group in FY23. I am also very pleased to report on strategic growth developments with our first non-grocery deal announced for OIA.

Overview

The founding vision of Ocado was to use cutting-edge technology and automation to transform the online grocery space. Today, it is exciting to report that, through our unwavering commitment to that vision and the incredible depth of talent within Ocado, we now have 26 live sites with 9 of our 12 OSP Partners operating our highly reliable, high-quality, high-performing technology in North America, Europe and Asia-Pacific. Three further partners will go live on OSP across the next two years. FY23 was a pivotal year as every business segment generated positive adjusted EBITDA®, a first for the Group as we pursue our path to profitable growth, strong cash flows and higher returns on capital.

On a personal note I wish to thank the Board and recognise the role it plays in supporting our Executive Committee. We are fortunate to have access to the skill sets and know-how of a group of distinguished professionals. Their shared experience, knowledge, insight and guidance are invaluable.

Highlights

In last year's report I emphasised that the building blocks were in place for profitable growth and that our technology and operational execution were driving results. Those dynamics continued in FY23 and, despite the tougher economic climate, our teams have performed well, evolving nimbly with the business and adjusting to operational cost disciplines and new financial reporting structures.

Undoubtedly the financial performance from Technology Solutions was a key achievement in the year with adjusted EBITDA® turning positive, driven by strong growth in recurring fees from live modules. We embedded a laser-like focus on helping our retail partners drive capacity utilisation and profitable growth through our Partner Success teams. It is encouraging to report on their progress (see page 29) as well as the confirmation of the strength of our IP portfolio achieved in the settlement reached with AutoStore in July 2023 (see page 25).

Ocado Logistics delivered significantly improved productivity in average UPH, drops per van route further increased and the business also achieved an adjusted EBITDA® of £30m while adjusting to the challenges of closing two spokes, ceasing operations at our oldest CFC in Hatfield and opening a new CFC in Luton. It is pleasing that almost half of our Hatfield CFC employees moved to Luton with us, many in new roles within the CFC, and managed the fastest ramp-up of a CFC to date – a huge achievement. The Luton CFC is now more energy efficient than the Hatfield CFC (measured on a per each basis) and contains our latest Re:Imagined technology, demonstrating the potential of OSP as a showcase for the Group.

Another key highlight for me in FY23 was seeing Ocado Retail return to positive volume growth and positive adjusted EBITDA® in what has been a tough grocery market, with significant food price inflation and reduced basket sizes. The "Perfect Execution" programme and the network optimisation of CFCs played an important role in achieving this performance and it was very encouraging to see active customer growth increase to 998,000 by the year end.

Market dynamics

In the "Our Markets" section of this report (see page 26) we discuss how the combined pressures of rising costs, food price inflation and decreasing basket sizes impacted global grocery markets and capital expenditure spend in FY23. For Ocado, the impact has been a slowdown in the purchase of new OSP modules. We believe this is a temporary feature and not a long-term headwind to our success. Structurally, these dynamics should play to the power of our OSP end-to-end solution, automating processes that were historically manual, and driving cost efficiencies and higher productivity. Over time our Re:Imagined technology with the lighter-weight 600 series bots, lighter grid and other features such as On-Grid Robotic Pick ("OGRP") and Automated Frameload ("AFL") offer compelling economics, especially as production increases and our partners can reap the benefits of scale.

Priorities for FY24

In FY24 we will build on the progress we made in FY23. We are motivated and focused on helping our retail partners win in their online grocery businesses. We expect the two sites in Australia (in Sydney and Melbourne for Coles) and our first site in Madrid for Alcampo to go live. In Technology Solutions our Partner Success teams will make further inroads in helping our retail partners increase their CFC capacity utilisation and raise productivity; we know what is possible from the performance of our technology in our own UK operations. We anticipate that this will then help accelerate partner orders for additional modules and CFC sites. This is particularly important to Ocado as we would like to grow our module count with existing partners as well as future new partners.

"I know our teams across the business will work hard to deliver our objectives, remaining disciplined on costs, driving strong cash flow and helping maintain the Group's liquidity position."

We are excited about the prospects for more OIA contract announcements and new Solutions deals being signed. And for Ocado Retail, there remains huge potential to grow and achieve industry-leading levels of profitability, supported by the strong capabilities of Ocado Logistics.

I know our teams across the business will work hard to deliver our objectives, remaining disciplined on costs, driving stronger cash flow and helping maintain the Group's liquidity position.

Our growth plans remain in place and we are fully funded for these. I am confident that Ocado Group will reap the rewards of over 20 years of technological investment, innovation and courage to challenge and stretch boundaries. These are qualities that are fundamental to our capabilities today and will continue to shape our future.

Ocado Re:Imagined progress

In January 2022 we unveiled Ocado Re:Imagined, a series of technology innovations in both hardware and software, designed to drive efficiency and performance. The technology upgrades span several critical components of the OSP end-to-end solution, from the evolution of our bots to warehouse construction to supply chain management, fulfilment and delivery. They will deliver compelling economic benefits for our retail partners by reducing capital investment and build times, enhancing levels of automation and reducing labour intensity. Importantly, we have developed the underlying technology in a live production environment over the last two years, giving us direct, on-the-ground experience of how and why it works.

Certain Re:Imagined technology became available for commercial use in FY23, with OGRP and AFL deployed to Ocado Retail in the UK at a small number of CFCs including Purfleet and Luton (see case studies on pages 15 and 36). The phased roll-out of Re:Imagined technology across Ocado Retail's CFC estate is driving operational efficiencies, primarily through increased automation.

Our Purfleet and Luton CFCs are already demonstrating some of these benefits and we expect these to build further in FY24. Overseas, ICA in Sweden went live with AFL during FY23 for all of its live CFC capacity, with the mechanical handling equipment ("MHE") also performing very well for the company. We are excited to be in discussions with several of our other international retail partners about the roll-out of Re:Imagined technology.

The 600 series bots and the latest version of the grid, both of which will be our lightest and lowest cost, will start to be deployed from late FY25 for new sites going live. Read more about our 600 series bots and grid in the Responsible Business Report on page 67.

Swift Router will also be delivered in 2024 and the software will enable partners to use the beginning of the van routes leaving the CFC for short lead time orders (less than four hours) and with the rest of the route to deliver longer lead time orders. The benefit this technology brings is greater last mile efficiency by removing the need for specific routes just for short lead time orders, and therefore lower costs for fulfilling these routes.

We are launching a proof of concept of Orbit in early 2024, a supply system software where we consolidate and distribute stock to the CFC network from one "parent" CFC. We believe Orbit to be the best alternative to direct supply, where minimum ordering constraints often cause unnecessary stockholdings.

AFL

already live in the UK and Sweden

600 series bots

to be deployed in the UK at existing sites during FY24

Technology Solutions Partner Success teams in focus

Our Account Management teams are supported by a dedicated Partner Success function, which expanded in 2023 with increased investment. The function is critical in bringing targeted support to our partners to get the best out of OSP, delivering advice and analysis as they go live and scale with the platform.

Ocado has many knowledgeable and talented people across the Company, including those who have deep experience in Ocado Logistics and Ocado Retail as well as technology. We are leveraging their skill sets and today there are around 40 people on international assignments who are working closely with our international partners.

These teams provide both targeted projects and rolling support across the board to drive improvements in operating efficiency, customer marketing and platform monetisation.

The Partner Success teams include more than 80 specialists with key capabilities focused around the following:

Ecommerce: acquisition and retention, monetisation, marketing, search engine optimisation and range strategy.

Fulfilment: labour planning, warehouse processes and supply chain.

Last mile: zoning and routing.

Case study: OGRP: driving automation and labour efficiency

OGRP, one of our Re:Imagined technologies, went live in the UK this year and combines cutting-edge machine vision, deep reinforcement learning and advanced sensing to pick and pack grocery items without any prior knowledge of what they are, making smart decisions on the fly. Four robotic arms have been operating in the Purfleet CFC since February 2023 and 22 robotic arms have been operating in the Luton CFC since its opening in September 2023. The performance of OGRP equipment to date underlines our confidence in how the technology will lower labour costs for our retail partners.

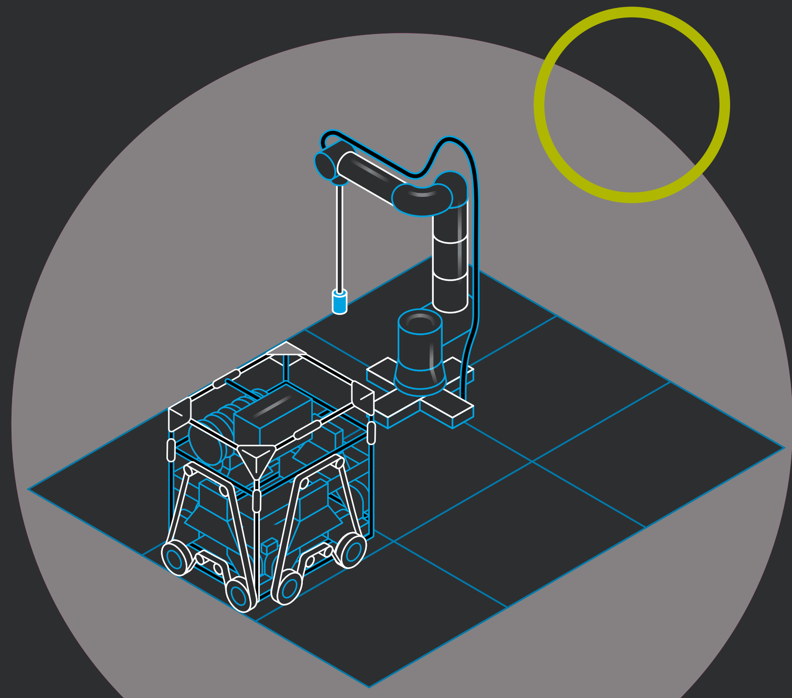
We expect each OGRP arm to pick 240 shopping items (units) per hour; in Purfleet the system has been proven to be able to pick over 200 items per hour already. To date, the system has picked over one million items and yielded critical learnings that have been applied to the operational sites. We expect both Luton and Purfleet to continue to ramp up in the coming months, achieving the full operational benefits of reduced labour.

At Purfleet, OGRP is currently capable of picking 30% of the stock-keeping unit ("SKU") range. We are confident that OGRP will in time be able to pick, verify and pack SKUs for a range velocity equivalent to >70% of a CFC.

This goal will be achieved through further development in hardware, automation and monitoring tools that we plan to deliver over the next two to three years.

This will allow SKUs with more complex characteristics, for example delicate items and glass packaging, to be available for picking with OGRP equipment.

Our retail partners have the option to retrofit existing CFCs with OGRP equipment. The economics are compelling; the additional modest ongoing fees for partners will be more than offset by labour savings and productivity gains.



STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

FY23 operational review

Technology Solutions

The Technology Solutions business performed well in FY23, demonstrating strong operational execution as further capacity was rolled out for new and existing retail partners. Three new CFCs went live in Alberta, Canada; Tokyo, Japan; and Luton, UK. These openings were delivered on time and on budget. In early December I also had the privilege to join our Partner, Lotte, at the ground breaking of the first of six CFCs planned in Korea.

Revenue increased by 44.3% to £420.5m, largely driven by recurring licence fees from the higher number of live modules in operation. The power of our operating model is clear to see, with strong revenue growth and continued improved efficiencies in Ocado's direct CFC operating costs, which fell to 1.65% of installed sales capacity, a key metric for the business. We have also reduced support costs. These dynamics contributed to Technology Solutions producing an adjusted EBITDAⓐ of £15.4m, a £116.9m improvement from the prior year.

A key focus for us in FY23 was working with our partners to help them deliver attractive returns from their investment in CFCs and OSP. We have addressed this challenge through the development of our global Partner Success teams, which have taken a hands-on approach with partners. Our work with Kroger has delivered tangible results including higher capacity utilisation, increased warehouse productivity and more efficient last mile economics. We are also collaborating with Kroger on the consumer-facing front end in order to drive improved local sales densities and more consistent trading volumes in their CFCs across the day.

→ Read more about our progress in the Business in focus: Technology Solutions section on pages 28 to 31

OIA made excellent progress in building relationships with potential clients outside the grocery sector, announcing its first deal in November 2023 with McKesson Canada. It is incredibly exciting to know that the benefits of Ocado's technology can now be applied to the healthcare distribution and logistics sector.

Our technology is ideally suited to supply chains that require dense storage, highly accurate inventory management and secure stock control which has been proven over 20+ years in online grocery, one of the most complex supply chain environments. We see clear growth potential for OIA through leveraging our existing technology and IP to provide further compelling solutions for the automated storage and retrieval systems ("ASRS") market.

→ Read more about OIA in the Business in focus: Ocado Intelligent Automation section on pages 32 to 33

FY24 Technology Solutions outlook: 15% – 20% revenue growth and a greater than 10% adjusted EBITDAⓐ margin.

Ocado Logistics

Ocado Logistics delivered another strong operational performance, demonstrating the potential of OSP and the enhancements available with our Re:Imagined technology. It is encouraging to see the uplift in productivity and operational efficiency in the new Luton CFC which opened in September 2023, as well as the performance of our Purfleet CFC which continues to achieve high-performing UPH. Both sites are great examples of the opportunities of automation.

→ Read more about these developments in the Business in focus: Ocado Logistics section on pages 34 to 36

Ocado Logistics delivered a £30.1m adjusted EBITDAⓐ and continues to be a solid cash generator.

FY24 Ocado Logistics outlook: stable revenue and an adjusted EBITDAⓐ of around £30m.

Ocado Retail

As Chair of Ocado Retail I was pleased to see the business achieve its goal of returning to volume growth and positive adjusted EBITDAⓐ in FY23. The performance was reflective of a programme of "Perfect Execution", improving the customer proposition across value, range and service, along with a hard focus on costs. Revenues increased by 7.0%, and adjusted EBITDAⓐ margin was 0.4% driven by an encouraging combination of active customer growth of 5.9%, growth in average orders per week of 4.0% and basket size stabilising.

Ocado Retail brings together the range and service benefits enabled by Ocado Group's cutting-edge technology with the quality of M&S' products to deliver the very best experience for our growing customer base. We are excited about the potential for Ocado Retail and over the next few years we believe the business will continue to grow customer numbers and deliver industry-leading profitability potential. Our UK retail business remains an important showcase for our OSP Partners in demonstrating the power and economic potential of deploying OSP as they seek to win in ecommerce.

→ Read more about the key areas of focus in the Business in focus: Ocado Retail section on pages 37 to 39

FY24 Ocado Retail outlook: Revenue growth expected to be in the mid-high single digits, with a circa 2.5% underlying adjusted EBITDAⓐ margin (underlying excludes Hatfield fees of £33m p/a).

Tim Steiner
CEO

29 February 2024

Progress against strategic priorities in FY23

Ocado is making good progress against its five Group strategic priorities. The focus on cost efficiencies and productivity has a natural fit with our responsible business approach which is driving change through the use of fewer resources. We cannot achieve our strategic vision without delivering tangible results for each strategic priority, and this will ultimately determine the delivery of scalable, profitable growth and strong cash flow generation, for both Ocado and its partners.

→ See page 21 for more detail on Ocado's strategy

1. Grow our revenue
Group revenue growth of 9.9% (FY23: £2,766m; FY22: £2,517m)

2. Optimise OSP economics
OSP direct operating costs as % of installed sales capacity (FY23: 1.65%; FY22: 2.02%)
OSP CFC UPH (FY23: 208; FY22: 184)
Purfleet return on capital employed ("ROCE") (22%+)

3. Deliver transformational technology
Technology development headcount (FY23: c.2,100; FY22: c.3,000)
Total number of patents granted (FY23: 1,011; FY22: 775)

4. Drive success for our partners
Average number of modules live (FY23: 105; FY22: 84)

5. Embed a responsible business approach
Food waste as % of sales at Ocado Retail (FY23: 0.7%; FY22: 0.9%)
Tonnes of tCO_2e/ 100,000 orders (Scope 1 and 2) (FY23: 422; FY22: 458)
Technology Solutions eNPS (FY23: 19; FY22: 31)

Our Business Model

Our purpose: to reimagine the world of distribution, fulfilment and ecommerce to drive outstanding customer outcomes

Our key resources and inputs

Read more about

Our people

→ Our people on pages 68 to 72

Our c.19,000 (c.20,000 including Ocado Retail ("ORL")) employees are talented, motivated and key in creating and driving the quality of our products and services.

IP

→ Our IP on page 24

The value of our IP creates and maintains our competitive advantage and is protected by 1,011 patents granted and 1,611 applications pending at year end.

Physical assets

→ Our technology on page 28

Our physical assets are primarily the mechanical handling equipment ("MHE") installed and operational in 26 global sites.

Financial resources

→ Our financial resources in our Financial Review on pages 40 to 59

Gross liquidity® of £1.2bn, sufficient to deliver on our medium-term growth plans.

Networks

→ How we help our partners on page 29 and our responsible sourcing on page 81

Robust and collaborative relationships with our partners and supplier networks.

Natural resources

→ Our Net Zero Roadmap on page 75

Fossil fuels used to run our logistics operation and embodied carbon in our CFC technology.

Governance

→ Our governance on pages 122

Ocado Group plc is listed on the London Stock Exchange in the UK with a diverse Board of highly skilled and experienced Directors.

What we do	Why our partners and customers choose us	How we make money
Technology Solutions **Employees:** c.5,000 **Partners:** major grocery retailers and non-grocery businesses. **Business:** market-leading end-to-end technology solutions, with a wide range of fulfilment formats to automate warehouse and ISF operations, optimise the online consumer retail experience and drive the most effective last mile fulfilment. **Technology:** hardware and software products installed in our partners' warehouses (CFCs) are sold or leased as a recurring managed service fee for OSP partners and sold directly to OIA clients.	Quality and reliability of our end-to-end technology solution. Deep sector know-how as a global leader in online grocery and fulfilment. Technology has market-leading throughput, up time and productivity. High levels of service. Innovation – significant capital investment to ensure products and solutions remain cutting-edge.	**OSP:** upfront and recurring fees charged for technology; key investment and operating costs are: • development of the OSP technology platform; • initial site MHE capital investment and replacement capex; and • ongoing costs, e.g. direct operating costs to maintain the MHE and hosting OSP as well as support costs. **OIA:** capital-light "MHE sell" model, with upfront fees closely matching Ocado's cash outflows; annual fees for servicing and maintenance fees of MHE and access to fulfilment software.
Ocado Logistics **Employees:** c.14,000 **Partners:** 100% ORL and Morrisons CFC online grocery business in the UK. **Business:** full end-to-end logistics service: supply chain, fulfilment, middle mile, last mile, support functions and analytics, operating across all CFC formats. A standalone business within Ocado Group with full accountability of its profit & loss statement.	Deep knowledge and expertise from over 20 years of operating an online logistics model using Ocado technology. High performance levels across productivity, availability, on-time delivery and doorstep customer experience. Continuous focus on cost efficiencies and reducing operational costs for our UK partners. Transparent cost-plus model.	Cost-plus business model with stable cash flows. **Revenues**: recharge of costs incurred to execute logistics services for our UK retail partners, including a cost-plus fee. **Costs**: incurred to execute logistics services which include fulfilment, last mile and support costs, recharged for our UK partners.
Ocado Retail Limited **Employees:** c.900 employees **Customers:** UK consumers **Business:** pure-play online grocery retailer in the UK, with operations enabled by Ocado Technology Solutions and logistics services provided by Ocado Logistics. **Ownership:** 50:50 JV with M&S; 100% consolidated; separate management team and board. See separate section on page 20 for governance structure.	Choice – broad range of products at market prices. Quality – high-quality, fresh products. Reliability – 99% of items delivered as promised and 95% of deliveries on time. Convenience – reaching more than 80% of UK households with a flexible mix of tailored delivery options.	**Revenues:** sale of grocery goods to consumers through the Ocado online platform and supplier services. **Costs:** cost of sales, distribution and fulfilment costs, marketing and headquarter operating costs, and technology fees to Ocado Group.

Delivering for our stakeholders

Our people

→ page 60

Investors

→ page 61

Partners

→ page 62

Suppliers

→ page 63

Environment and society

→ page 63

Helping us to achieve our strategic vision

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

Ocado Group – Our Differentiators

Market-leading and patent-protected technology offering flexible, end-to-end automated solutions

Ocado provides efficient and flexible automated fulfilment solutions in a highly complex industry, where retailers face the challenge of growing their ecommerce operations in an economically viable way. Our systems automate processes, extend hours of operation and reduce reliance on high-cost labour. We provide our partners with a range of solutions from in-store fulfilment ("ISF") and micro-fulfilment centres to large, centralised automated sites which can be implemented across different geographies.

20+ years of retail and logistics operational know-how to support our partners

The ownership and operation of Ocado Retail and Ocado Logistics in the UK give us valuable insight into the entire online business model. We use this insight to help our partners get the very best out of OSP. We have the know-how and ability to flexibly configure our products and services to optimise their service and performance potential.

OSP enables leading online grocery execution and profitability

The full suite of OSP technology, combining end-to-end software systems with our physical fulfilment assets (MHE), can deliver market-leading levels of productivity and efficiencies for online grocery by increasing automation and reducing headcount. It enables retailers to grow their online businesses profitably through leading service with 95% on-time delivery, 99% basket accuracy and a 50,000+ SKU range.

The Ocado ecommerce software enables our grocery retail partners to acquire and retain high-value customers by building loyalty, growing basket sizes by inviting customers to add more items to their basket at every step of their online shop, increasing frequency and spend, and unlocking new revenue streams via retail media.

Our technology is highly applicable for non-grocery automated storage and retrieval systems ("ASRS") markets

Battle-hardened by our experience and expertise in complex grocery retailing, Ocado's technology can also transform automation processes and efficiency for warehouses in other industries.

Growing recurring revenue, improving cash flow and strong return on capital

Our OSP business model generates recurring revenue through the licensing of our hardware and software technology products and services. As the number of CFCs and modules grows for our partners, so will our revenue and cash flow, enabling increasing returns on capital.

Driving more sustainable and efficient ways of doing business responsibly

We are committed to be carbon Net Zero in our own operations (Scope 1 and 2) by 2035 and in our value chain (Scope 3) by 2040. Ocado can play an important role in a sustainable future, where our products and customer proposition through our online grocery delivery model result in lower levels of food waste and reduce our partners' energy consumption levels by removing millions of weekly shopping basket miles.

Ocado Retail

ORL is a unique stakeholder for Ocado Group. It is a 50:50 joint venture formed in August 2019 between Ocado Group and M&S and has its own independent governance framework and board made up of M&S and Ocado representatives, with one board observer from each of the JV shareholders.

The three Ocado Group representatives are: Group CEO Tim Steiner, Chair, ORL; Group CFO Stephen Daintith, a non-executive director and Chair of the ORL Audit Committee; and James Matthews, CEO, Ocado Technology and a non-executive director of ORL. Along with the remaining directors they maintain oversight of the key operations of Ocado Retail and support the strategic relationship between Ocado Group, ORL and M&S.

The Ocado Group Board receives regular updates from CEO Hannah Gibson and CFO Mat Ankers, taking place at Board meetings throughout the year. Details on trading performance of the business, progress against the strategic priorities, and updates on employee engagement, customer behaviour and supplier relationships can be found in the ORL Annual Report and Accounts.

Our Strategy

Our vision is to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond. Our strategic framework of five interdependent priorities supports delivery of this vision and our ability to monitor performance and progress. Conducting business responsibly is at the core of our business and embodies our approach to all other priorities.

→ You can read more about our responsible business approach across our operations and supply chain on pages 67 to 81

Our strategic framework

Our strategy delivery is focused on five priorities and long-term goals:

Priorities	Why this is a priority	Link to stakeholders	How we measure progress	Links to risk	How culture supports this
Grow our revenue 1	Developing, building, acquiring and diversifying our revenue streams		Ocado Group revenue growth % Technology Solutions recurring revenue growth % Ocado Retail revenue growth %	Market proposition Supply chain Partner success Climate, environment & geopolitical	We innovate to create sustainable success for ourselves and our partners
Optimise OSP economics 2	Ensuring our technology, implementation and services deliver industry-leading returns and lowest-cost operations		OSP direct operating costs as % of sales capacity Ocado Logistics cost per each OSP CFC UPH Purfleet return on capital employed	Market proposition Product innovation, protection & performance Supply chain Climate, environment & geopolitical Partner success	We collaborate to deliver improved efficiency and greater capital returns for ourselves and our partners
Deliver transformational technology 3	Led by innovation, we will always stay ahead, by identifying, developing and protecting our digital ecosystem		Technology development headcount Patents granted and submitted	Product innovation, protection & performance Supply chain Talent & capability Cybersecurity & data Climate, environment & geopolitical Partner success	We like to challenge boundaries and stretch the art of the possible. We remain curious and restless in our pursuit of operational technology excellence
Drive success for our partners 4	Providing efficient and scalable solutions – listening first and delivering leading customer service		Average number of modules live Partner orders of additional CFCs Total eaches processed through the platform	Supply chain Talent & capability Fire & safety Climate, environment & geopolitical Partner success	We care for our partners; their success is our success. We recognise our accountability and will always go the extra mile
Embed a responsible business approach 5	Continuing to strengthen our responsible business foundations as we scale, from human and natural capital management to governance, will support us to deliver on our operational objectives into the long term		Carbon intensity (tCO_2e/100,000 orders (Scope 1 & 2) ORL food waste % of sales Technology Solutions eNPS Ocado Logistics eNPS % of senior managers that are female or ethnically diverse	All risks (excluding partner success) See pages 103 to 111	We create an environment that enables talent development and growth, listening to our people to improve employee engagement

Key: Our people, Investors, Partners, Suppliers, Environment and society

OCADO GROUP PLC Annual Report and Accounts 2023

How our Culture and Values Support our Strategy

Ocado has a strong, distinctive culture that remains central to our success, born from our original ambitions in the early days of our business. Our culture is open and collegiate, engaged, innovative and entrepreneurial. We are a growing organisation, built on the pioneering spirit of curiosity and innovation. This culture has evolved as the Company has scaled and expanded internationally and we are proud of how these qualities have helped Ocado become the business it is today. Equally, we must maintain and nurture our culture at every level to drive future success; doing this is a core focus for the Board (see the Governance section on culture on pages 124 and 125) and we continue to monitor how culture is reflected appropriately in everyday working life at Ocado.

We do this through a mix of qualitative and quantitative oversight including measuring eNPS (Employee Net Promoter Score, measured through a system called "Peakon", our employee listening tool), and direct engagement with Ocado teams at every level of the business.

In Ocado Technology, for example, we provide our teams with an excellent selection of developer tools that are reliable, efficient and easy to use. Our distinctive approach offers engineers the freedom to focus on building innovative solutions across our vast platform and technology estate. We collaborate with our developers to agree on a software engineering philosophy, and we treat this as a living reflection of our engineering culture, with room to be refined and improved as we grow.

Our culture has been shaped by a set of values and behaviours that are integrated at every stage of an employee's experience at Ocado, from the very first interview to the last day of work; employees know that core values form the basis for every decision the Company makes. Technology Solutions and Ocado Logistics are distinct businesses and each has a distinct set of values which we further refined in FY23.

Our Technology Solutions values are:

1. Aligned autonomy
Free to move with speed, aligned to act with purpose.

2. Learn fast
Be curious, experiment and evolve.

3. Build trust
We're on the same team.

4. Craft smart
Innovate and create sustainable success for us and our partners.

5. Collective potential
Collaborate to achieve more.

Our Ocado Logistics values are:

1. We're in it together
We fight for the common purpose, show trust and respect, and care for each other.

2. We can be even better
We do the right thing, go the extra mile for customers and celebrate our successes.

3. We're proud of what we do
We never stop improving, thrive on change and learn from our mistakes.

Our Ocado Retail values are:

1. Always be curious
We ask why.

We keep on learning.

2. Bring our best selves
We take ownership.

We deliver, together.

3. Challenge what's possible
We raise the bar.

We never give up.

How our Investments and Capital Allocation Support our Strategy

For over 20 years, Ocado has invested significantly in its business to create the market-leading technology used by our partners around the world. This investment supports our strategy to be the undisputed leader and global partner of choice in providing technology and automation solutions for grocery retail and beyond. The size of our growing patent portfolio is evidence to that approach (standing at 1,011 patents granted at the end of FY23), ensuring our automated fulfilment and delivery solutions retain a strong competitive advantage with a global presence.

→ Read more about our IP and patent portfolio in the case study on pages 24 to 25

Our approach to investment is evolving in line with Ocado's growth and strategic priorities. We are focused on becoming a cash-generating business while continuing to invest for future growth. We are also determined to deliver attractive returns on capital, for ourselves and our partners. We will do this by achieving cost efficiency across all businesses and ensuring rigorous financial discipline in our investment choices. Our new business segment reporting structure and our finance transformation programme (see page 51 in the Financial Review) have helped our Finance team, led by CFO Stephen Daintith, to improve visibility into the economics and business drivers of Ocado Group.

These have been key enablers in identifying opportunities to drive efficiency and manage financial returns. Key deliverables in FY23 include a significant reduction in Group support costs of £17m and a marked improvement in underlying cash flow[A] of £356m.

In FY23 (53 weeks) we invested a further £520m in capital expenditure, primarily in our Technology Solutions business to meet the demand for new CFCs, modules, robotics and MHE.

→ Read more about our investments in the Financial Review on pages 40 to 59

Use of cash	Reason	FY23 investment	Progress	Projected returns
Technology Solutions				
CFC sites	Investment in MHE to deliver and install OSP in partners' CFCs, driving secure and recurring revenue streams for the Group	£253m	3 CFCs launched in the year and 12 new live modules; total of 26 sites and 111 modules now live at the end of the year and ramping up	22%+ ROCE for Ocado Group at site level pre-Re:Imagined technology, as demonstrated by Purfleet CFC
Technology	To further improve the OSP platform and OIA technology, through innovation that drives either: • indirect improvements in returns through improved customer proposition; or • direct improvements in returns through step changes in capital or operating efficiency	£203m	Re:Imagined technology deployed at Purfleet and Luton CFCs in the UK and in Sweden (see page 15) and to be rolled out further for our retail partners from FY24 First OIA deal signed in November 2023	Mid-term targets post-Re:Imagined technology: ~40% ROCE Group site level; 15%+ reduction in MHE capital costs, c.20% lower construction and lease costs for our partners and 1ppt+ operating margin benefit for OSP Partners
Group support and other	Comprises projects relating to support costs, systems and infrastructure	£34m	Spend reduced versus FY22 – completed several key investments in support function systems and infrastructure	Enabling successful scale-up of the business and delivery of commitments to partners
Ocado Logistics				
Logistics technology platform	Running the technology platform for non-OSP legacy CFCs and transitioning from the legacy platform to OSP	£14m	Continued progress to transition our UK partners from our legacy platforms to OSP	Enables Ocado Group to run our non-OSP sites and then transition to OSP
Ocado Retail (fully consolidated)				
Supporting Ocado Retail growth in the UK	CFC and Zoom build and maintenance capital expenditure to support future capacity growth, asset replenishment, IT, spoke expansion and General Merchandise (including recharges from Ocado Logistics)	£25m	Luton CFC went live during FY23	Mid-term target: High mid-single digit EBITDA margin

Ocado Group’s Intellectual Property (“IP”)

Driving competitive advantage, technological strength and balance sheet value

How it works at Ocado: IP talent and rigorous processes are embedded in how we do business

The drive to innovate is a powerful strategic objective and motivating force at Ocado, and a very significant amount of valuable IP is created throughout the Technology Solutions business. This IP needs to be properly directed and protected, key tasks of our internal IP team.

The team comprises 11 qualified patent attorneys, all scientists or engineers by training, and an IP business intelligence analyst. This highly qualified, centrally managed internal IP team is embedded in our Ocado Technology Engineering teams, enabling continual participation in their engineering processes and discussions. The value this structure brings is four-fold:

- We can prioritise protection of our inventions.
- We ensure the freedom to operate our solutions by landscaping and being aware of competitor IP.
- We can offer alternative engineering solutions that may be less risky from a third-party IP perspective.
- We can train our engineers to ensure IP best practice throughout the process.

The IP team engages with other business functions in Ocado Group, providing risk management services that further strengthen our IP competitive advantage. These include overseeing third-party confidentiality regimes, ensuring externally published information is “IP safe” and embedding appropriate IP terms and conditions in contracts.

The use of IP is widespread in Ocado Group. Our Data Science and Engineering teams utilise their expertise at the forefront of many technologies to create new client solutions and this generates IP at a fast pace.

Our non-engineering employees use our IP daily in their interactions with partners, social media and other interested parties. Our partners have access to our IP in their CFCs and access to each others’ IP via the partner panels. All these teams have quick and easy access to our internal IP professionals who give high-level advice in complex situations in a cost-effective manner. Occasionally we require niche IP expertise that is not available internally, e.g. in complex litigation scenarios. The flexibility of this structure enables cost-effective management in fast-moving IP situations for Ocado Group.

Our patent portfolio in numbers

At the end of FY23 there were 1,611 patent applications and 1,011 granted patents protecting Ocado’s proprietary technology.

Applications

1,611

Granted

1,011

Work-in-progress

162

Our IP in action: 600 series bot and Mk3 Grid

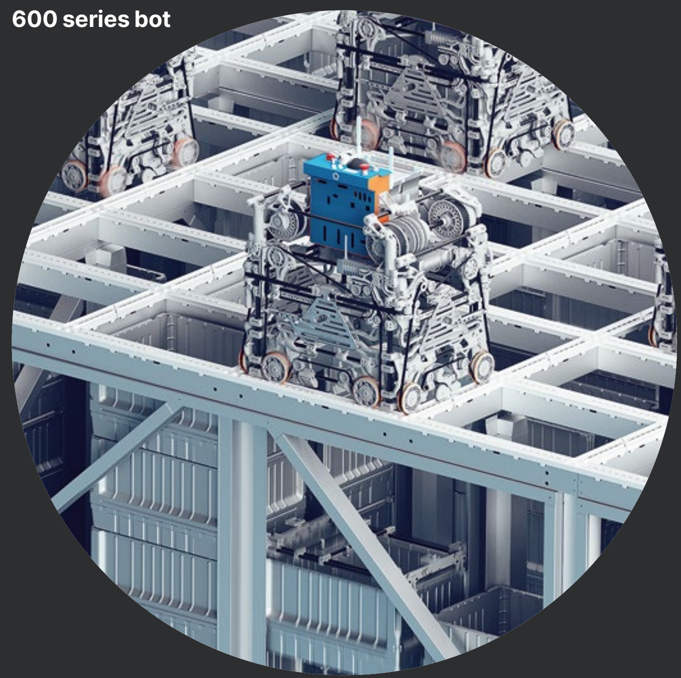
The 600 series bot began life as a blue sky project to create a lightweight robot that would enable the use of a less structurally demanding grid.

The aim of the blue sky project was to reduce the energy required to build and maintain our grid frameworks. The environmental attributes of the grid would improve as a structurally lighter grid framework could be used, thereby reducing manufacturing cost and energy as well as transport costs. To have a lightweight grid required a lightweight bot. In late 2019 our Emerging Technology teams developed a concept for a robot using additive manufacturing (3D printing), with a prototype soon developed and demonstrated to senior stakeholders. The IP team worked closely with the Emerging Technology teams and were able to ensure protection of the 600 series bots as soon as the project was greenlit. For example, the basic concept of a “3D printed bot” was protected as well as the details of the compliant direction change mechanism and the novel wheel incorporating suspension (the “tweel”). The first patent applications were filed in early March 2020 and published in September 2021.

The development of the concept 600 series bots enabled work to start on the lightweight grid. Over 65 patent applications have been filed in relation to the 600 series bots and the Mk3 lightweight grid.

The IP team worked closely with the Emerging Technology teams and later the Productionisation teams to ensure that all material aspects of the 600 series bots and the associated Mk3 grid are the subject of patent applications globally. This approach enables OIA to produce bots and grids and demonstrate them at trade shows and other public arenas.

600 series bot



Our IP in action: AutoStore litigation settlement, July 2023

IP litigation is a complex and involved process. The action started by AutoStore in October 2020 involved the International Trade Commission (“ITC”) and the District Courts in the US, the High Court of England and Wales and the Intellectual Property Office in the UK. Ocado Group responded by filing defences, and our own actions, in the District Courts in the US, the German District Courts, the new EU Unified Patent Court and the European Patent Office.

Crucially, Ocado Group’s internal IP team was pivotal in the litigation process, from gathering information, maintaining a consistent approach across jurisdictions, and briefing partner companies and internal and external stakeholders, to being present throughout all actions in all jurisdictions. This approach placed us in a strong negotiating position, as the internal team was aware of all the separate actions and the overall advantages and disadvantages of the litigation to Ocado Group. The results of this intense litigation period were as follows:

- All litigation was settled by negotiation on 22 July 2023.
- Ocado prevailed in the ITC, the UK High Court and the German litigation.
- A cross-licence was entered into over both parties’ pre-2020 patent portfolios, but Ocado retains the exclusive right to the Single-Space Bot concept.
- Post-2020 patents are subject to a non-assertion agreement against each other for products existing on 22 July 2023.
- Any future issues between the parties will be resolved via internal mechanisms or ultimately via arbitration.
- A balancing payment of £200m was determined to be payable in 24 monthly installments from AutoStore.

Ocado's role in changing the way the world shops, for good

Channel shift has happened in grocery before

	Pre-1950s	1950s	1980s	1990s	2015 →
	Over-the-counter specialist stores	Self-service grocery stores	High street supermarkets	Out of town hypermarkets	Online grocery
Range	↑	↑	↑	↑	↑
Prices	↓	↓	↓	↓	↓
Personalisation	↓	↓	↓	↓	↑

Consumer demand and the channel shift to online grocery

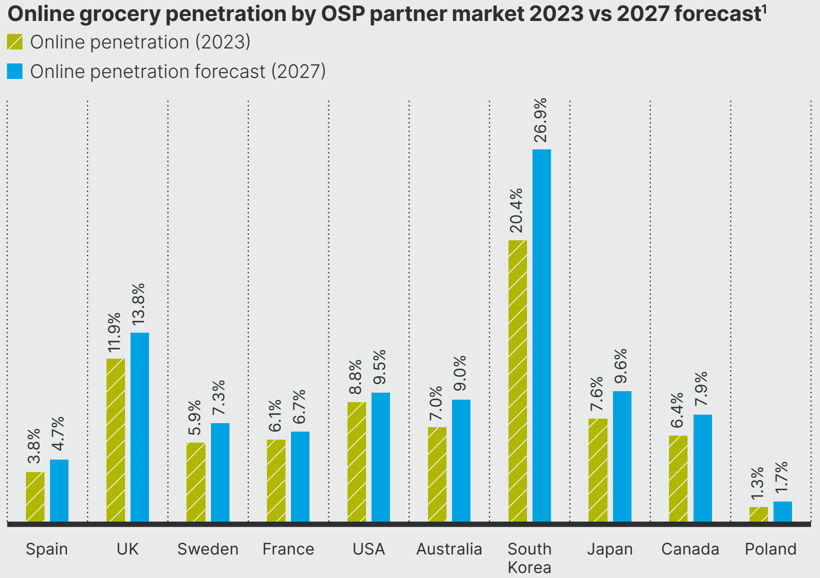
Our mission is to "change the way the world shops, for good". We play a major role in the continued evolution of the grocery market, which over the last 70 years has transformed from over-the-counter specialist stores to high street supermarkets, out of town hypermarkets and now a growing online sector. We believe online grocery enables and marries the personalised contact famed by the specialist stores of the 1950s with a significantly broader, high-quality product range, product prices that match brick and mortar stores and the convenience of delivery at a time and place that suit the customer, seven days a week. It is this complete package combined with excellent service that is driving grocery consumers online.

Online grocery trends today and the impact of Covid-19

The grocery market we serve has been gradually migrating online since the mid 2000s but this accelerated during the Covid-19 pandemic when online penetration nearly doubled in many regions, including the UK. During this time retailers had to quickly adjust their operations to meet demand, and new competitors and significant new capital entered the market. Consumer expectations regarding convenience altered, with the desire for retail "immediacy" or "Quick Commerce" gaining prominence. As the impact of Covid-19 eased in 2022 and high food price inflation across the world impacted volumes, there was natural attrition from the pandemic peaks as customers reduced their grocery baskets, began eating out again and started topping up more in store. Online penetration has now stabilised at much higher levels than pre Covid-19 and resumed growth over the past year. This trend has been particularly evident in more developed online grocery markets such as the UK, USA and South Korea.

Despite the somewhat volatile period, analysts forecast that online grocery growth and increased penetration of the overall grocery market will continue over the next five years driven by customer demand for convenience, as seen in the chart below.

Online grocery penetration by OSP partner market 2023 vs 2027 forecast[1]



1. Data source: Global Data (Spain, UK, Sweden, USA, South Korea, Japan, Canada, Poland) and IGD (France, Australia).

The case for automation – how OSP addresses market needs

The grocery market is the largest retail market in the world, estimated to be worth £9.8tn in 2023 (source: IGD), with consumer demand for online food shopping growing as seen in the chart on the previous page. For retailers, online grocery fulfilment (the process of storing inventory, picking and packing products, and shipping online orders to customers) is complex. It involves a high volume of SKUs, traditionally low gross margins and an expensive supply chain that has a high labour content and cost. Products need to be carefully handled, often with short shelf lives. In high-labour-cost markets, fulfilling orders manually in store, whereby employees carry out the picking and packing, is not profitably scalable. This is due to the time it takes to pick a customer shopping basket order, the number of people involved in the process and the resulting high cost.

Only through technological innovation and automation will retailers be able to meet these consumer demands profitably in markets with high labour costs.

It is this reality, and the roles that robots, automation and AI can play to provide flexible, robust online grocery fulfilment with better customer experiences, that are driving demand for Ocado's end-to-end service of solutions, OSP.

OSP automation today allows a typical customer's shopping basket order to be fulfilled in less than 15 minutes, which we expect to improve even further to below 10 minutes with the benefits of the Ocado Re:Imagined technology. This compares with the manual operation in a supermarket where we believe it takes around 70 minutes to fulfil the equivalent basket. OSP enables significantly reduced labour intensity in a world where labour is increasingly expensive and scarce. Our consumer-facing software is also dynamic, responding in real time to calculate the most dense, more cost-effective delivery routes in a smart, efficient and profitable way. For the consumer, OSP enables 99% order accuracy, 95% on-time delivery and 50,000+ SKUs in the range, compared with a typical supermarket of around 30,000 SKUs.

Our technology can deliver this leading service across the full range of grocery shopping missions, from immediacy (small baskets delivered within 60 minutes from order) to the big basket shop and across multiple fulfilment formats.

In the future, OSP will be able to support other delivery methods such as unattended delivery, click and collect and collection lockers, offering even more convenience to customers.

Ocado's in-store fulfilment solutions

Ocado also offers ISF solutions, a capital-light option for grocery retailers, in markets which are not yet mature enough to justify full automation. We are currently live with our ISF solution in over 1,000 stores across the world.

These solutions bring benefits to our partners, including:

- enabling partners to generate higher overall turnover from their bricks and mortar network alongside in-store shopping;
- enabling partners to fulfil online orders in low-density areas that would not warrant investment in automation;
- provide an option for rapid customer acquisition in markets where they are building CFCs to serve customers for the long term; and
- benefits from full integration into Ocado's end-to-end solutions spanning ecommerce, supply chain and last mile.

Natural resource efficiency and food waste management

Grocery retailers around the world are looking for ways to reduce their carbon footprint, lower their energy usage and improve food waste management. As a facilitator of online grocery operations, Ocado has a key role to play here in making this happen through our technology.

→ Read more about our initiatives in the Responsible Business Report on pages 67 to 81

Beyond grocery – our opportunity

Our patented, market-leading technology is applicable well beyond the grocery sector. The ASRS market serves a variety of additional industries from general retail to healthcare and industrials and is growing rapidly. At FY23, we estimate the size of the global non-grocery warehouse market (>50,000 sq ft) to be around £1.1tn. Of this we expect the current addressable market is around £450bn. Based on our current technology offering (excluding case, pallet and parcel-handling warehouses) we estimate the serviceable addressable market ("SAM") to be around £130bn.

The reducing availability and growing expense of manual labour are key drivers of the growth of automated warehouse and fulfilment processes. For many companies, investing in warehouse automation is becoming an imperative to remain competitive.

OIA was established as a separate business in 2022 to address this market need. OIA operates within the Technology Solutions business segment and is run by Mark Richardson, a 20-year veteran of Ocado Group. Our end-to-end technology and robotic solutions facilitate leading-edge automation for storage and picking and other warehouse fulfilment functions such as inbound and outbound loading, packaging and palletisation.

→ Read more about OIA on page 32

Business Segments

Business in focus: **Technology Solutions**

Technology Solutions is our global technology platform business providing OSP as a managed service to our 12 grocery retail partners and ASRS technology to non-grocery clients. Day-to-day operations are carried out by Ocado Solutions, Ocado Technology and OIA.

Ocado Solutions is run by John Martin, who joined the team in September 2023, having previously served as a Non-Executive Director of Ocado Group plc since June 2019. John and his team are responsible for our grocery partnerships and new sales.

Ocado Technology, run by James Matthews, is responsible for innovation and design, product, platform development, installation of Ocado technology within a CFC and maintaining the end-to-end platform.

OIA, led by Mark Richardson, is also part of Technology Solutions and develops new markets for Ocado's warehouse automation technology beyond the grocery sector.

→ See page 32 for further information on OIA

Here, John Martin and James Matthews review the achievements of FY23 and their priorities for FY24 for Ocado Solutions and Ocado Technology.

FY23 – demonstrating the power of OSP

It has been another year of progress for Technology Solutions. We have generated positive adjusted EBITDA® for the first time and are now operating more OSP sites internationally than in the UK. Our teams have continued to work in true Ocado style, challenging themselves and striving to improve the quality and performance of OSP for our partners. We collaborated even more closely with our partners this year as they adopted our technology, and while there is more to do, we are pleased with the progress so far.

Revenue was £420m, up 44%, and adjusted EBITDA® £15m compared with a loss of £102m in FY22. The power of the Technology Solutions operating model is shining through, with live modules driving higher recurring revenue. The continued focus on reducing direct operating costs has resulted in a strong contribution margin of 70% of sales.

→ Read more about our financial performance in the Financial Review on page 40

We now have 26 sites and 111 live modules around the world. Three new CFCs went live during the year: Luton in the UK, the first live site for AEON in Chiba city (just outside Tokyo) in Japan, and a third CFC for Sobeys in Calgary, Canada. In Australia, following completion of initial build and testing phases, final regulatory approvals are now being sought by Coles for the occupancy certificate for their Sydney CFC before moving into the final stages for go-live. The Melbourne CFC build is advancing well. Reflecting this progress, we now expect to go live with both sites in FY24.

With retail partners now in 10 countries, we have evolved our team structures and their geographical locations to map the operations of our partners. Our Partner Success teams, with a focus on supporting our retail partners, have grown to over 80 people, including 7 based in North America and 5 in Asia-Pacific. The local teams enable us to keep close to our partners and their operations, ensuring they are getting the best out of our technology while providing solutions and feedback in real time.

Our technology

The past year has demonstrated that the full suite of OSP products can perform, and is performing, at levels in line with or better than our initial expectations, achieving high productivity, low direct operating costs as a percentage of CFC sales capacity and low energy usage. The performance is demonstrated most visibly in our newer CFCs in Purfleet and Luton in the UK, which also benefit from some of the Re:Imagined technology installed in FY23, including OGRP, and AFL at the Purfleet CFC (see case studies on pages 15 and 30). These innovations have resulted in significantly lower labour intensity and more efficient overall running of the CFC. Read more about our new Luton CFC on page 36.

Our international partners, including ICA in Sweden, are also starting to benefit from Re:Imagined technology such as AFL and we look forward to further roll-out and deployment in FY24. The short payback and savings on labour from deploying Re:Imagined technology present compelling economic opportunities for our partners.

Another key feature of Re:Imagined technology is a more cost-effective grid. By reducing the weight of the grid and bots, OSP can be installed in a broader range of space and buildings, reducing the initial capital outlay and subsequent running costs.

→ Read more about our 600 series bots and grid in our IP section on page 25 and Responsible Business Report on page 67

For Ocado, the cost of producing and maintaining our technology hardware MHE remains on a favourable trend, driven by the high reliability of the MHE and by our modular systems that enable continuous repair over the life of the assets. We also expect more efficient manufacturing costs as production volumes ramp up with growth in new modules. Our Technology Design teams are continually looking at ways of making our MHE even more carbon and energy efficient, with several initiatives in place to drive change and contribute to our Net Zero commitments.

→ Read more in our Responsible Business and TCFD reports on pages 67 and 82

Investing in Technology Solutions

We invested £292m in our technology in FY23, both capital and operating expenditure. Constant innovation ensures our solution is at the intersection of multiple cutting-edge technologies and helps us lead the way and stay ahead of retail and wider industry trends. Naturally, our investment philosophy has evolved as our business has changed. While there has been a historical emphasis on R&D investment to develop the OSP platform, we are gradually shifting our focus to the optimisation of fulfilment, last mile delivery and ecommerce for our retail partners. This shift in investment focus will help our partners drive utilisation and profitability and also encourage them to order more new modules to grow their business further.

→ You can read more about our investment in the Financial Review on page 40

Our people in Technology Solutions (c.5,000 employees in FY23) are the major source of our investment and value creation. It is encouraging that around three-quarters of our managers in Technology Solutions have come from within the business. We have a team that is motivated, innovative and collegiate and it is important that we continue to support them by providing the skills and experience to aid their ongoing development. Our eNPS, which is used to monitor the level of engagement of our people, is 19. In FY23 we conducted workshops and provided training to over 100 of our managers to ensure best practice in managing performance and helping us retain and attract the best talent.

→ You can read more about how we are investing in our people on page 68

Partner Success – evolving the Ocado Solutions teams to support our partners' long-term growth and profitability

A key challenge for our grocery partners is to increase utilisation and optimise the operational performance of their CFCs to drive returns from their investment in Ocado's technology. Our Partner Success teams worked hard in FY23 to provide support to our partners so that they can access our knowledge and expertise where they need it most (see case study on page 15).

As partners move into live operations, the focus of our account teams in Ocado Solutions shifts from pre-go-live support and set-up, to steady-state support for our partners, enabling long-term growth and optimal operating efficiency.

Ocado Solutions has three Presidents leading our regional teams across North America, Asia-Pacific and Europe. Our Presidents are responsible for account management, partner success and business development in their regions, leading local teams with the right skill sets to support our partners' operations and growth.

These teams include dedicated Partner Success resources locally, alongside a central team of deep knowledge experts covering all areas of the online grocery ecosystem. The knowledge experts bring global analytics capabilities to our regional Partner Success operations, and provide extra targeted support as needed to individual partners.

Partner Success with Kroger

During FY23 Ocado and Kroger worked closely together on a targeted programme aimed at optimising operational performance at Kroger CFCs.

Our teams focused on two sites in Ohio and Florida. Together, we have achieved a 25% reduction in variable operational cost per item, reflecting increased warehouse productivity, further waste reduction and more drops per van route.

Our Partner Success teams are working closely with all our partners across areas including continuous development of the online ‘playbook’, driving operational efficiency and growth, and collaborating closely on the product roadmap to meet evolving consumer expectations.

We will continue to work with Kroger, and all our partners, in each of these areas, in order to support their path to generating attractive returns through OSP.

“We are working closely with Ocado to make our CFCs even more efficient and productive. As a result of these joint efforts, our Monroe facility greatly improved the cost per order over the past quarter, and we’re now in the process of applying these learnings across our other sites.

NPS continues to increase – CFC volumes are growing in line with expectations in 2023.”

Gary Millerchip
CFO, Kroger 15 June 2023

Outlook and priorities for FY24

We have clear priorities for the year ahead as we continue to help our partners grow and be profitable in their online grocery operations. We will help them deliver increased warehouse productivity, higher capacity utilisation and better last mile economics.
We are all incentivised to achieve this as our partners’ success is our success. We are confident that orders for new modules will accelerate once again as the results of our work with partners come through. At the same time, we will remain focused on becoming more efficient ourselves, driving cost efficiencies and improved cash flow with a keen focus on return on investment.

Ocado Technology Solutions: how we performed against our Group strategic priorities

Group strategic priorities	Technology Solutions performance
1. Grow our revenue	Revenue +44.3%
2. Optimise OSP economics	Direct operating costs as % of installed sales capacity reduced to 1.65% (FY22: 2.02%)
3. Deliver transformational technology	Re:Imagined technology being rolled out – OGRP now live at Purfleet and Luton CFCs and AFL now live at CFCs in Brunna and Purfleet
4. Drive success for our partners	Partner Success teams working closely with partners. Kroger project delivering reduction in variable operational cost per item at Ohio and Florida sites
5. Embed a responsible business approach	eNPS 19 (FY22: 31)

→ See page 21 for more detail on Ocado’s strategy

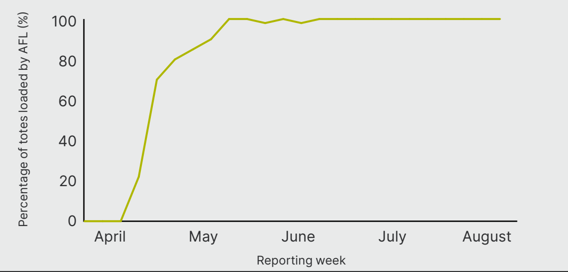
Case study:
Early deployment and performance of “live” AFL equipment is encouraging

Most of Ocado Group’s live CFCs currently operate with manual frameloading, which is the physically demanding process of loading outbound totes with customer-ready orders from conveyors onto frames, ready for dispatch. Manual frameloading faces both labour and health and safety challenges. Labour is intensive and costly and it can be difficult to recruit and retain staff. Ensuring our teams are well trained and comply with health and safety standards is also costly.

Ocado’s AFL equipment enables operational cost savings across the CFC. Automating the process reduces the headcount for the dispatch team and drives onsite productivity. We have found through 18 months of “live” production testing that it can achieve up to 70% reduction in labour costs for frameloading, resulting in up to 5% reduction in labour costs for fulfilment across the CFC. Further efficiencies can be realised from indirect cost savings such as recruitment and training. AFL delivers high performance and reliability, loading up to 400 totes per hour with 99% availability, thereby also improving overall fulfilment time.

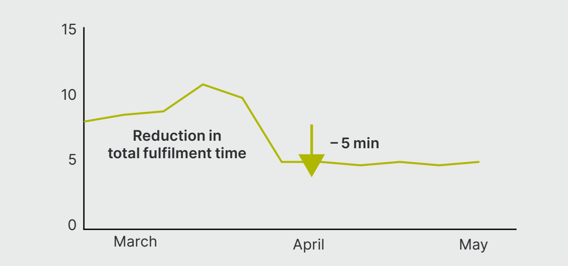
AFL was deployed to our Swedish partner ICA’s Brunna CFC in 2023. Purfleet CFC in the UK now has four AFL installations, which is expected to increase, covering more of the CFC’s frameloading function. The equipment is quick to install and demonstrated a fast ramp-up in order fulfilment as can be seen in the first chart on the right.

Easy to run, easy to ramp up



In little over a month, 100% of totes at the ICA CFC in Brunna were processed using the AFL machines, removing the need for labour to complete this task. The chart above highlights the actual percentage of totes processed using AFL at the Brunna CFC.

Automated frameloading improves overall fulfilment time



Case study:
The benefits of partner networking – the OSP leadership club and 2023 Beyond conference

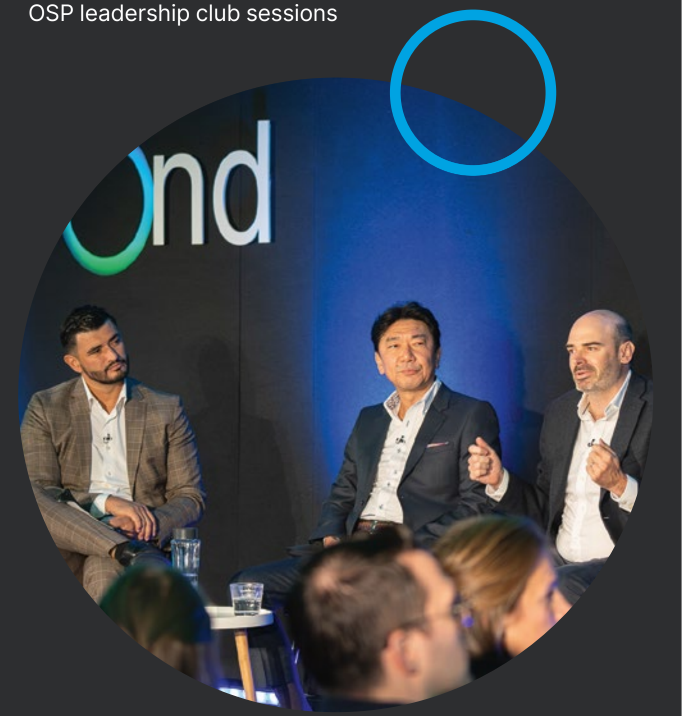
Mature grocery markets worldwide are typically dominated by large local players. The majority of OSP partners are leading grocery retailers in some of the world’s largest markets. The OSP leadership clubs are unique, global forums, bringing together senior stakeholders across these market leaders to share insights and best practice on topics ranging from operational efficiency to growth strategies. During FY23 we hosted 30 OSP leadership club sessions covering a wide range of topics, with very high collaboration across the board.

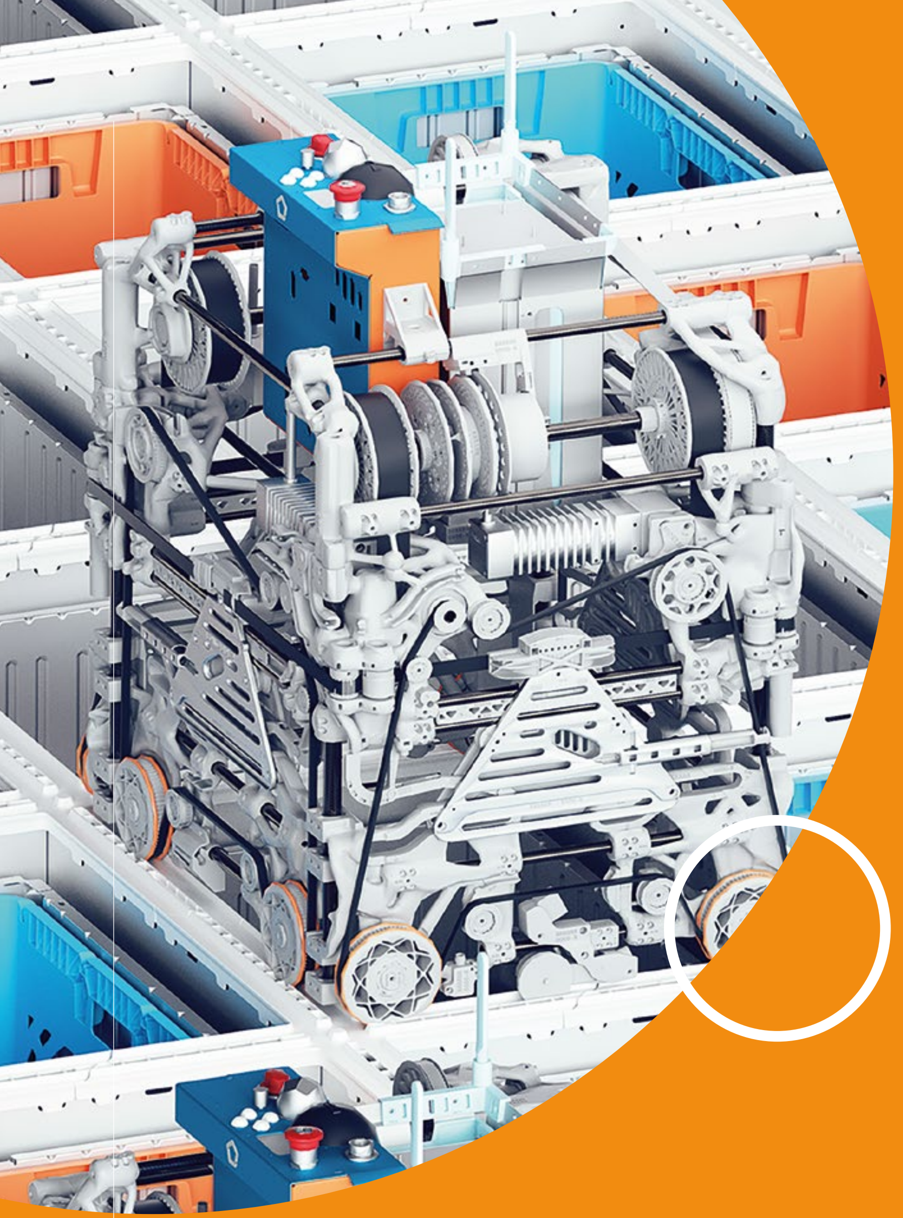
The annual “Ocado:Beyond” event brings together Partners from across the world for two days of networking and knowledge sharing. This year, we welcomed key decision-makers from some of the world’s leading online grocery retailers to London. At the event, partners exchanged battle-tested insights on how to gain market share, stories of operational excellence from the field, and winning strategies to drive customer acquisition and loyalty.

Over the course of the two-day Beyond event in 2023 there were many engaging sessions, including those hosted by senior executives from across our global partners, as well as by Ocado Group leaders. They covered a range of topics, from deep-dive growth strategies, to live international case studies covering the roll-out of Ocado’s latest technologies, to innovative sustainability initiatives being deployed by partners alongside the launch of OSP.

Partners left Beyond as part of an expanded network – gaining a greater understanding of how to unlock new opportunities, galvanise growth and accelerate operations.

30
OSP leadership club sessions





Business in focus:
Ocado Intelligent Automation

Mark Richardson, CEO, OIA, discusses automation developments outside the grocery sector and how Ocado is creating a compelling solution to meet the needs of the market.

What is OIA?

Our business was established in 2022 with the aim of bringing Ocado's outstanding proprietary ASRS technology to clients beyond the grocery sector. Our team is now 43 strong and spread across the world. Many of our employees are originally from the Ocado Technology team, well schooled in our collegiate, engaged, innovative culture and well versed in the power of OSP and what it can bring to potential clients.

The OIA business model for non-grocery technology solutions is different to our grocery solutions. OIA operates a capital-light "MHE sell" model, leveraging OSP's existing technology and with upfront fees closely matching Ocado's cash outflows.

We were excited to announce in November 2023 OIA's first contract win with McKesson Canada, the largest pharmaceutical distributor in the country. The deal is a good example of how our technology is ideally suited to supply chains that require dense storage, highly accurate inventory management and secure stock control. Ocado will install its proven, unique warehouse fulfilment technology in one of McKesson's distribution sites and provide the AI-powered software applications necessary to operate that technology long term. Under this first deal Ocado will receive upfront fees during the construction process with a final payment upon final installation. Ocado will also receive an ongoing annual fee related to the Software as a Service ("SaaS") solutions and the servicing and maintenance of the technology. It is a capital-light deal which will be cash neutral throughout the development phase and is expected to be cash and EBITDA positive in FY25 when installation is due to be complete.

The market we address

Having worked through and managed the complexity of the online grocery market, we are confident that Ocado's ASRS end-to-end solution is widely applicable to a range of markets. These include general retail, healthcare, fast-moving consumer goods ("FMCG") products, the components market and more. The market potential for our technology is large and the drivers of demand are common to grocery: the need to automate warehouses due to the reducing pools and the rising costs of labour. Our technology can also be used in internal supply chains and potentially enables a "lights out" warehouse, where no people would be needed on site. Our acquisition of 6 River Systems ("6RS") in June 2023 adds to our capabilities in this respect.

→ See case study and read more about our market in Our Markets on page 26

Our differentiators

Our differentiators are compelling. We offer a complete end-to-end solution, not just the fastest robot. Our solution is space efficient; it takes account of potential bottlenecks and ensures the highest levels of productivity for the total warehouse. Our know-how and real-life experience gained while operating ASRS machinery in the grocery sector have helped reassure our potential clients that we understand the issues at stake and have the expertise and resource to evolve our solutions to solve specific tasks or challenges as they emerge.

Looking forward

It is these factors that motivate and excite us about the future. With the first OIA deal signed in FY23, our focus for FY24 is on exploring more opportunities, winning more clients and delivering high-quality projects on time and on budget.

Case study:
6 River Systems – integration and development of game-changing technology

We acquired 6RS in June 2023 to gain access to the company's cutting-edge technology and leverage its business success for OIA. Since the acquisition, we have fully integrated the teams into Ocado Technology and OIA for Development & Operations and Sales respectively, focusing on business continuity and future technology development opportunities. Ocado Technology, backed by the OIA commercial teams, has taken the decision to invest in the development of a pallet-moving autonomous mobile robot ("AMR") to be added to the OIA portfolio of capability. Typical pallet-moving AMRs commercially available today do not possess the physical attributes to support different pallet types in densely packed and high-tempo operations. They also typically lack the control and sensing sophistication to operate in these domains effectively. The new pallet-moving AMR that we are developing is designed to operate in a small footprint, to be able to navigate in cluttered and busy operations while maintaining throughput. The technology will leverage the same type of remote teleoperation developed for our grocery picking robot to ensure operational reliability from the outset whilst also supporting cutting-edge AI that will learn and improve over time.

The photo below is an AMR, known as a Chuck robot, in action.

Business in focus:
Ocado Logistics

Brian McClory, Managing Director, Ocado Logistics in the UK, reviews the business achievements in FY23 and priorities for the year ahead. A keen focus on operational excellence and harnessing the increased productivity of OSP technology has driven our performance this year.

Shining a light on Ocado Logistics

Our mission is to operate and optimise Ocado Group's platforms, delivering the best value for our UK retail partners and their customers. The new reporting structure helps shine a light on Ocado Logistics as a distinct business and the value we bring to the Group, serving Ocado Retail and Morrisons in the UK. In FY23 we were responsible for the smooth operation of 12 CFCs (including 4 Zoom sites) and the efficient, accurate and timely delivery of grocery goods to consumers' homes. The quality of our service is a key factor in driving our retail partners' growth and profitability through our own pursuit of the highest productivity levels. Our c.14,000 employees, who work across fulfilment and delivery operations, are motivated to deliver outstanding levels of productivity, availability, on-time delivery and doorstep customer experience. Doing this well will grow all our businesses and we are proud to be at industry-leading levels of service in all these areas.

As part of Ocado Group, Ocado Logistics also acts as a "showcase" for our existing and prospective international partners, demonstrating the opportunity and performance that are achievable across fulfilment through OSP especially when the full suite of automated technology is adopted.

FY23 – driving productivity

Ocado Logistics achieved an adjusted EBITDA® of £30m in FY23, reflecting the reliable cash and profit-generative characteristics of the cost-plus model. Operational costs were broadly flat driven by growing customer orders per week, up 3.2%. The number of items in the basket ("eaches") declined by 4.3% due to inflationary pressures.

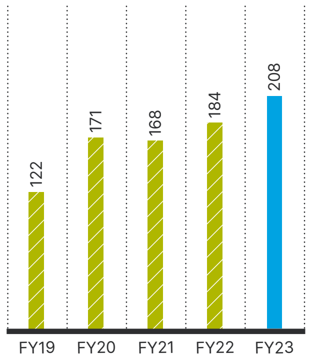
→ Read more about our financial performance on page 40

FY23 was an important year in demonstrating our capabilities and the potential of OSP for our retail partners around the world. There was a step change in productivity in our CFCs, witnessed through the improving productivity levels of the number of eaches picked per labour hour ("UPH KPI").

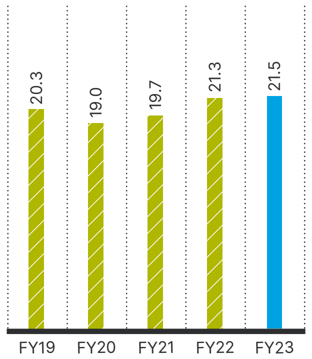
Productivity was boosted by the closure of our oldest CFC in Hatfield and the opening of the Luton CFC containing some of the latest Re:Imagined technology, all supported by the performance of our teams (see the Re:Imagined progress on page 14).

Our focus on performance resulted in OSP CFC UPH of 208, DP8 of 21.5 and cost per each of £0.54, which was impacted by smaller shopping baskets and inflation, partly offset by operational efficiencies. UPH at the Purfleet CFC achieved a high of >228 and we see further potential for productivity levels as we deploy additional elements of OSP and Re:Imagined technology to the CFC estate over the coming years.

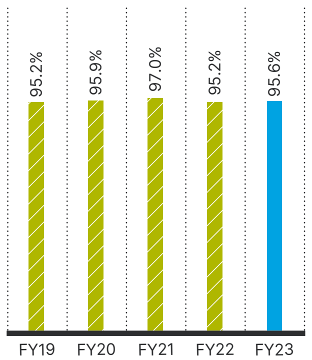
OSP CFC UPH



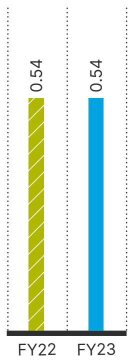
Drops per van route (eight-hour shift)



On-time delivery (%)



Cost per each (£)



With the closure of our oldest "legacy" site in Hatfield, and with the exception of the Dordon CFC, we now operate OSP in all of our other CFCs in the UK. These CFCs, whether large or small, are consistent, stable, reliable and high-productivity performers. The recent opening of the Luton CFC has also demonstrated our ability to ramp up capacity utilisation much faster than historically. Indeed, the Luton CFC is testament of what OSP and our teams can achieve together. We are now using the Luton CFC as a showcase for our partners who are opening, or plan to open, new CFCs internationally (see case study on page 36).

Making Ocado Logistics a great place to work

Our people are at the heart of everything we do, so ensuring they have a great experience at work is a top priority for us. With network changes implemented this year, including the closure of our oldest site in Hatfield and opening a new CFC in Luton, we are incredibly pleased that just under half of our impacted employees were retained by transferring to alternative locations. The large turnout celebrating the history of the Hatfield CFC at the farewell celebration demonstrated our culture of being "in it together" and "proud of what we do". It was an historic moment for the Group closing our first ever site that was opened over 20 years ago. We are also encouraged by our improving eNPS score of 6, testament to our efforts to invest in the skills and ambition of our people, striving to make Ocado Logistics a great place to work.

FY23 saw a focus on a number of people development initiatives including building career pathways, listening to our people through face-to-face town hall meetings and driving internal talent programmes. It is encouraging that 10% of the participants on the frontline managers programme were subsequently promoted to manager and we have plans in place to improve flexible hours in response to key feedback we received from our employees. Improving flexible hours, and a programme embedding a thorough induction and support for our new starters, are important in enlarging, retaining and attracting our future pool of employees.

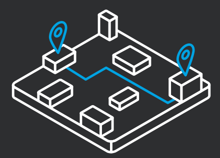
→ Read more in our Responsible Business Report on pages 67 to 81

Case study: Our brand new CFC opened in Luton in September 2023

The Luton CFC, which is ORL's newest robotic CFC, opened in September 2023 with some of our latest innovations such as OGRP, enabling huge leaps forward in fulfilment productivity and a better experience for ORL customers. The new Luton CFC will have double the level of productivity (UPH) versus our first generation Hatfield CFC, which ceased operations at the end of 2023.

40,000 orders were transferred from the Hatfield CFC, allowing for a quick ramp-up to 47,000 orders per week by the end of FY23 and achieving 70% of design capacity utilisation. The Luton CFC will be our fastest ever ramping CFC; within the first four weeks the site ramped from 0 to c.40,000 orders per week. At full capacity the CFC will process 65,000 orders per week. The fast ramp-up of the CFC is not only a huge win for Ocado Logistics and Ocado Retail, it is also an incredibly useful demonstration of the capability of our OSP solution to existing and potential customers worldwide.

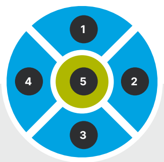
By the end of FY23, the Luton CFC had already achieved UPH of >190, which we expect to further increase over the coming years to 300+ with the benefit of OGRP and AFL technologies.



Priorities for FY24

In FY24 we will continue to focus on our people, service, costs and productivity to deliver best-in-class logistics and fulfilment for our partners. Further goals include ensuring the smooth transition from our legacy systems to the OSP-enabled consumer-facing online shopping experience and an enhanced focus on customer service. Trials of electricity-powered delivery vans will also give us a better understanding in formulating future fleet requirements on behalf of our UK partners as we work together in our drive for Net Zero.

→ Read more in our Responsible Business Report on pages 67 to 81



Ocado Logistics: how we performed against our Group strategic priorities

Group strategic priorities	Ocado Logistics performance
Grow our revenue	Revenue +0.7% Adjusted EBITDA® £30.1m (FY22: £33.6m) (cost-plus model)
Optimise OSP economics	OSP UPH 208 (FY22: 184) DP8 21.5 (FY22: 21.3) Cost per each £0.54 (FY22: £0.54)
Deliver transformational technology	Transfer of capacity from Hatfield CFC to brand new Luton CFC
Drive success for our partners	Eaches shipped 1,182m (FY22: 1,196m); on-time delivery of 95.6% (FY22: 95.2%)
Embed a responsible business approach	eNPS 6 (FY22: 2)

Business in focus: Ocado Retail

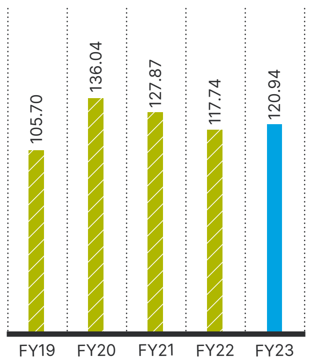
Hannah Gibson, CEO, Ocado Retail, reviews the progress made since her appointment in September 2022, her vision for Ocado Retail and priorities for the future.

FY23 – a focus on Perfect Execution

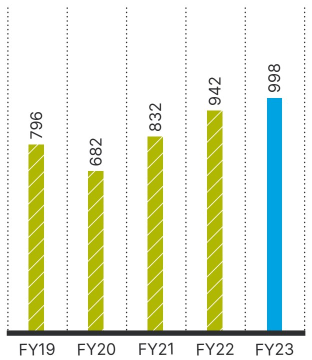
Going into 2023 we were facing a post-Covid-19 pandemic normalisation in online grocery, a cost-of-living crisis, rapid food price inflation and high global energy prices. We responded well to these challenges during the year and made strong progress, accelerating our return to growth and profitability. We launched a "Perfect Execution" programme, to make sure every element of our customer proposition and our operating model is at its best. To us, this means unbeatable choice, unrivalled service and reassuringly good value, as well as relentlessly focusing on our costs.

These initiatives, combined with a focus on costs, have led us back to delivering positive adjusted EBITDA® of £10m and 7.0% revenue growth in the year as we served more customers than ever. The charts below and to the right show how our KPIs have evolved in recent years, driving the performance of the business.

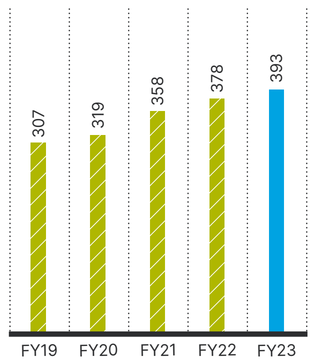
Average basket value (£)



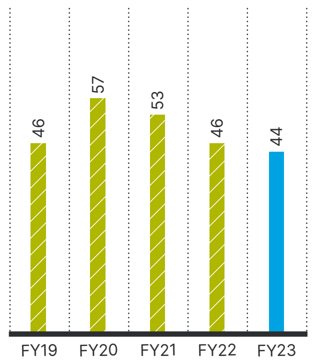
Year end active customers (000s)



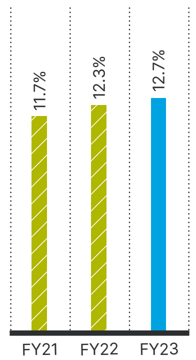
Average orders per week (000s)



Average eaches per basket



Market share in online UK grocery



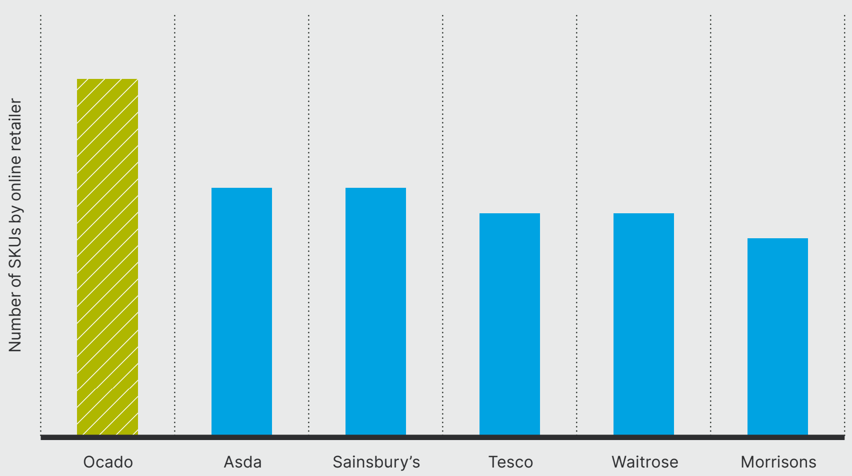
Data source: Nielsen

Our unique model

As a pure-play online grocer, Ocado Retail ("ORL") has a unique operating model in the UK. Our seven operational CFCs and four Zoom sites (micro-fulfilment centres supporting the one-hour delivery service Zoom by Ocado) are amongst some of the most highly automated grocery facilities in the world. Thousands of bots work together across a giant grid to put together a typical 50 item order in less than 15 minutes (and getting quicker) with our sites, large and small, located within reach of over 80% of UK households. Combined with a broad range of delivery options, this gives us several advantages over other multi-channel grocers, around which we have built our plans for future growth.

One of our commercial advantages is that we can stock the largest range out of the major UK online grocery operations (see chart on the right). This is due to the huge holding capacity and storage density of our CFCs which can hold more SKUs than the biggest superstore of any one of our competitors.

SKUs by online retailer



Source: Ocado Retail desk research, number of products before filling out postcode

Another advantage is our focus on continuous optimisation and end-to-end automation. Rolling out the latest OSP technology throughout our network of CFCs will unlock more flexibility to enable more orders and late item additions to baskets, ultimately driving higher returns.

Our strategy

Our strategy focuses on three customer pillars: Unbeatable Choice, Unrivalled Service and Reassuringly Good Value. Each of these builds on our base assumption of continuously executing to the best of our abilities by offering the best choice, broadening our delivery options and delivering the best possible value we can.

The three customer pillars to our strategy:

1st **Unbeatable Choice:** Our model enables us to stock a high-quality, wide and differentiated range of products that is not feasible with a traditional retail estate. We can have new products in our seven operational CFCs, available to all across the country, almost immediately. This model enables us to champion smaller suppliers and offer exciting choice and differentiated products.

2nd **Unrivalled Service:** Ensuring perfect orders and top-quality service upon delivery, and using our sophisticated delivery systems to enable spontaneous and last-minute purchase decisions and catering to more occasions – plus increasing moments of delight, inspiration and product engagement through personalisation, building propositions to drive customer "stickiness" and loyalty.

3rd **Reassuringly Good Value:** Ensuring that prices are comparable with the market while offering good value and inspiring promotions. We provide a comprehensive tiered offering.

ORL: how we performed against our Group strategic priorities

Group strategic priorities	ORL performance
1. Grow our revenue	Revenue +7.0% (FY22: (3.8)%)
2. Optimise OSP economics	Capacity utilisation >75% (FY22: c.60%)
	OSP CFC UPH 208 (FY22: 184)
3. Deliver transformational technology	Transfer of capacity from Hatfield CFC to brand new Luton CFC
4. Drive success for our partners	Active customers +5.9% (FY22: +13.2%)
5. Embed a responsible business approach	Food waste % of sales reduction of 0.2ppts (FY23: 0.7%; FY22: 0.9%)

Priorities for FY24 and beyond

In FY24 and beyond we will remain obsessively focused on Perfect Execution and pursuing our vision of "making our customers' lives better by delivering the supermarket of tomorrow, today". We aim to continue to outperform the UK online grocery channel and ultimately change the way people shop by broadening our customer base, delivering amazing service and achieving industry-leading levels of profitability.

We are working closely with M&S to ensure our customers know about the company's fantastic product range available to buy through Ocado.com. This will help attract new customers by catering for a range of basket sizes and more missions.

Our focus on operating cost efficiency will continue and we also anticipate capacity utilisation will increase as the benefits of the Luton CFC ramp-up flow through. Encouragingly, we have enough capacity for ORL to grow its number of customers and volumes over the next few years without needing to build further CFCs.

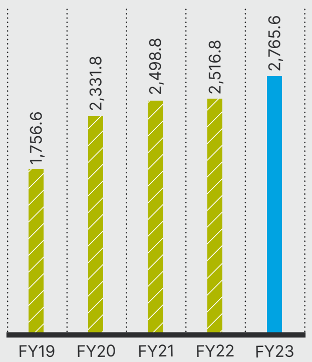
Revenue and EBITDA growth will ultimately demonstrate whether we are successful in our strategy and ambitions. We look forward to the future of ORL with confidence and excitement.

Financial Review

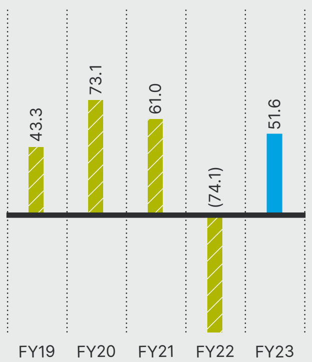
Stephen Daintith
Chief Financial Officer

FY23 is a 53-week year to 3 December 2023. The comparative period is 52 weeks to 27 November 2022. To aid comparability, the FY23 results, associated commentary and percentage changes are presented on an unaudited 52-week basis, other than year-end balance sheet and cash flow data, unless otherwise stated.

Group revenue (£m)



Group adjusted EBITDAⒶ (£m)



Headlines

Revenue increased by 9.9% to £2,765.6m (FY22: £2,516.8m):

- **Technology Solutions** delivered strong revenue growth, up 44.3% to £420.5m (FY22: £291.4m) with 105 average live modules during the period (FY22: 84), up by 25.0%. In the year we added three new sites and 12 additional modules. These included the first Customer Fulfilment Centre ("CFC") in the Asia-Pacific region for AEON in Chiba city, just outside Tokyo, Japan; the third CFC for Sobeys in Calgary, Canada; and the eighth CFC for Ocado Retail in Luton, UK. We now have 26 live sites (FY22: 23 sites) and 111 live modules (FY22: 99 live modules).
- **Logistics** revenue grew by 0.7% to £667.5m (FY22: £662.9m) and primarily represents cost recharges to Ocado Retail and Wm Morrison Supermarkets Limited ("Morrisons") of £633.9m (FY22: £633.6m). Orders per week increased by 3.2% to 510,000 (FY22: 494,000); eaches (individual items in the shopping basket) declined by 1.2% primarily due to the decrease in basket sizes as customers adjusted their spending in response to an inflationary environment.
- **Retail** revenue increased by 7.0% year-on-year to £2,357.5m (FY22: £2,203.0m) reflecting growth of 5.9% in active customers to 998,000 at the end of the year (FY22: 942,000). Price inflation continued, with the average item price up 7.9% to £2.74 (FY22: £2.54). This was partially offset by smaller basket sizes, declining 4.5% to an average of 44.2 individual items (FY22: 46.3 items) as customers managed their overall basket spend. Orders per week grew by 4.0% to 393,000 (FY22: 378,000), driven by the increase in active customers and partially offset by the lower frequency of orders.

Adjusted EBITDAⒶ for the period was £51.6m (FY22: loss of £74.1m), an improvement of £125.7m. The change was driven by Technology Solutions, which generated a positive adjusted EBITDAⒶ of £15.4m, up £116.9m (FY22: loss of £101.5m) due to the strong profit flow-through from revenue growth. Logistics delivered adjusted EBITDAⒶ of £30.1m (FY22: £33.6m) from its resilient cost-plus model with adjusted EBITDAⒶ decreasing year-on-year driven by lower asset rental income and higher non-recharged technology costs. Retail generated a £10.4m adjusted EBITDAⒶ profit (FY22: loss of £4.0m) driven by strong trading and cost control.

Loss before tax of £393.6m (FY22: £500.8m loss) includes depreciation, amortisation and impairment charges of £395.9m (FY22: £348.6m), net finance costs of £73.2m (FY22: £48.2m) and net adjusting itemsⒶ of £23.9m income (FY22: £29.9m expense), which is largely income from the settlement reached with AutoStore Technology AS ("AutoStore") relating to patent infringement offset by the reduction in the IFRS 13 value of the contingent consideration due from M&S and one-off costs relating to changes in Ocado Retail's UK site network.

Good liquidity maintained to support our growth plans, with cash and cash equivalents of £884.8m at the end of the period (FY22: £1,328.0m) and liquidity of £1.2bn (FY22: £1.6bn) (including the undrawn revolving credit facility ("RCF") of £0.3bn). Net debtⒶ at the end of the period was £(1,075.1)m (FY22: £(577.1)m).

Group summary

£m	FY23 53 weeks	Exclude week 53	FY23 52 weeks	FY22 52 weeks	Change
Revenue	2,825.0	(59.4)	2,765.6	2,516.8	9.9%
Operating costs	(2,769.9)	56.8	(2,713.1)	(2,589.5)	(4.8)%
Share of results from joint ventures and associates	(0.9)	–	(0.9)	(1.4)	35.7%
Adjusted EBITDAⒶ	**54.2**	**(2.6)**	**51.6**	**(74.1)**	**£125.7m**
Depreciation, amortisation and impairment	(405.2)	9.3	(395.9)	(348.6)	(13.6)%
Net finance costs	(76.1)	2.9	(73.2)	(48.2)	(51.9)%
Adjusted (loss)/profit before taxⒶ	**(427.1)**	**9.6**	**(417.5)**	**(470.9)**	**£53.4m**
Adjusting itemsⒶ	23.9	–	23.9	(29.9)	£53.8m
(Loss)/profit before tax	**(403.2)**	**9.6**	**(393.6)**	**(500.8)**	**£107.2m**

Ⓐ These measures are alternative performance measures. Please refer to pages 302 to 303.
1. Depreciation, amortisation and impairment of £395.9m (FY22: £348.6m) excludes £47.5m (FY22: £nil) recognised in adjusting itemsⒶ.
2. Net finance costs of £73.2m (FY22: £48.2m) excludes £6.1m (FY22: £nil) recognised in adjusting itemsⒶ.

This commentary is on a pre-adjusting itemⒶ basis to aid understanding of the performance of the business on a comparable basis. Following the change in the reporting of the Group's operating segments during the year (as explained further below), the Group has adopted a revised presentation of the Income Statement. Cost of sales, distribution expenses and administrative expenses are replaced with a single line item for operating costs. Adjusted EBITDAⒶ excludes the impact of adjusting itemsⒶ. Depreciation, amortisation and impairment, and net finance costs are also shown excluding the impact of adjusting itemsⒶ.

The revised presentation provides an Income Statement that is more relevant for the total Group. Our three reporting segments have different operating models and costs, therefore we have summarised the presentation of costs for the Consolidated Income Statement and provided relevant details by segment in each of the appropriate sections. This reflects the growing significance of the Technology Solutions business to the Group's performance and provides more reliable reporting by eliminating the need for allocations between distribution and administrative expenses.

Revenue for the period increased by 9.9% to £2,765.6m (FY22: £2,516.8m). Technology Solutions revenue increased by 44.3% from £291.4m to £420.5m with the go-live of three sites in the year. Sobeys' third CFC in Calgary and our first CFC for AEON in Chiba city, just outside Tokyo, opened during the first half of the year and Ocado Retail's Luton CFC opened in the second half, ramping to 80% of capacity by the end of the year. The average number of live modules is the key revenue driver for Technology Solutions and average live modules increased by 25.0% to 105 from 84 in FY22.

Logistics revenue increased by 0.7% to £667.5m (FY22: £662.9m) and largely comprises cost recharges to its two UK customers, Ocado Retail and Morrisons. Retail revenue increased by £154.5m from £2,203.0m to £2,357.5m, up by 7.0% reflecting strong growth in active customers, growing order volumes and continued price inflation, partially offset by smaller basket sizes as customers manage their overall shopping basket spend.

Net cumulative invoiced feesⒶ to our partners on our Balance Sheet and not yet recognised as revenue increased by £23.8m from £422.9m at FY22 to £446.7m at FY23. Net cumulative invoiced fees are recognised as contract liabilities on the Balance Sheet and are an indicator of future revenues as the balances will be released to the income statement over the life of our CFC contracts. The following commentary is on a 53-week basis to reflect the closing balance sheet position. The net movement of £23.8m is driven by amounts invoiced of £47.6m and £9.2m acquired on the acquisition of 6 River Systems LLC ("6RS") less revenue recognised in the Income Statement of £33.0m during the 53 weeks. The amounts invoiced of £47.6m were driven by 1. new orders from our Ocado Smart Platform ("OSP") partners Lotte, Auchan Poland and AEON, 2. incremental staged payments and orders from existing partners and 3. amounts invoiced to 6RS customers. The release to the income statement of £33.0m was mainly driven by revenue recognised on operational CFCs in line with IFRS 15.

Operating costs include all costs incurred in the continuing operations of the Group. Operating costs increased by 4.8% to £2,713.1m (FY22: £2,589.5m). Technology Solutions operating costs increased by 3.1% to £405.1m (FY22: £392.9m) due to the increase in average live modules and their associated operating costs and higher technology costs as we continued to support and invest in OSP. This was partially offset by an 8.3% reduction in support costs of £17.2m to £191.1m (FY22: £208.3m). Logistics operating costs increased by 1.3% to £637.4m (FY22: £629.3m) due to a 3.2% growth in orders that was offset by lower basket sizes and improved productivity across our OSP sites. Retail operating costs increased by 6.3% to £2,347.1m (FY22: £2,207.0m) largely driven by the growth in orders, continued inflation and incremental OSP fees year-on-year. Operating costs for Retail increased at a lower rate than revenue due to 1. improved gross margin, 2. strict control of support costs and 3. electricity cost price decreases year-on-year.

Adjusted EBITDA® for the period was £51.6m (FY22: £74.1m loss) with the £125.7m improvement driven by a £116.9m improvement in Technology Solutions to £15.4m (FY22: £101.5m loss), offset by a £3.5m decline in Logistics to £30.1m (FY22: £33.6m). The improvement in Technology Solutions adjusted EBITDA® was driven by the strong flow-through of incremental revenue to adjusted EBITDA®, improving contribution margin of 70% (FY22: 64%) and an absolute reduction in support costs, which were down 8.3% to £191.1m (FY22: £208.3m). The improvement in Retail adjusted EBITDA® was driven by a combination of 1. strong growth in active customers resulting in a 4.0% increase in orders per week and 2. operating cost control.

Depreciation, amortisation and impairment increased by 13.6% to a charge of £395.9m (FY22: £348.6m), primarily due to the increase in amortisation relating to internally generated intangible assets (primarily the investment in OSP) together with the continuing roll-out of OSP hardware and software at our CFC sites. At the end of the period, there were 26 live sites (FY22: 23 sites) comprising 22 CFCs and 4 Zooms (FY22: 19 CFCs and 4 Zooms; a site is considered live when it has any modules installed and is available for use by our partner). Property, plant and equipment ("PP&E") held on the Balance Sheet was £1,794.9m (FY22: £1,777.8m). The increase largely relates to the three sites that went live in the year and the go-live of technology development projects in the same period.

Net finance costs of £73.2m increased by £25.0m (FY22: £48.2m). This comprises the net of finance costs of £95.1m (FY22: £90.0m) primarily related to our gross debt and lease liabilities, finance income of £40.0m (FY22: £13.5m) primarily interest on our cash balances, and the net impact of foreign exchange and revaluation movements of £18.1m loss (FY22: gain of £28.3m).

Adjusting items® of £23.9m income (FY22: £29.9m expense) primarily relate to income from the agreement reached with AutoStore to settle IP patent legal cases under which AutoStore will pay the Group £200.0m in instalments over the two years that commenced in July 2023, of which the full £200.0m (discounted net present value of £186.5m) was recognised as adjusting income in FY23. Other material one-off costs relate to 1. the £67.0m reduction in the IFRS 13 value of the contingent consideration due from M&S, 2. changes following Ocado Retail's review of UK network capacity, including the ceasing of operations at our Hatfield CFC, of £32.2m, 3. impairment costs relating to the strategy and capacity review for the Zoom by Ocado network, of £27.4m, and 4. organisational restructuring costs of £15.5m.

Loss before tax of £393.6m (FY22: loss of £500.8m) reflects an adjusted EBITDA® profit of £51.6m (FY22: loss of £74.1m), depreciation, amortisation and impairment of £395.9m (FY22: £348.6m), net finance costs of £73.2m (FY22: £48.2m) and net adjusting items® of £23.9m income (FY22: £29.9m expense).

Segmental summary

£m	FY23 52 weeks	FY22 52 weeks	Change
Revenue			
Technology Solutions	420.5	291.4	44.3%
Logistics	667.5	662.9	0.7%
Retail	2,357.5	2,203.0	7.0%
Inter-segment eliminations	(679.9)	(640.5)	(6.2)%
Group	**2,765.6**	**2,516.8**	**9.9%**
Adjusted EBITDA®			£m
Technology Solutions	15.4	(101.5)	116.9
Logistics	30.1	33.6	(3.5)
Retail	10.4	(4.0)	14.4
Inter-segment eliminations	(4.3)	(2.2)	(2.1)
Group	**51.6**	**(74.1)**	**125.7**

Change in operating segments

In FY23, the Group has changed the reporting of its business segments to reflect the Group's three distinct business models of Technology Solutions, Ocado Logistics and Ocado Retail. The new segmental reporting commenced at the start of the financial year and reflects the new operating structure. The comparatives have been restated on this new basis. The analysis for each segment has been set out to reflect the key revenue and cost categories for each business area. Detailed components of each revenue and cost category are provided within the narrative for the relevant segment. An overview of each of our three business segments is provided below.

Technology Solutions is the global technology platform business providing OSP as a managed service to 12 grocery retail partners at the year end. This segment also includes the revenue and costs associated with the Group's non-grocery business, Ocado Intelligent Automation ("OIA"), including Kindred and 6RS.

Technology Solutions comprises 1. the revenue and direct operating costs of the OSP and OIA businesses, 2. the commercial and technology costs to sustain and grow these businesses and 3. the support costs for these businesses, such as Solutions Sales and Partner Success, OIA Sales, Finance, Legal, HR, Information Technology and the Board.

Ocado Logistics is our third-party logistics business providing services to customers in the UK (Ocado Retail and Morrisons). The Logistics business operates automated warehouses and provides the associated supply chain and delivery services to our UK partners, and recharges these costs in full, together with an additional management fee. The business also generates revenue from capital recharges relating to certain historical material handling equipment ("MHE") assets used to provide logistics services. The segment includes 1. revenue from cost recharges (primarily CFC and delivery costs incurred), capital recharges and the management fee for operating all UK sites, 2. the related CFC fulfilment and delivery costs, 3. technology costs directly related to sites and any non-OSP customer platform technology costs, and 4. costs relating to central functions to support the provision of the logistics business.

Ocado Retail is the UK online grocery retail business serving a broad range of shopper missions, from large weekly shops to "dinner-for-tonight" top-up shops. Ocado Retail is a 50% owned joint venture with M&S and is fully consolidated into the Group's results.

Inter-segment eliminations represent the elimination of inter-segmental revenue and costs. These relate to transactions between Ocado Retail, and the Technology Solutions and Logistics businesses. Technology Solutions and Logistics each generate revenue from services provided to Ocado Retail, which are included as costs within the Ocado Retail segment.

For FY23, inter-segmental revenue eliminations were £679.9m (FY22: £640.5m). The increase of £39.4m is primarily due to incremental OSP fees charged to Ocado Retail by the Technology Solutions segment, due to an increase in the number of live modules. Inter-segmental adjusted EBITDA® eliminations relate to amortised upfront fees and CFC pre-go-live services paid for by Ocado Retail to Technology Solutions, which are included within revenue in Technology Solutions. Ocado Retail capitalises these charges within fixed assets relating to the CFC assets; the associated depreciation is reported outside adjusted EBITDA®. For FY23, inter-segmental adjusted EBITDA® eliminations were £4.3m (FY22: £2.2m). The £2.1m increase is mainly driven by the annualisation of the four sites opened during FY22 and the opening of the Luton CFC during the year.

Technology Solutions

£m	FY23 52 weeks	FY22 52 weeks	Change
Fees invoicedⒶ[1]	**437.7**	**360.3**	**21.5%**
Revenue	**420.5**	**291.4**	**44.3%**
Direct operating costs	(124.5)	(103.6)	(20.2)%
Contribution	**296.0**	**187.8**	**57.6%**
Contribution %	*70%*	*64%*	*6ppts*
Technology costs	(89.5)	(81.0)	(10.5)%
Support costs	(191.1)	(208.3)	8.3%
Adjusted EBITDAⒶ	**15.4**	**(101.5)**	**£116.9m**
Adjusted EBITDA %	*4%*	*(35)%*	*39ppts*

1. Fees invoiced represent design and capacity fees invoiced during the period for existing and future sites and in-store fulfilment ("ISF"). This also includes fees invoiced by the OIA business relating to the provision of MHE and support services to the non-grocery market. These are recognised in the Income Statement under IFRS 15.

Key performance indicators

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

£m	FY23 52 weeks	FY22 52 weeks	Change
Number of modules live[1,2]	**111**	99	12.1%
Average live modules	**105**	84	25.0%
Cumulative number of modules ordered[2,3]	**232**	232	–
Direct operating cost (% of site sales capacity)[4]	**1.65%**	2.02%	0.37ppts

1. A module is considered live when it has been fully installed and is available for use by our partner. This includes 14 modules for the Hatfield CFC and Leeds Zoom, which are not actively trading at the year end, but are available for use by Ocado Retail and for which fees are being received in full.
2. Ordered modules represent the maximum capacity of sites for which a contractual agreement has been signed with a partner and an invoice has been issued for the associated site fees.
3. A module of capacity is assumed as 5,000 eaches picked per hour and c.£73m per annum of partner site sales capacity.
4. Direct operating costs as a percentage of site sales capacity reflects the P12 exit rate position for all OSP CFCs live at the period end. Direct operating costs include engineering, cloud and other technology direct costs.

As detailed above, the Technology Solutions segment now combines our UK Solutions and International Solutions businesses. Comparatives have been restated on a like-for-like basis.

The scale of our international operations grew further during the year with the milestone of the go-live of our first CFC in the Asia-Pacific region for AEON in Chiba city, just outside Tokyo; and the third CFC for Sobeys going live in Calgary. In the UK, our eighth CFC for Ocado Retail went live in Luton and capacity for Morrisons increased by two modules within our existing facilities. We have 26 live sites, comprising 22 CFCs and four Zooms, with a total of 111 live modules (FY22: 23 sites, 19 CFCs, 4 Zooms; 99 modules).

The 111 modules include 14 modules of capacity installed and available for use by Ocado Retail, but on sites where Ocado Retail has decided to cease operations. The Technology Solutions business continues to charge Ocado Retail capacity fees in full for these modules. This follows Ocado Retail carrying out a network capacity review during the year for its CFCs and a strategy and capacity review for its Zoom sites. The subsequent changes following these reviews include the decision to cease trading at the Hatfield CFC and Leeds Zoom site and to optimise the utilisation of its London properties. At the year-end date, Technology Solutions has 24 sites (21 CFCs and 3 Zooms), with 97 modules in which partners are actively trading.

Fees and revenue

Fees invoiced increased by 21.5% to £437.7m (FY22: £360.3m). These fees include 1. the design and access fees invoiced across clients relating to existing and future CFC and ISF commitments, 2. the recurring capacity fees associated with the live operations, primarily Ocado Retail, Kroger, Sobeys and Morrisons, and 3. fees invoiced by the OIA business.

The 21.5% year-on-year growth in fees invoiced was lower than the 44.3% year-on-year growth in revenue mainly due to lower design and access fees invoiced as fewer sites went live in the year. Ongoing capacity fees invoiced of £360.3m (FY22: £247.3m) increased in line with the increase in ongoing revenue. Fees invoiced by OIA increased year-on-year mainly driven by the acquisition of 6RS during the year.

Under revenue recognition rules, design and access fees are not recognised as revenue until a working solution is delivered to the partner, i.e. the site goes 'live'. At the end of the 53 weeks, cumulative fees not yet recognised as revenue, but instead recorded on the Balance Sheet within contract liabilities, were £446.7m (FY22: £422.9m).

Revenue in the period of £420.5m (FY22: £291.4m) comprises ongoing capacity fees of £363.4m (FY22: £253.4m) and £34.8m (FY22: £21.1m) relating to the release to the Income Statement of the design and upfront fees received from our operational partners, which were included within the contract liability amount on the Balance Sheet; these primarily relate to Ocado Retail, Kroger, Morrisons and Sobeys. Ongoing capacity fee revenue in Technology Solutions is driven by the average number of live modules in the period. In FY23 these grew by 25% to 105 average live modules (FY22: 84). Revenue grew at a faster rate than the average live modules (+44.3% compared with +25.0%) due to the increased number and proportion of live OSP modules, which generate a higher fee per module of sales capacity than non-OSP sites.

There are 30 legacy non-OSP modules within the 111 modules at the end of the year that primarily relate to the Hatfield and Dordon CFCs and that generate a lower fee per module than an OSP module. During the year the Hatfield CFC ceased trading; the Technology Solutions business is entitled to continued capacity fees at Hatfield and continues to charge them in full to Ocado Retail. Revenue also includes £21.2m (FY22: £11.5m) relating to OIA (previously Kindred) and equipment sales to retail partners of £0.9m (FY22: £4.6m) recognised as revenue under IFRS 15 (the cost of this equipment is recognised within direct operating costs).

Direct costs

Direct operating costs relate to the day-to-day costs of operating our CFC and Zoom sites, primarily engineering support, maintenance and spares, and the costs of hosting the technology services for partners. Costs increased by £20.9m (20.2%) to £124.5m (FY22: £103.6m) primarily driven by the 25.0% growth in average live modules. The exit rate of direct operating costs as a percentage of client sales capacity, a key measure of operational efficiency across sites, improved from 2.02% in FY22 to 1.65%. The decrease was mainly driven by a reduction in cloud costs from decommissioning old environments, rationalising the retained data and storage optimisation. This led to an improvement in contribution margin from 64% to 70%.

Technology and support costs

Technology costs mainly comprise the non-capitalised management time spent on early-stage research projects and maintaining OSP through ongoing client support. Other costs include legal and professional fees and non-capitalised software costs. Technology costs in FY23 were £89.5m (FY22: £81.0m), an increase of £8.5m primarily due to an increase in the average headcount of 280 as we continue to invest in OSP.

Support costs are costs incurred supporting the global operations of the business and have been significantly streamlined over FY22 and FY23. They include several different activities including Solutions Sales and Partner Success, OIA Sales, Finance, HR, IT and Legal. Costs reduced by £17.2m to £191.1m during the year (FY22: £208.3m). The £17.2m reduction in spend was mainly driven by headcount reductions across our central functions as we continued to optimise our cost base and ensure it reflects the current and future needs of the business. £8.2m of the gross savings of £20.4m from our cost reduction initiatives have been reinvested in OIA, and Solutions Sales and Partner Success, two areas of critical focus for the Group. Support costs also include the one-off benefit of the sale of the Dartford spoke site during the first half of the year, which generated a profit on disposal of £5.0m.

Under the revised segmentation, Board costs of £22.1m (FY22: £29.1m) are included within Technology Solutions support costs. The year-on-year decrease of £7.0m was mainly driven by a decrease in share-based payment charges of £6.2m to £10.7m (FY22: £16.9m).

We invested a further £5.8m in developing the Partner Success function, supported by a new and experienced leadership team, which is dedicated to driving growth for new and existing partners. OIA central costs increased in the year as we continue to scale the business and were mainly driven by the acquisition of 6RS during the second half of the year.

Revenue:

£420.5m

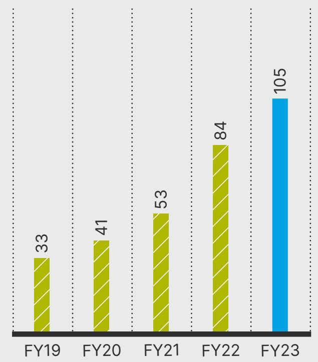
(FY22: £291.4m)

Adjusted EBITDAⒶ**:**

£15.4m

(FY22: £101.5m loss)

Average number of live modules



Adjusted EBITDAⒶ

Technology Solutions delivered positive adjusted EBITDAⒶ for the period of £15.4m (FY22: loss of £101.5m), an improvement of £116.9m. The strong profit flow-through from the £129.1m growth in revenue was driven by 1. the benefits of scale as more modules went live in our existing CFC sites, 2. the ongoing optimisation of direct CFC operating costs (including maintenance and data costs) which have reduced as a percentage of sales capacity and 3. the benefit of cost reductions in support costs.

Ocado Logistics

£m	FY23 52 weeks	FY22 52 weeks	Change
Cost recharges	633.9	633.6	–
Fee revenue	33.6	29.3	14.7 %
Revenue	**667.5**	**662.9**	**0.7 %**
Other income	6.8	10.7	(36.4)%
Fulfilment and delivery costs	(579.3)	(580.2)	0.2%
Technology and support costs	(64.9)	(59.8)	(8.5)%
Adjusted EBITDA®	**30.1**	**33.6**	**£(3.5)m**

Key performance indicators

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

£m	FY23 52 weeks	FY22 52 weeks	Change
Total eaches (million)	1,182.4	1,196.3	(1.2)%
Orders per week (000s)	510	494	3.2%
OSP CFC UPH[1,2]	208	184	13.0%
DP8[3]	21.5	21.3	0.9%

1. Measured as units picked from the CFC per variable hour worked by operational personnel.
2. OSP CFCs are all CFCs excluding Hatfield and Dordon.
3. DP8 represents the drops per standardised eight-hour shift for Ocado Retail only.

Ocado Logistics is a wholly-owned third-party logistics business operating exclusively in the UK. This business manages and operates automated warehouses and the related supply chain and online delivery services on behalf of our two partners, Ocado Retail and Morrisons. Ocado Logistics operates on a cost-plus model whereby it charges its clients the costs of the operations we manage on their behalf, plus a management fee of circa 4%.

Given this model, client volumes in the sites we operate are a key driver of our revenue and costs. During the year, average orders per week across our two partners increased by 3.2% to 510,000 (FY22: 494,000). While orders grew, the volume of eaches decreased by 1.2% to 1,182.4m (FY22: 1,196.3m). The decline in eaches reflects the change in customer shopping behaviour towards smaller shopping baskets in the face of high price inflation.

Revenue

This comprises 1. cost recharges, which are the recharge of variable and fixed costs incurred to provide fulfilment and delivery services, which are recharged to Ocado Retail and Morrisons, 2. a 4% management fee charged on rechargeable costs and 3. capital recharges to Ocado Retail for the use of certain fixtures and fittings, and plant and machinery that were not transferred to Ocado Retail on its formation as a separate business.

Cost recharges of £633.9m were broadly flat year-on-year (FY22: £633.6m). These costs represent the operational costs that are recharged to Ocado Retail and Morrisons for the provision of third-party logistics services. The key cost recharge driver is the volume processed through the CFC sites. While orders per week increased by 3.2%, total eaches declined by 1.2%. Despite the decline in eaches, cost recharges were flat due to labour and fuel price inflation and the negative impact of the smaller shopping baskets (resulting in fewer eaches delivered per van). These were offset by the improved efficiency from the higher average number of units picked per labour hour ("UPH") in our OSP sites where UPH increased by 13.0% to 208 (FY22: 184). Cost recharges are greater than rechargeable costs of £618.8m (FY22: £619.8m) as cost recharges include lease income for lease costs in shared sites, where we are providing a service, for which the cost is included below adjusted EBITDA®.

Fee revenue of £33.6m (FY22: £29.3m) increased by 14.7% and includes £22.8m of management fees (FY22: £23.1m) and £10.8m of capital recharges (FY22: £5.3m). The £4.3m increase in fee revenue is primarily due to an increase of £5.5m in capital recharges year-on-year due to the impact of a one-off reduction in FY22. Management fees are around 4% of rechargeable costs and are broadly flat period-on-period in line with the movement in cost recharges.

Capital recharges of £10.8m (FY22: £5.3m) relate to charges to Ocado Retail for the use of certain assets that are owned by the Group and utilised by Ocado Retail. For partner-shared sites (primarily Dordon and Erith), capital recharges are accounted for (per IFRS 16) as revenue as we are considered to be providing a service. For sites that are used exclusively by Ocado Retail (primarily Hatfield, Purfleet, Bristol and Andover), this income is accounted for (per IFRS 16) as finance income (below adjusted EBITDA®) as we are considered to be providing a finance lease.

Recharges and fees to Ocado Retail of £524.1m (FY22: £521.1m) included within the £667.5m revenue (FY22: £662.9m) are eliminated on consolidation.

Other income

Other income of £6.8m (FY22: £10.7m) relates to MHE JVCo asset rental income. The year-on-year decrease of £3.9m was mainly driven by the expiry of asset rental agreements in the year. This is within operating costs in the Consolidated Income Statement.

Fulfilment and delivery costs

These costs comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons.

Total fulfilment and delivery costs decreased by 0.2% to £579.3m (FY22: £580.2m) while eaches declined by 1.2% to 1,182.4m (FY22: 1,196.3m). Costs decreased by less than eaches because higher fuel costs and labour inflationary pressure offset the benefits from the year-on-year reduction in utilities unit costs and productivity improvements.

Productivity improvements are demonstrated by the improvement in UPH in OSP CFCs (Erith, Andover, Purfleet, Bristol and Bicester), which improved year-on-year to an average UPH of 208 in the period (FY22: 184), exceeding our target of 200 UPH. A higher UPH results in lower labour intensity and therefore lower costs for the same volume. The improvement in UPH and resulting productivity improvements reduced the labour cost required per each and partially offset the inefficiencies generated by smaller basket sizes.

Technology and support costs

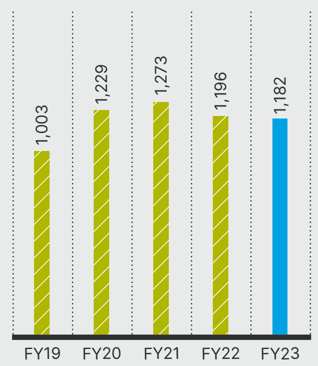
Technology and support costs comprise 1. head office and related costs to operate the Logistics business, 2. technology costs related to the operating of our pre-OSP grocery fulfilment platform and 3. the non-capitalised element of the programme costs to transition our UK partners from the pre-OSP technology platform to OSP. This programme is expected to be largely completed in 2024.

Technology and support costs increased by £5.1m to £64.9m (FY22: £59.8m) primarily due to investment in the Ocado Retail transition to OSP. Head office costs and a portion of technology costs are recharged to our partners as part of our contractual agreements. The cost of operating the pre-OSP platform and the transition to OSP is not recharged to partners.

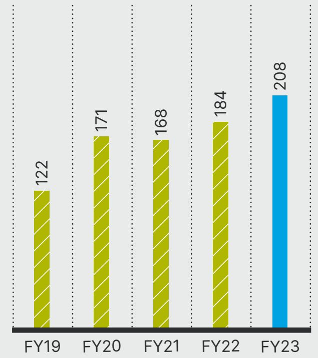
Adjusted EBITDA®

Adjusted EBITDA® for the period was £30.1m, a decrease of £3.5m (FY22: £33.6m); the £5.5m increase in capital recharges was more than offset by the reduction in MHE JVCo asset rental income and an increase in non-recharged technology costs, each of which are described above.

Total eaches shipped (million)



OSP CFC UPH



Adjusted EBITDA®:

£30.1m

(FY22: £33.6m)

Ocado Retail

£m	FY23 52 weeks	FY22 52 weeks	Change
Revenue	**2,357.5**	**2,203.0**	7.0%
Gross profit	**797.2**	**739.9**	7.7%
Gross margin %	*33.8%*	*33.6%*	*0.2ppts*
Fulfilment and delivery costs	(467.1)	(463.8)	(0.7)%
Marketing costs	(43.0)	(57.6)	25.3%
Support costs	(101.6)	(83.4)	(21.8)%
Fees	(175.1)	(139.1)	(25.9)%
Adjusted EBITDA®	**10.4**	**(4.0)**	**£14.4m**

The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group. The cost lines in the Ocado Retail Income Statement have been amended since the FY22 Financial Review to add clarity on the nature of the costs in Ocado Retail and align with management reporting.

Key performance indicators

The following table sets out a summary of selected Ocado.com operating information in the period:

Ocado.com[1]	FY23 52 weeks	FY22 52 weeks	Change
Active customers (000s)[2]	**998**	942	5.9%
Average orders per week (000s)[3]	**393**	378	4.0%
Average basket value (£)[4]	**120.94**	117.74	2.7%
Average selling price (£)[5]	**2.74**	2.54	7.9%
Average basket size (eaches)	**44.2**	46.3	(4.5)%

1. Ocado.com excludes Zoom by Ocado as Ocado.com represents the core business of Ocado Retail.
2. Active customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks at the statutory year-end date of 3 December 2023. FY22 has been restated from 940,000 to include customers active at trial sites, which were previously excluded.
3. FY22 has been restated to no longer deduct cancelled orders on the road, to align with management reporting. In the prior year, this metric was reported as 377,000 and under the same methodology, FY23 like-for-like orders per week would be 391,000, an increase of 3.7%.
4. Average basket value (£) is defined as product sales divided by total orders. FY22 has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled orders on the road from total orders. Second, we have changed from using gross sales to now using product sales. The revised approach better reflects the equivalent basket value if purchased in a store to enable better comparability. Under the previous approach FY22 was £118.46, FY23: £122.11.
5. Average selling price (£) ("ASP") is defined as product sales divided by total eaches. FY22 ASP has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled eaches on the road from total eaches. Second, we have changed from using gross sales to now using product sales. The revised approach better reflects the equivalent average item price if purchased in a store to enable better comparability. Under the previous approach FY22 ASP was £2.55, FY23: £2.75.

Revenue

Revenue increased by 7.0% to £2,357.5m (FY22: £2,203.0m) driven by growth in Ocado.com, with 4.0% order growth to 393,000 orders per week (FY22: 378,000 orders per week) and 2.7% growth in basket value to £120.94 (FY22: £117.74).

We continued to win new customers through a focus on offering competitive prices. We achieved effective customer acquisition results through vouchering and marketing activity and improved customer retention through our strengthened customer proposition. We continue to focus on consistent and strong operational performance in key areas such as delivering on time and in full. Active customers now stand at 998,000, up by 5.9% from 942,000 at FY22. Ocado grew its share of the online grocery market to 12.7% (FY22: 12.3%, Nielsen; FY23 as at 2 December 2023; FY22 as at 3 December 2022). As our customer base continued to increase, average orders per week grew by 4.0% to 393,000 (FY22: 378,000). The increase in average orders per week compared with growth in active customers is due to the lower frequency of orders, which is driven by customers managing their overall outgoings in response to high levels of inflation.

The average basket value grew by 2.7% to £120.94 (FY22: £117.74) driven by the increase in selling price of 7.9% to £2.74 (FY22: £2.54), partly offset by a reduction in the number of eaches. In the face of cost-of-living pressures, shoppers managed the overall value of their baskets by choosing smaller baskets and slightly reducing the frequency of orders. As a consequence, the average items per basket reduced by 4.5% to 44.2 items (FY22: 46.3).

We remain committed to offering reassuringly good value to customers and did not pass through the full impact of food price inflation to our customers; the average selling price on Ocado.com has increased by 7.9%, well below UK grocery inflation of 10.4% (Nielsen). We continued to invest in the Ocado Price Promise, which we launched in early 2023 matching customers' shops to Tesco.com on over 10,000 products, including Clubcard prices. This is a key component of our value strategy to support the growth and retention of our customers. Alongside this, we made multiple rounds of price cuts in the year, reducing the prices on thousands of products, to ensure that we continue to combine our unbeatable range and unrivalled service with reassuringly good value for our customers.

Gross profit

Gross profit increased by 7.7% to £797.2m (FY22: £739.9m). Growth was higher than revenue growth (+7.0%) due to improvements in gross margin from 33.6% in FY22 to 33.8% in FY23. This improvement was driven by improved range and stock management, reduced wastage, and an increase in delivery income following the reduction in lower-priced slots.

Gross profit includes the net benefit of supplier-funded media income of £81.6m (FY22: £82.0m) and the cost of vouchers of £24.7m (FY22: £21.1m).

Fulfilment and delivery costs

£m	FY23 52 weeks	FY22 52 weeks	Change
CFC	(182.1)	(187.7)	3.0%
Service delivery	(260.9)	(247.4)	(5.5)%
Utilities	(24.1)	(28.7)	16.0%
Fulfilment and delivery costs	**(467.1)**	**(463.8)**	**(0.7)%**

CFC costs primarily comprise labour costs in CFCs. Costs reduced by 3.0% to £182.1m (FY22: £187.7m) despite the 4.0% growth in average orders per week. This improved efficiency was achieved by again improving the productivity of our CFC sites. The average UPH for Ocado.com improved by 10.4% from 173 to 191.

The OSP CFCs (Erith, Andover, Bristol, Bicester, Purfleet and Luton) showed robust improvements in productivity reaching an average of 208 UPH (FY22: 184 UPH), an improvement of 13.0%. All of the mature OSP sites (Erith, Andover, Purfleet and Bristol) achieved an average of over 200 UPH in the period.

Service delivery costs comprise labour, fleet, fuel and related costs to enable the delivery of orders to customers. Costs increased by 5.5% to £260.9m (FY22: £247.4m), primarily driven by the growth in number of orders (+4.0%). Service delivery costs are driven by the productivity of the delivery ('last mile' operations). This productivity is measured in 'eaches per van', which reduced by 1.2% to 988 eaches (FY22: 1,000) as a result of smaller basket sizes, reducing efficiency in the fleet, and reflected in the service delivery costs growing at a higher amount (+5.5%) than the growth in orders (+4.0%).

Utilities costs across CFCs and service delivery decreased by 16.0% to £24.1m (FY22: £28.7m) due to significantly lower unit costs (FY23: 27.1p per kilowatt hour; FY22: 33.2p per kilowatt hour) partially offset by an increase in the volume of electricity used driven by the increased number of live modules year-on-year.

Marketing and support costs

Marketing costs comprise the cost of marketing activities to customers and exclude vouchering costs, which are included within revenue. Activities focused on driving increased awareness of the Ocado value proposition. Costs decreased by £14.6m to £43.0m (FY22: £57.6m) as we optimised the marketing channel mix and improved marketing spend efficiency. As a result, marketing spend as a percentage of revenue decreased to 1.8% (FY22: 2.6%).

Support costs of £101.6m (FY22: £83.4m) comprise head office, customer support and other overhead costs for Ocado Retail. Support costs increased by £18.2m, primarily due to the prior year support costs benefiting from the accrual release of management incentive plans. Excluding the impact of these one-offs, underlying support costs reduced year-on-year, driven by headcount rationalisation in support functions.

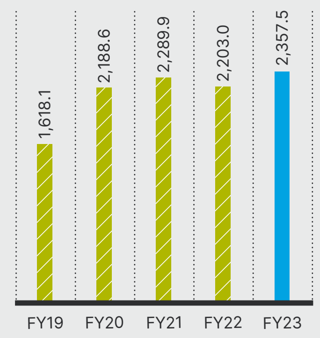
Fees

Fees comprise 1. the OSP fees paid to Technology Solutions for the operation of OSP, 2. logistics management fees and 3. capital recharges paid to Ocado Logistics. Fees of £175.1m (FY22: £139.1m) increased by £36.0m, driven by the additional OSP fees due to Technology Solutions following the opening of the Luton CFC during the year and the annualisation of CFCs which went live during FY22.

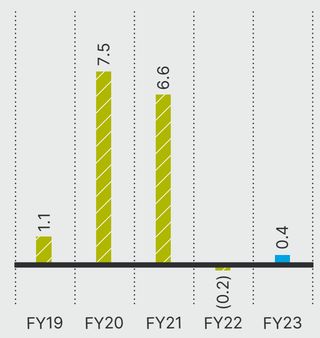
Adjusted EBITDA®

Adjusted EBITDA® for the Retail business was £10.4m (FY22: £4.0m loss). The primary drivers for the £14.4m year-on-year increase were growth in active customers and orders driving trading performance, lower marketing spend from optimisation of the marketing channel mix and savings in utilities costs across our CFCs.

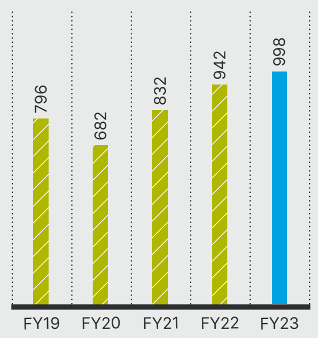
Revenue (£m)



Adjusted EBITDA® margin %



Year end active customers (000s)



Adjusting itemsⒶ

£m	FY23 52 weeks	FY22 52 weeks
Litigation costs, net of cost recoveries	(5.0)	(26.5)
Litigation settlement	186.5	–
Changes in IFRS 13 fair value of contingent consideration and related costs	(68.1)	(58.4)
UK network capacity review	(32.2)	–
Zoom by Ocado strategy and network capacity review	(27.4)	–
Organisational restructure	(15.5)	(3.0)
Finance, IT and HR systems transformation	(12.2)	(11.0)
Acquisition costs of 6RS	(2.2)	–
Insurance proceeds relating to Andover and Erith CFCs	–	70.4
Loss on disposal of Speciality Stores Limited ("Fetch")	–	(1.4)
Total adjusting itemsⒶ	**23.9**	**(29.9)**

Adjusting itemsⒶ are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods.

Litigation costs, net of cost recoveries and litigation settlement

Litigation costs within adjusting itemsⒶ are costs incurred on patent infringement litigation between the Group and AutoStore. The gross costs during the period amount to £11.7m (FY22: £26.5m), which have been offset by £6.7m (FY22: £nil) received relating to cost recovery as a result of court judgements as detailed below. The net litigation cost for the period is, therefore, £5.0m (FY22: £26.5m).

Following Ocado's victory in the UK High Court, in June 2023 the UK High Court issued a formal order stating that Ocado infringes none of AutoStore's patents and that AutoStore's bot patents are invalid and revoked. The UK High Court ordered AutoStore to pay Ocado £6.7m in costs relating to the UK High Court trial. As usual in patent cases, AutoStore was given leave to appeal. The £6.7m received is included in the total litigation costs for the period. The net cumulative costs to date are £62.2m.

During the year, the Group reached an agreement with AutoStore to settle all patent litigation and cross-licence pre-2020 patents, for which AutoStore undertook to pay Ocado Group a total of £200.0m in instalments over two years, beginning July 2023. At the end of the period, £186.5m was recognised in the Consolidated Income Statement comprising £180.4m (as the discounted net present value of the receivable) and £6.1m amortisation of the discount recognised as adjusting finance income.

Changes in IFRS 13 fair value of contingent consideration and related costs

The Group holds contingent consideration receivable items at the accounting fair value as prescribed by IFRS 13. These are revalued through the Income Statement at each reporting date. Refer to Note 3.7 to the Consolidated Financial Statements for further details.

Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final consideration payment may become due from M&S to Ocado Group of £156.3m plus interest (the contingent consideration), dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year.

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the full payment. Conversely, there would be no consideration due if the Target is not achieved. There is no formal arrangement for a payment between zero and £190.7m.

Ocado Retail failed to meet the performance measures for the FY23 financial year that were required for automatic payment of the contingent consideration. However, the contractual arrangement with M&S expressly provides for the Target to be adjusted for certain Ocado Retail management decisions or actions that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction.

While the contractual outcome is binary, the Group has applied the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the accounting fair value of the contingent consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

At the year end the IFRS 13 fair value has been estimated using the expected present value technique and has been based on several probability-weighted possible scenarios that a market participant would consider and has been determined to be £28.0m (FY22: £95.0m). This financial reporting estimate of the contingent consideration at 3 December 2023 is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

The Group has engaged specialists in order to support the identification and quantification of proposed adjustments to the contingent consideration Target, incurring costs during the period of £0.7m. As these costs have been incurred in the process of securing an adjusting income, these costs have been classified as adjusting.

In FY19, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc. Part of the consideration for this transaction was contingent on future events. A loss on revaluation of £0.4m (FY22: £0.8m loss) is reported through adjusting itemsⒶ.

UK network capacity review

In April 2023, the Group announced the plan to cease operations at its Hatfield CFC as part of a wider review of UK network capacity. As a result, the Group recorded impairment charges of £20.3m (right-of-use assets £13.2m; PP&E £7.0m; £0.1m other intangible assets), restructuring costs of £6.8m and other related costs of closure of £5.1m, which includes costs provided for onerous contracts.

Zoom by Ocado strategy and network capapcity review

During the period, Ocado Retail undertook a strategy and capacity review for the Zoom network, as a result the Group recorded impairment charges of £27.2m (£14.5m to right-of-use assets, £12.5m PP&E and £0.2m other intangible assets) and other costs of £0.2m. These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review.

Organisational restructure

During the period, the Group partially reorganised its head office and support functions, resulting in redundancies of around 400 heads and related costs of £15.5m. The FY22 costs of £3.0m related to initial reorganisation in FY22, resulting in redundancies of around 50 heads. Net cumulative costs to date are £18.5m. These costs have been classified as an adjusting item on the basis that the costs are considered to be significant and resulted from a strategic restructuring which is outside of the normal operating activities of the Group.

Finance, IT and HR systems transformation

Costs comprise 1. £7.6m (FY22: £7.0m) relating to Ocado Group's Finance transformation programme; the cumulative costs expensed to date amount to £14.6m (FY22: £7.0m), 2. £2.6m (FY22: £4.0m) relating to Ocado Retail IT and Finance systems transformation; the cumulative costs expensed to date amount to £11.2m, and 3. £2.0m (FY22: £nil) relating to Ocado Group's HR system transformation. Further details of these adjusting itemsⒶ can be found in Note 2.5 to the Consolidated Financial Statements.

Acquisition costs of 6RS

In May 2023, the Group announced that it has reached an agreement with Shopify Inc. to acquire 6RS, a collaborative autonomous mobile robot ("AMR") fulfilment solutions provider to the logistics and non-grocery retail sectors, based in the US. The acquisition was completed on 30 June 2023 for consideration of US$12.7m (£10.0m).

A total of £2.2m of acquisition-related costs have been incurred and treated as an adjusting item as they are significant and resulted from a strategic investment that is not part of the normal operating costs of the business. The costs have been recognised within operating costs in the Consolidated Income Statement.

Tax impact on adjusting itemsⒶ

The change in IFRS 13 fair value of contingent consideration receivable is not subject to tax. The remaining adjusting itemsⒶ are taxable or tax deductible and give rise to a tax charge of £nil (FY22: tax credit of £0.8m). A further tax charge of £21.7m (FY22: charge of £6.4m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Other items below adjusted EBITDAⒶ

Depreciation, amortisation and impairment

Total depreciation, amortisation and impairment costs were £395.9m (FY22: £348.6m), an increase of £47.3m, or 13.6% year-on-year. This includes 1. depreciation of PP&E of £182.8m (FY22: £154.4m), 2. depreciation of RoU assets of £69.1m (FY22: £66.0m), 3. amortisation expense of £122.1m (FY22: £114.7m) and 4. impairment charge of £21.9m (FY22: £13.5m).

The increase was driven by 1. £38.9m additional depreciation and amortisation due to the go-live of three sites within the previous 12 months, the annualisation of 12 sites that went live during FY22 and technology projects going live in the last 12 months, and 2. an £8.4m increase in impairments due to the impairment of assets largely related to our contract with Groupe Casino.

Net finance costs

Net finance costs of £73.2m increased by £25.0m (FY22: £48.2m). Net finance costs comprise the net of finance costs of £95.1m (FY22: £90.0m), finance income of £40.0m (FY22: £13.5m) and the net impact of foreign exchange and revaluation movements of £18.1m loss (FY22: gain of £28.3m). Finance income is primarily interest income on cash balances.

Finance costs of £95.1m (FY22: £90.0m) mainly comprise: interest expense on **borrowings** of £68.4m (FY22: £61.3m), which increased by £7.1m primarily due to 1. interest expense on the shareholder loan from M&S to Ocado Retail and 2. incremental fees on the RCF (agreed in June 2022), and interest expense on **lease liabilities** of £25.3m (FY22: £28.3m).

Net foreign exchange and revaluation movement of £(18.1)m (FY22: gain of £28.3m) comprises net foreign exchange losses of £11.6m (FY22: £16.4m gain), largely in respect of USD balances held, and **loss on revaluation of financial assets** of £6.5m (FY22: £11.9m gain) largely as a result of the Group's warrants held in Karakuri and loan notes to Karakuri being written off as Karakuri has entered into administration.

Total borrowings at the end of the 53-week period were £1,462.1m (FY22: £1,372.8m). Total lease liabilities at the end of the 53-week period were £497.8m (FY22: £532.3m).

Share of results from joint ventures and associates

The Group has accounted for a £0.9m loss (FY22: £1.4m loss) for the **share of results from joint ventures and associates.**

The Group has two joint ventures (Ocado Retail and the MHE JVCo) and one associate (Karakuri, a robotics business involved in the development of automation for quick-service restaurants). The results of the Ocado Retail joint venture are fully consolidated within the Ocado Group.

- **MHE JVCo** is a 50:50 joint venture with Morrisons and holds the Dordon CFC MHE assets which Ocado Retail and Morrisons use to service their online businesses. The Group's share of the MHE JVCo loss after tax in the period amounted to £0.1m (FY22: £0.2m loss); and
- **Karakuri Limited** is an associate and the Group's 26.3% interest in Karakuri contributed a loss of £0.8m in the period (FY22: £1.2m loss). Karakuri appointed administrators in June 2023 and the £0.8m share of losses in the period resulted in the remaining investment of £0.8m being written down to £nil value. The revaluation of equity investments (as referenced above) is in respect of other assets related to Karakuri but not recorded directly in investments in associates.

Adjusted loss before tax

Adjusted loss before tax of £417.5m (FY22: loss of £470.9m) reflects an adjusted EBITDA® profit of £51.6m (FY22: loss of £74.1m), depreciation, amortisation and impairment of £395.9m (FY22: 348.6m), and net finance costs of £73.2m (FY22: £48.2m).

Loss before tax

Loss before tax of £393.6m (FY22: loss of £500.8m) is stated after net adjusting items® of £23.9m (FY22: £29.9m expense).

Taxation

The Group reported a total tax credit in the Income Statement for the period of £16.2m (FY22: £19.5m). This amount includes a UK corporation tax charge of £3.2m (FY22: credit of £8.4m). A deferred tax credit of £21.6m (FY22: credit of £11.3m) was recognised in the period.

Deferred tax assets decreased due to the derecognition of losses mainly in Ocado Retail. Deferred tax liabilities decreased due to the removal of deferred tax on consolidation following an intercompany transfer of intangible assets from Haddington and Kindred to Ocado Innovation Ltd.

At the end of the 53-week period, the Group had £1,550.1m (FY22: £973.9m) of unutilised carried-forward tax losses.

Dividend

During the period, the Group did not declare a dividend (FY22: £nil).

Loss per share

Basic and diluted loss per share were 38.44 pence (FY22: 58.93 pence) on a 53-week basis (FY22: 52-week basis). The 52-week adjusted loss per share was 43.89 pence (FY22: 53.47 pence).

Capital expenditure

Capital expenditure for the 53-week period totalled £520.3m (FY22: £797.3m), a reduction of £277.0m, primarily due to a decrease in the number of CFCs and new modules going live and under construction in the year. Capital expenditure largely comprises new site construction costs and technology development costs to enhance OSP.

An analysis of capital expenditure by key categories is presented below:

£m	FY23 53 weeks	FY22 52 weeks	Change
CFC Sites	253.1	440.8	42.6%
Technology	202.8	186.7	(8.6)%
Group support and other	34.3	52.0	34.0%
Technology Solutions	**490.2**	**679.5**	**27.9%**
Logistics	**14.4**	19.5	26.2%
Retail	**25.2**	133.8	81.2%
Eliminations[1]	**(9.5)**	(35.5)	(73.2)%
Group capital expenditure	**520.3**	**797.3**	**34.7%**

1 The elimination of capital expenditure comprises the design and set up fees charged to Ocado Retail by Technology Solutions (those fees charged to Ocado Retail are eliminated on consolidation of the Group).

Technology Solutions

£m	FY23 53 weeks	FY22 52 weeks	Change
CFC technologies	119.1	108.1	(10.2)%
Ecommerce	28.6	29.9	4.3%
Logistics and supply chain	22.1	18.8	(17.6)%
Other	33.0	29.9	(10.4)%
Technology	**202.8**	**186.7**	**(8.6)%**

CFC sites capital expenditure relates to the construction of new CFCs and Zoom sites and was £253.1m in the period, a decrease of £187.7m (FY22: £440.8m). The investment predominantly relates to the launch of the three CFCs which went live in FY23 together with five further sites under construction. The reduction is primarily driven by 1. the lower number of new CFCs going live in the year, with only three CFCs opening in FY23 (FY22: 9 CFCs, 3 Zooms) and 2. the reduced in-year capital expenditure on sites under construction.

Technology development spend increased to £202.8m (FY22: £186.7m), driven by the ongoing investment in OSP with a continued focus on delivering the Re:Imagined product innovations announced in January 2022. Re:Imagined includes seven key innovations: the 600 series bot, the 600 grid and optimised site design, Automated Frameload, On-Grid Robotic Pick ("OGRP"), Ocado Orbit, Ocado Swift Router and Ocado Flex.

We continue to enhance our customer proposition delivering world-class end-to-end grocery ecommerce and fulfilment solutions. OSP includes ecommerce, order management, forecasting, routing and delivery, automated storage and retrieval systems ("ASRS"), dexterous robotics and other material handling elements.

- **CFC technologies** are at the core of our OSP proposition. This capital expenditure encompasses the ongoing development of our grid and bots (our ASRS and the robots on the grid), its peripheral MHE and the enhancement of these propositions. We invested £119.1m this year (FY22: £108.1m), over half of the £202.8m total Technology development spend capitalised. This element of our capital expenditure is focused on reducing both the capital cost and the ongoing running costs of the CFC for the partner and Ocado Group.

FY23 development spend was invested in several key propositions, including: the development of our lowest-cost and lightest bot ever and its associated grid, the 600 series; the development and client deployment of an automated freezer solution ("autofreezer"); and the development of fire retardant metal totes.

This spend enabled key propositions to be introduced into the new CFC at Luton from the site launch. This included both OGRP and autofreezer capabilities. The autofreezer solution is more energy efficient, reducing our energy costs. OGRP reduces partner labour costs and enables a more optimised site design with reduced mezzanine floor space as less space is needed for the manual packing of groceries.

OGRP ramped up quickly from the launch date in Luton and is now regularly picking more than 30,000 eaches per day. The system targets 240 UPH and has been proven to pick over 200 UPH in our development environment at our Purfleet CFC. To date, the system has picked over one million items and has yielded critical learnings that have been applied to the operational sites. We expect both Luton and Purfleet to continue to ramp up in the coming months, achieving the full operational benefits of reduced labour.

- **Ecommerce:** we invested £28.6m (FY22: £29.9m) in developing our ecommerce platform, a core element of the OSP end-to-end solution. These additional OSP ecommerce innovations continue to enhance every aspect of the shopper journey. They include improvements to the search and browse experience, specific developments to bolster our capacities for general merchandise and the introduction of product "regulars" to five additional partners providing a more tailored and time-efficient experience for shoppers.
- **Logistics and supply chain:** one of the core benefits of OSP is our deep expertise in logistics and supply chain. We invested £22.1m in these propositions in FY23 (FY22: £18.8m), with the focus of our investment on the planning, optimisation and execution of delivery. This includes optimisation of the grocery supply chain, including ensuring increased availability to customers and decreased stockholding days.
- The balance of the spend predominantly relates to our teams creating tooling and development systems for the wider Technology function where we invested £33.0m (FY22: £29.9m).

Group support and other capital expenditure comprise projects relating to support costs systems and infrastructure; they include capital expenditure for our fully consolidated joint venture, Jones Food Company Limited, related to the opening of the company's second vertical farm. Capital expenditure of £34.3m is £17.7m lower than last year (FY22: £52.0m) as we have completed several key investments in support function systems and infrastructure.

Logistics

Capital expenditure of £14.4m (FY22: £19.5m) largely relates to technology system development of £13.3m (FY22: £18.6m) to transition our UK clients from our legacy platforms onto OSP.

Retail

Capital expenditure of £25.2m (FY22: £133.8m) largely comprises CFC construction costs recharged from Ocado Group, along with design and set-up fees for new sites and IT project costs. Design and set-up fees of £9.5m (FY22: £35.5m) to Ocado Retail from Technology Solutions are eliminated on consolidation of the Group and principally relate to the Luton CFC.

This reduced year-on-year as no new CFC sites have been committed to in the period.

Capital expenditure in Retail decreased by £108.6m due to a reduction in new CFC investment following the openings in FY22 of the Bicester CFC and the Zoom sites in Leeds and Leyton. During the period CFC investment was primarily related to building the new Luton CFC, which opened in the second half of FY23.

Cash flow

£m	FY23 53 weeks	FY22 52 weeks
Adjusted EBITDAⒶ	**54.2**	**(74.1)**
Movement in contract liabilities	47.9	78.7
Other working capital movements	19.4	32.0
Finance costs paid	(56.3)	(55.8)
Taxation received	9.9	13.4
Insurance proceeds relating to business interruption	–	54.3
Adjusting itemsⒶ	(1.7)	(43.9)
Other non-cash items	8.8	3.3
Operating cash flow	**82.2**	**7.9**
Capital expenditure	(536.4)	(785.9)
Acquisition of subsidiaries, net of cash acquired	(11.4)	(5.5)
Insurance proceeds relating to rebuilding Andover CFC and Erith claim	–	57.0
Dividend from joint venture	5.1	8.0
Net proceeds from interest-bearing loans and borrowings	54.1	37.2
Repayment of lease liabilities	(66.8)	(57.4)
Net proceeds from share issues	2.6	567.3
Other investing and financing activities	42.6	9.0
Movement in cash and cash equivalents (excl. FX changes)	**(428.0)**	**(162.4)**
Effect of changes in FX rates	(15.2)	21.8
Movement in cash and cash equivalents (incl. FX changes)	**(443.2)**	**(140.6)**

Cash and cash equivalents (including FX changes) reduced by £443.2m (FY22: reduction of £140.6m). There was an increase in cash outflow of £302.6m year-on-year, as FY22 included £564.1m of net cash proceeds from the equity raise.

Adjusted EBITDAⒶ (as detailed in the alternative performance measures on pages 302 to 303) improved by £128.3m to £54.2m on a 53-week basis (FY22: loss of £74.1m).

Operating cash flow improved by £74.3m to an inflow of £82.2m (FY22: inflow of £7.9m). The movement can be analysed as follows:

- **Contract liabilities: cash inflow of £47.9m** (FY22: £78.7m inflow) relating to upfront design and access fees paid by partners. Design fees are typically paid in instalments during the CFC construction process. The cash inflow is lower than the prior year driven by the timing of design fee instalment payments, fewer CFCs going live in the period and fewer modules ordered.
- **Working capital: cash inflow of £19.4m** (FY22: £32.0m inflow)
  - Trade and other receivables reduced by £36.6m mainly due to lower prepayments and deposits for spares relating to new CFCs and cash receipts from our Technology Solutions partners. This was partially offset by an increase in receivables due to Ocado Retail mainly due to the timing of receipt of media and promotional income.
  - Inventories reduced by £3.1m.
  - Trade and other payables reduced by £20.3m mainly due to the timing of the payroll run at the period-end (in the prior year the monthly payroll run was after the period end and the payment was accrued) and reduced accruals for capital expenditure. This was partially offset by higher VAT payable driven by higher amounts invoiced during the year.
- **Finance costs: cash outflow of £56.3m** (FY22: £55.8m outflow) comprises £30.6m interest and charges on borrowings (FY22: £27.5m) and £25.7m for the interest element of assets held under finance leases (FY22: £28.3m).
- **Taxation: cash inflow of £9.9m** (FY22: inflow of £13.4m) reflects a tax refund received by Ocado Retail, partially offset by taxation payments by foreign subsidiaries. No UK tax was paid in the period.
- **Adjusting itemsⒶ: cash outflow of £1.7m** (FY22: outflow of £43.9m) relates to cash-settled adjusting itemsⒶ and comprises the following:
  - £41.7m (FY22: £nil) relating to the AutoStore litigation settlement;
  - £(5.0)m (FY22: £(26.5)m) relating to litigation costs;
  - £(15.5)m (FY22: £(3.0)m) organisational restructuring costs;
  - £(12.2)m (FY22: £(11.0)m) Finance, HR and Retail IT system transformation costs;
  - £(7.8)m (FY22: £nil) UK network capacity review;
  - £(2.2)m (FY22: £nil) acquisition costs of 6RS;
  - £(0.7)m (FY22: £nil) costs relating to contingent consideration negotiations with M&S; and
  - £nil (FY22: £(3.4)m) Andover CFC adjusting itemsⒶ.
- **Other non-cash items: inflow of £8.8m** (FY22: inflow of £3.3m) relates to adjustments for the following non-cash elements of adjusted EBITDAⒶ:
  - £(33.0)m (FY22: £(24.7)m) revenue recognised from long-term contracts;
  - £33.3m (FY22: £42.0m) of share-based payments;
  - £2.9m (FY22: £10.8) non-cash write-off of property, plant and equipment;
  - £(5.0)m (FY22: £nil) gain on the disposal of property, plant and equipment, recognised in the Income Statement but the proceeds from the disposal are included in other investing and financing activities;
  - £0.9m (FY22: £1.4m) share of losses from joint ventures and associates; and
  - £9.7m (FY22: £(26.2)m) movement in provisions.

The movements above result in an **operating cash inflow of £82.2m** (FY22: cash inflow of £7.9m). The following movements explain the overall movement in cash and cash equivalents outflow of £443.2m (FY22: outflow of £140.6m):

- **Capital expenditure of £536.4m** (FY22: £785.9m) primarily relates to the continued investment in OSP and new CFCs in the UK and internationally. Capital expenditure also includes investment in Group support activities. The year-on-year reduction of £249.5m reflects 1. the lower number of new CFCs going live in the year, with only three CFCs opening in FY23 (FY22: 9 CFCs, 3 Zooms) and 2. the reduced in-year capital expenditure on sites under construction.
- **Net proceeds from interest-bearing loans and borrowings of £54.1m** (FY22: £37.2m) reflect 1. £60.0m shareholder loan from M&S to Ocado Retail, 2. £(10.0)m RCF repayment by Ocado Retail, and 3. £4.1m net loan drawn down by Jones Food.
- **Lease liability repayments of £66.8m** (FY22: £57.4m), increased by £9.4m year-on-year mainly driven by an increase in motor vehicle leases, incremental CFC lease costs at Purfleet and Luton, and new office leases.
- **Net proceeds from share issue of £2.6m** (FY22: £567.3m) in respect of employee share schemes; the prior year includes the equity raise of £564.1m (net of £14.1m associated costs).
- **Other investing and financing activities of £42.6m** (FY22: £9.0m) include £41.7m (FY22: £9.6m) of interest received on treasury deposits, £9.4m (FY22: £nil) proceeds from the disposal of assets held for sale and £1.5m (FY22: £nil) cash contingent consideration received in respect of the sale of Fabled to Next plc. This was offset by investments in Oxa Autonomy of £10.0m (FY22: £nil).
- **Effect of changes in FX rates** of £(15.2)m (FY22: £21.8m gain) relates to the FX loss (reported under net finance costs) and translation FX on our non-sterling cash balances (predominantly USD cash balances held to fund the expansion of our Technology Solutions business in the US).

Underlying cash outflowⒶ is £472.5m (FY22: £828.2m) and improved by £355.7m year-on-year. Underlying cash flowⒶ is the movement in cash and cash equivalents excluding the impact of adjusting itemsⒶ, costs of new financing activity, investment in unlisted equity investments and FX movements.

£m	FY23 53 weeks	FY22 52 weeks
Movement in cash and cash equivalents	**(443.2)**	**(140.6)**
Adjusting itemsⒶ[1]	1.7	(67.4)
Purchase of unlisted equity investments and loans to investee companies[2]	10.0	0.6
Proceeds from disposal of asset held for sale	(9.4)	–
Financing[3]	(56.7)	(604.5)
Cash received in respect of contingent consideration receivable	(1.5)	–
Acquisition of subsidiaries, net of cash acquired	11.4	5.5
Effect of changes in FX rates	15.2	(21.8)
Underlying cash outflowⒶ	**(472.5)**	**(828.2)**

1. Adjusting itemsⒶ of £67.4m in FY22 include the following items from the cash flow above adjusting items outflow £(43.9)m, insurance proceeds relating to business interruption £54.3m inflow, insurance proceeds relating to rebuilding Andover CFC and Erith claim £57.0m inflow.
2. Purchase of unlisted equity investments and loans to investee companies of £10.0m (FY22: £0.6m) during the year relates to the Group's investment in Oxa Autonomy.
3. Financing of £56.7m (FY22: £604.5m) includes net proceeds from interest-bearing loans and borrowings of £54.1m (FY22: £37.2m) and net proceeds from share issues of £2.6m (FY22: £567.3m).

Balance Sheet

£m	3 December 2023	27 November 2022	Movement
Assets			
Goodwill	158.6	164.7	(6.1)
Other intangible assets	461.3	377.2	84.1
Property, plant and equipment	1,794.9	1,777.8	17.1
Right-of-use assets	428.1	493.9	(65.8)
Investment in joint venture and associates	9.5	15.6	(6.1)
Trade and other receivables	427.8	329.3	98.5
Cash and cash equivalents	884.8	1,328.0	(443.2)
Other financial assets	127.7	185.4	(57.7)
Inventories	127.1	106.8	20.3
Other assets	9.2	34.5	(25.3)
Total assets	**4,429.0**	**4,813.2**	**(384.2)**
Liabilities			
Contract liabilities	(446.7)	(422.9)	(23.8)
Trade and other payables	(470.4)	(508.2)	37.8
Borrowings	(1,462.1)	(1,372.8)	(89.3)
Lease liabilities	(497.8)	(532.3)	34.5
Other Liabilities	(41.0)	(42.7)	1.7
Total liabilities	**(2,918.0)**	**(2,878.9)**	**(39.1)**
Net assets	**1,511.0**	**1,934.3**	**(423.3)**
Total equity	**(1,511.0)**	**(1,934.3)**	**423.3**

Assets

Goodwill of £158.6m (FY22: £164.7m) arises on the acquisition of a business where the purchase cost exceeds the fair value of the tangible assets, the liabilities and the intangible assets acquired. It therefore represents the expected future benefit to Ocado Group of businesses that have been acquired. Goodwill of £158.6m arises from the prior acquisitions of Kindred Systems Inc., Haddington Dynamics Inc., Myrmex Inc. and Jones Food Company. This future benefit derives from the development of new technology, the ability to attract new customers and cost synergies. Goodwill decreased by £6.1m in the year mainly due to the foreign exchange impact of the revaluation of the goodwill (predominantly USD-denominated).

Other intangible assets net book value of £461.3m increased by £84.1m (FY22: £377.2m). The movement was driven by:

- £167.8m (FY22: £117.5m) internal development costs capitalised during the year that related to the development of our technology capabilities for our partners, across our CFC, Zoom and ISF solutions;
- £38.2m (FY22: £27.4m) of intangible assets acquired primarily relating to software and patents;
- Amortisation charge for the 53-week period of £125.0m (FY22: £114.7m); and
- Other smaller movements of £3.1m (FY22: £1.8m).

- Other intangible assets are typically depreciated over five years.

Property, plant and equipment net book value increased by £17.1m to £1,794.9m (FY22: £1,777.8m) and comprise fixtures, fittings, plant and machinery of £1,586.3m (FY22: £1,577.2m), land and buildings of £206.0m (FY22: £197.5m) and motor vehicles of £2.6m (FY22: £3.1m).

- Fixtures, fittings, plant and machinery predominantly comprise the material handling and other operating equipment within our sites.
  - This increased by £9.1m to £1,586.3m driven by £261.3m of additions (FY22: £494.4m) primarily relating to the go-live of client sites for Sobeys, AEON and Ocado Retail.
  - Internal development costs of £32.7m (FY22: £63.9m) were capitalised and relate to OSP technology development and deployment.
  - These increases were partly offset by depreciation for the 53-week period of £182.9m (FY22: £148.5m), net foreign exchange movements of £(47.2)m (FY22: £37.3m) and impairments of £41.2m (FY22: £9.2m). Impairments were recognised relating to the cessation of operations at our Hatfield CFC, the strategy and capacity review of the Zoom network and assets relating to our contract with Groupe Casino and other smaller movements.
- Land and buildings comprise CFC and Zoom sites in the UK, spokes and offices. The net book value increased by £8.5m to £206.0m.
- Motor vehicles primarily comprise the vehicles owned by Ocado Group relating to CFC and head office operations.
- Tangible assets are typically depreciated over nine years.

Right-of-use assets of £428.1m (FY22: £493.9m) represent the value of assets held under long-term leases, comprising land and buildings of £359.9m (FY22: £415.0m), motor vehicles of £50.5m (FY22: £63.1m) and fixtures, fittings, plant and machinery of £17.7m (FY22: £15.8m).

During the year, the Group entered into new leases for assets of £32.7m:

- £13.4m of which is fixtures, fittings, plant and machinery; this primarily relates to new leases established with MHE JVCo, the joint venture between the Group and Morrisons, for the operation of MHE at the Dordon CFC;
- £10.4m of which is motor vehicles; and
- £8.9m of which is land and buildings, primarily relating to our London and Toronto offices

The depreciation charge for the 53-week period was £(70.4)m (FY22: £(66.0)m) and an impairment charge of £(27.7)m (FY22: £(0.6)m) was recognised relating to the closure of the Hatfield CFC and Zoom strategy and capacity review.

Investment in joint ventures and associates includes the Group's 50% investment in MHE JVCo and the Group's 26.3% investment in Karakuri (both no change in percentage holding from the prior year). During the period, the Group's investment in Karakuri was written off as the business entered into administration in the year (FY22: £0.8m). The carrying amount at the end of the period of £9.6m relates solely to the investment in MHE JVCo (FY22: £14.8m).

Trade and other receivables increased by £98.5m to £427.8m (FY22: £329.3m). The balance comprises the following:

- Trade receivables (net of expected credit loss allowance) of £126.8m (FY22: £124.2m) primarily comprise receivable balances due from Technology Solutions retail partners and amounts due to Ocado Retail from suppliers as part of commercial and media income.
- Other receivables of £190.4m (FY22: £82.7m). Other receivables largely comprise amounts receivable from AutoStore following the settlement of patent litigation, tax refunds due and receivables expected from contract manufacturers for components sourced on their behalf. The increase of £107.7m is mainly driven by the recognition of the AutoStore receivable and higher corporation tax receivable offset by tax credit receipts in respect of research and development.
- Included in other receivables is £144.8m (FY22: £nil) due from AutoStore as a result of the litigation settlement reached during the period. The receivable was initially recognised at fair value of £180.4m. The balance will be reduced by monthly instalments received and increased by the unwinding of the discounting as the receivable moves towards maturity.
- Prepayments of £55.8m (FY22: £76.5m) include CFC components, software maintenance payments, and business rates and utilities payments. The £20.7m decrease was mainly driven by a reduction in prepaid CFC components and the Group optimising its utilisation of MHE already purchased.
- Accrued income of £54.8m (FY22: £45.9m) relates to accrued income for media and promotions, solutions capacity fees, and volume-related rebates. The increase is mainly driven by accrued media and promotional income and accrued fee income from our partners.
- Amounts due from suppliers relating to commercial and media income are £91.5m (FY22: £71.2m). £59.1m (FY22: £52.5m) of the total is within trade receivables and £32.4m (FY22: £18.7m) is within accrued income.

Cash and cash equivalents were £884.8m (FY22: £1,328.0m) at the year end. Gross debt (including lease liabilities) at the period end was £1,959.9m (FY22: £1,905.1m), with net debt(A) at the period-end of £1,075.1m (FY22: £577.1m). In May 2023, the Group renegotiated the covenant terms on the RCF with its banking group to provide additional flexibility around access to the facility. Current borrowing facilities include a £600m convertible bond that matures in December 2025, a £500m senior unsecured note that matures in October 2026 and a £350m convertible bond that matures in January 2027. These facilities are expected to be refinanced on a timely basis to maintain appropriate liquidity.

The Group also has access to a £300m RCF that is undrawn. In May, the Group renegotiated the covenant terms on the RCF with its banking group to provide additional flexibility around access to the facility. The RCF is due to expire in June 2025.

Other financial assets of £127.7m (FY22: £185.4m) comprise:

- £29.4m (FY22: £98.3m) total contingent consideration receivables
  - £28.0m (FY22: £95.0m) due from M&S relating to the disposal of 50% of Ocado Retail in August 2019; and
  - £1.4m (FY22: £3.3m) due from Next plc ("Next") relating to the disposal of Fabled in July 2019;
- £82.7m (FY22: £69.8m) unlisted equity investments held by the Group in Oxa Autonomy, Wayve Technologies and 80 Acres;
- £14.4m (FY22: £14.2m) loans receivable held at amortised cost; and
- £1.2m (FY22: £3.1m) other items.

The decrease of £57.7m is due to 1. change in the IFRS 13 fair value of the contingent consideration due from M&S, 2. the revaluation of the Group's unlisted equity investments, and 3. the increase in the Group's investment in Oxa Autonomy.

Contingent consideration receivables
Contingent consideration due from M&S

We have reduced the value of the contingent consideration due from M&S relating to the disposal of 50% of Ocado Retail by £67.0m to £28.0m (FY22: £95.0m).

Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final consideration payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year (the contingent consideration).

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the full payment. Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m. Ocado Retail failed to meet the performance measures for the FY23 financial year that were required for automatic payment of the contingent consideration.

The contractual arrangement with M&S does, however, expressly provide for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction. We believe that there were several significant decisions and actions taken by Ocado Retail management that require adjustment to the Target. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m.

Notwithstanding the application of the adjustments (that remains unresolved at present) the Group has appropriately applied the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the fair value of the contingent consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

At the year end the fair value has been estimated using the expected present value technique and has been based on several probability-weighted possible scenarios that a market participant would consider and has been determined to be £28.0m (FY22: £95.0m), resulting in a £67.0m reduction in the value of the asset. This financial reporting estimate is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

Contingent consideration due from Next

The fair value of the contingent consideration due from Next is estimated to be £1.4m (FY22: £3.3m). During the period, the Group received cash consideration of £1.5m (FY22: £nil).

Unlisted equity investments, loans and other items

The fair value of unlisted equity investments increased by £12.9m to £82.7m (FY22: £69.8m). The total movement comprises £16.5m loss on the revaluation of these investments and £29.4m increase in the Group's equity investment in Oxa Autonomy.

During the year, the Group revalued its unlisted equity investments designated as fair value through other comprehensive income and recognised a loss of £16.5m (FY22: gain of £33.3m) due to changes in the commercial outlook of the companies in which the Group is invested, primarily to Oxa Autonomy, Paneltex Limited ("Paneltex") and Inkbit Corporation ("Inkbit").

The Group has a 12.2% (FY22: 8.8%) share of Oxa Autonomy, a technology company focused on the development of autonomous vehicles. In December 2022, the company completed its Series C Fundraising, which resulted in the Group's warrants being exercised to acquire 21,934 Series B shares for £10.0m. Following the exercise of the warrants, the Group now holds a 12.2% (FY22: 8.8%) interest in Oxa Autonomy. The fair value of the warrants before the transaction was £19.4m, which together with the exercise cost of £10.0m comprises a £29.4m increase in the Group's equity investment in Oxa Autonomy.

Inventories of £127.1m (FY22: £106.8m) comprise Ocado Retail grocery inventory, Technology Solutions grid and bots spares and 6RS Chuck robots. Inventories increased by £20.3m during the year mainly driven by the reclassification of £12.5m of grid and bot spares from property, plant and equipment to inventory under IAS 2. Inventory with a fair value of £10.7m was acquired on acquisition of 6RS comprising mainly Chuck robots and spares.

Other assets of £9.2m (FY22: £34.5m) relate primarily to assets held for sale of £4.9m (FY22: £4.4m) and share warrants that have a carrying value of £3.3m (FY22: £27.4m), and which decreased by £24.1m mainly due to the exercise of share warrants for Oxa Autonomy of £19.4m, revaluation of warrants for Wayve Technologies and 80 Acres of £2.5m and impairment of Karakuri warrants of £2.1m.

Liabilities

Contract liabilities of £446.7m (FY22: £422.9m) primarily relate to the consideration received in advance from Technology Solutions and OIA customers. Revenue is recognised when the performance obligation is satisfied, typically when a site goes live or OIA products and services are provided. The £23.8m increase in the year is driven by:

- £47.6m (FY22: £69.1m) invoiced to partners for their contracted contribution towards the initial MHE investment made in a site or build and design of MHE;
- £9.2m recognised on acquisition of 6RS; and
- £(33.0)m (FY22: £(24.7)m) in respect of prior receipts recognised as revenue in the year.

The current liabilities portion of the contract liabilities balance of £38.6m (FY22: £29.1m) represents amounts due to be recognised as revenue within 12 months of the year end. Long-term liabilities of £408.1m (FY22: £393.8m) make up the balance.

Trade and other payables of £470.4m (FY22: £508.2m) reduced by £37.8m, mainly due to the timing of the monthly payroll run and reduced accruals for capital expenditure partly offset by the timing of VAT payments.

Borrowings of £1,462.1m (FY22: £1,372.8m) comprise the liability element of the two unsecured convertible bonds, the senior unsecured bond and the shareholder loan provided by M&S (the non-controlling interest) to Ocado Retail.

The increase of £89.3m is due to:

- £65.8m accrued interest on loans and borrowings held at amortised cost;
- £60.0m shareholder loan provided by M&S (the non-controlling interest) to Ocado Retail;
- £4.4m loan drawn by Jones Food;
- £(30.6)m interest repayments; and
- £(10.3)m principal repayments comprising largely the repayment of the RCF by Ocado Retail.

Lease liabilities of £497.8m (FY22: £532.3m) comprise land and buildings of £426.9m (FY22: £447.3m), motor vehicles of £51.6m (FY22: £65.5m) and fixtures, fittings, plant and machinery of £19.3m (FY22: £19.5m). New lease liabilities of £32.9m were entered into during the year (FY22: £64.2m) and largely comprised fixtures, fittings, plant and machinery and land and buildings. Lease liabilities decreased by payments made of £92.5m (FY22: £85.7m) and £(0.6)m of other movements (FY22: £(2.9)m), partly offset by £25.7m of accrued interest (FY22: £28.3m).

Lease liabilities of £497.8m (FY22: £532.3m) include £16.5m (FY22: £17.5m) payable to MHE JVCo, a company in which the Group holds a 50% interest.

Other liabilities of £41.0m (FY22: £42.7m) comprise:

- £40.8m (FY22: £26.4m) of provisions. The £14.4m increase in provisions mainly reflects adjusting items[A] costs relating to the closure of the Hatfield CFC;
- £0.2m (FY22: £1.6m) derivative financial liabilities primarily related to diesel hedges; and
- £nil (FY22: £14.7m) of deferred tax liabilities. The £14.7m decrease is due to the removal of deferred tax on consolidation following an intercompany transfer of intangible assets from Haddington and Kindred to Ocado Innovation Limited.

Stakeholder Engagement

The information in this section highlights our key stakeholders. Although we have other stakeholders, such as regulators and professional advisors, we have identified as key those stakeholders that are fundamental to achieving our strategic priorities. For each stakeholder group we outline their value to our business and their role in achieving our strategy, the key issues that we have identified as material to them and the engagement mechanisms we utilise. We further highlight the key outcomes as a result of our engagement and our priorities for the next year. We note Ocado Retail is a unique stakeholder (see page 20).

Our people

Why we value them

Our people are our most valuable resource. We rely on a talented, engaged and innovative workforce to achieve our strategic priorities: in particular, delivering transformational technology and driving the success of our clients.

Our stakeholder's material interests

- Company performance and what this means for them individually.
- Health, safety and wellbeing at work.
- Opportunities for growth and development.
- Fair reward and recognition.
- A diverse and inclusive working environment.
- Having a voice and feeling heard.
- Being offered flexibility and choice.

Board engagement and oversight

- Regular engagement by Andrew Harrison, the Designated Non-Executive Director for workforce engagement ("DNED"), with our employees (see page 128).
- People Committee consideration of people engagement issues (see page 140), and Remuneration Committee consideration of Group-wide remuneration and workforce-related policies (see page 172).
- Regular updates to the Board on people matters, health and safety matters and from the DNED and Committee Chairs.
- Non-Executive Director lunch with community group chairs and informal meetings with senior management.
- Regular business updates held by the CEO and Executive Directors.
- Key metrics monitored by the Board include eNPS scores, health and safety incidents, gender pay gap, and whistleblowing reports.

Group engagement

- "Peakon", our employee listening tool, is used to gather employee feedback and in turn guide responsive action (see page 68). Several communication channels are used including regular email updates on the business and people-related news, our online communication and collaboration tool, and our intranet platforms.
- A wide range of employee community groups designed to connect people, enable networking and create a sense of belonging, as part of an inclusive workplace across business segments.
- Employee representatives including those on the Ocado Logistics Council and listening champions.

Outcomes from engagement

- Internal goals launched to provide clearer direction to our people in Technology Solutions and Ocado Logistics as to how our strategic objectives will be furthered in the short term. These were cascaded down across teams to provide clear ways in which employees can contribute to our overall objectives.
- Payroll remediation programme completed earlier this year brought in new processes and internal controls to improve accuracy in the employee payroll experience.
- New global health and wellbeing partner launched, providing access to a variety of tools, methods and resources for employee wellbeing.
- New initiatives introduced to support talent growth and employee development in Ocado Logistics and Technology Solutions (see page 68 and 69).
- Listening and engagement review introduced. The results, feedback from employees and actions being taken are shared with the business, twice a year.

Priorities for 2024

- Implementation of core standards for leaders and managers across all business segments. Align development experiences to these, and expand the use of our 360 feedback tool to provide leader and manager options aligned to expectations.
- Deliver and embed our policy and framework for talent and performance in Technology Solutions, including the roll-out of a performance and talent process and toolkit available for all employees, to support the ongoing development of our people.
- Focus on executive succession planning for the top leaders.
- Continue to align the emerging talent pipeline and new hire diversity with ethnicity and gender targets.
- Improve data collection to provide more detailed analysis to be able to address the needs and concerns of our people and assist in setting targets across the business to continue to progress in diversity, equity and inclusion ("DE&I").
- Further develop our global and local onboarding programmes in Technology Solutions to reflect and enable our international culture, footprint and expansion.

Investors

Why we value them

Our current and potential investors ensure our continued access to the capital that enables us to pursue our strategic objectives. Through continued investment, we are able to continue to develop and grow our business.

Our stakeholder's material interests

- Strategic priorities, opportunities and risks for the business.
- Financial and operational performance.
- Good governance.
- ESG issues including climate change and DE&I.
- Director remuneration.
- Transparent reporting and clear and consistent communication.
- Compliance with listing requirements and regulations.

Board engagement and oversight

- Regular face-to-face and virtual meetings with investors, investor roadshows and attendance at investor events (see page 130).
- Board review and approval of material communications to investors.
- Regular updates to the Board on market sentiment and investor feedback.
- Key metrics monitored by the Board include share price and share register movements and the number of investor meetings and events held and attended.
- Remuneration Committee Chair letter to top investors regarding the 2023 AGM voting outcome on remuneration policy encouraging further feedback (see page 129).
- Investor engagement meetings held in advance of the new proposed Directors' Remuneration Policy and new Ocado Performance Share Plan 2024 – see the Directors' Remuneration Report on pages 154 to 203.

Group engagement

- Information and updates provided through our website, press releases, regulatory news announcements, shareholder circulars and quarterly, half-year and annual results.
- Investor roadshows and attendance and participation at investor conferences.
- Regular discussions and briefings for investors and analysts.
- Results presentations held in person and online including a question and answer session.
- Site visits to UK CFCs for investors.
- Capital markets feedback included in Ocado Group's Reputation Dashboard, enabling the Board to understand and follow the conversation about the Group among key stakeholders. This is updated quarterly and is subject to discussion at regular Board meetings.

Outcomes from engagement

- Refresh of investor materials including presentation and RNS statements for half-year and full-year results to advance communication of our strategy and business objectives.
- Continued with the well-received Chair's governance breakfast this year and held two in-person governance roadshows, where the Chair met with investors and analysts.
- A lack of virtual attendance at our previous hybrid AGMs led to a move back to a physical-only AGM in 2023.
- The development of our ESG strategy continued, including approval by the Board of our Net Zero Roadmap.

Priorities for 2024

- Continue to advance communication of our strategy and business objectives to current and potential investors and help increase their understanding of our business model and prospects.
- Build our level of engagement with investors through in-person roadshows, conference appearances and capital markets days.
- Attract new shareholders to the register while providing an attractive return for current shareholders.
- Focus on maximising investor and broader stakeholder engagement using a variety of platforms which enable us to educate the capital markets on the Ocado Group equity story.
- Increase the use of analytical tools to maximise the efficiency of our investor engagement programme.
- Continue to develop our reporting and provide comprehensive information regarding ESG issues.

Partners

Why we value them

Strong trusted relationships with our partners are critical to our success. Understanding the needs of our partners and working together enable us to help them get the most out of our technology, develop our solutions, meet our strategic objectives and deliver on our commitments.

Our stakeholder's material interests

- Quality, reliability and financial performance of OSP.
- Ensuring strong working relationship with Ocado.
- Innovation and product development.
- A flexible end-to-end offering, with a wide range of fulfilment options.
- Efficient and effective supply chain management.
- Expect us to understand them and their challenges.

Board engagement and oversight

- Regular Executive Director engagement with senior executives of partners, including quarterly executive leadership meetings with all global OSP Partners.
- Update reports at each Board meeting on OSP Partner relationships, including performance and progress on operations and any key issues.
- Key metric monitored by the Board is OSP Partner site utilisation.

Group engagement

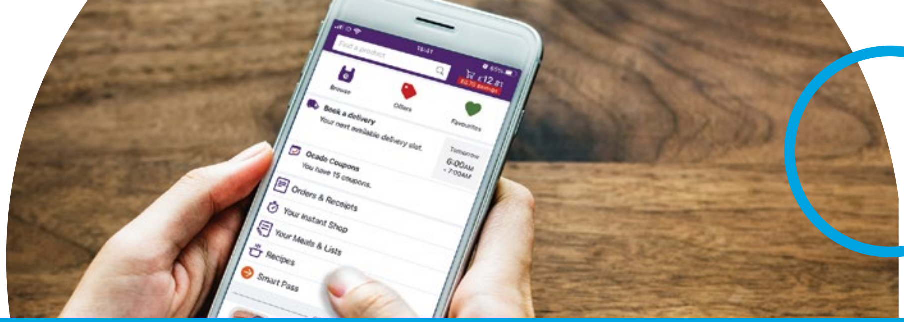
- The Regional Presidents and Account teams, the Partner Success teams and operational teams across the business engage directly and regularly with our OSP Partners.
- KPIs are set and feedback provided during ongoing projects with our partners.
- Ocado Beyond, the Ocado Solutions product conference exclusive to our OSP Partners, offered networking opportunities, expert talks, panels and live tours. This helps further understanding and share user knowledge and assists them in getting the best out of OSP.
- Representatives from all OSP Partners come together periodically to work collaboratively and discuss experiences of shared importance.

Outcomes from engagement

- The Partner Success programme was developed further, with tailored action plans for each OSP Partner introduced.
- Regional presidents for Ocado Solutions in Asia-Pacific and Europe were appointed (in addition to the President for the Americas appointed last year), to develop a regional support model for OSP Partners.

Priorities for 2024

- Develop a playbook for Partner Success that will inform existing and new partners on how to get the best out of the platform.
- Continue to develop the Partner Success teams to ensure that they are appropriately resourced.
- Develop internal and external training material to be able to provide partners with the best opportunity to make use of the functionality within OSP.
- The primary goal across Ocado Solutions will be to drive utilisation growth across OSP Partner CFCs.



Suppliers

Why we value them

Our suppliers are imperative to the success of our business. A strong supply chain is critical in enabling us to deliver on our commitments to our OSP Partners and continue to develop and grow our business globally.

Our stakeholder's material interests

- Fair contractual and payment terms.
- Building long-term strategic relationships.
- Sustainability and growth of Ocado's business.
- Equitable and compliant supply chain practices.
- Social, environmental and ethical impacts.

Board engagement and oversight

- Regular business reports to the Board raising any concerns regarding suppliers and any supply chain issues.
- Oversee prompt payment practices filings.
- Approve the Modern Slavery Act Statement.
- Key metrics monitored by the Board include prompt payment practices reports and Scope 3 emissions data related to the supply chain.

Group engagement

- Onboarding process for new suppliers and ongoing dialogue with suppliers to raise and resolve any issues.
- Auditing critical/strategic suppliers within our supply chain.
- Dedicated third-party tool for critical and high-risk suppliers/categories of spend, for corporate responsibility, ethics and responsible sourcing management and reporting.

Outcomes from engagement

- New Supplier Code of Conduct introduced which provides a framework of standards and expectations for suppliers.
- New Procurement Policy introduced with standard internal processes set out to ensure the correct procedures are followed across the business so that goods and services are procured in a consistent manner.

Priorities for 2024

- Continue improvement to third-party risk management and due diligence processes, including additional utilisation of existing and new tools to support this.
- Procurement leads will communicate with suppliers regarding compliance with the new Supplier Code of Conduct.
- Implement an audit process for suppliers to measure compliance with the new Supplier Code of Conduct.

Environment and society

Why we value them

Making a meaningful contribution to the wider society enables us to generate positive environmental and social impacts and further our objective to operate as a responsible business.

Our stakeholder's material interests

- Legal and regulatory compliance of the business.
- Environmental and social issues, including climate change, carbon emissions, human rights, responsible sourcing and waste management.
- Socially responsible business practices.
- Transparency and engagement.

Board engagement and oversight

- Board discussion and debate on Ocado's Net Zero Strategy throughout the year.
- Regular updates to the Board regarding corporate responsibility, governance and compliance and ESG, including reports from the management-level ESG Committee chaired by our Group General Counsel and Company Secretary
- Board and Audit Committee training on ESG issues undertaken during the year (see page 134).

Group engagement

- Corporate responsibility reporting on our website, including carbon, modern slavery, and education and information on our sustainability strategy, Ocado Unlimited.
- The ESG Committee, supported by a cross-functional working group, collaborates with leaders across business segments to ensure there is engagement with ESG issues.

Outcomes from engagement

- Approval by the Board of the Net Zero Roadmap.
- Launched employee questionnaire to enable us to collect employee carbon footprint data.
- Started a project to switch to electric vehicles ("EVs") in our fleet (see page 76).

Priorities for 2024

- Progress with the delivery of the Net Zero Roadmap approved in 2023.
- Analysis of our supply chains to identify further opportunities to reduce our Scope 3 emissions.
- Improve our external reporting, maturing the control environment for ESG data, and adopt a plan to meet new regulatory requirements over the coming years.
- Explore ways to improve the carbon footprint of our buildings.
- Set more granular Net Zero milestones and ways to measure progress.

Section 172(1) Statement

Directors' duty to promote the success of the Company

During the year, the Directors acted in the way they considered, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, with regard to our stakeholders and the matters set out in Section 172(1) of the Companies Act 2006 ("Section 172(1)").

The Board recognises its responsibilities to all stakeholders and the Directors endeavour to ascertain and consider the interests and views of our stakeholders, particularly as part of its discussions and decision-making at Board meetings. The Board strives to balance the competing priorities and interests of the Company's stakeholders but is aware that not every decision will result in each stakeholder's preferred outcome.

The duties under Section 172(1) are highlighted at each meeting and Board and Committee paper templates include a section on Section 172(1) matters to ensure these are considered and any potential impact on stakeholders of proposals submitted to the Board is highlighted. The approach of the Board in considering the factors set out in Section 172(1) in its actions, discussions and decision-making is set out below.

The likely consequences of any decision in the long term

The Board recognises that decisions taken today will affect the long-term success and sustainability of the Group and decision-making is made within the context of the long-term strategy of the Group. The Board held a three-day strategy meeting this year to consider the long-term strategic direction of the Group and the short- and medium-term steps to achieve this, including the five-year plan to increase profitability and improve cash flow. The Board receives regular reports from across the business on performance, financing and the implementation of strategy, as well as updates on external factors. These factors feed into discussions on strategy and setting priorities to ensure that the potential impact of decisions, particularly in the long term, are understood and considered. The Board oversees the culture of the Group and the framework of governance, risk management and internal controls to ensure that the focus on long-term success is embedded across the business where decision-making is delegated.

→ Read about our business model and strategy on pages 18 to 21

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

The Board is responsible for setting and monitoring the culture, values and reputation of the Group and ensuring the culture encourages our people to adhere to our values and do the right thing, through responsible business conduct. Maintaining a reputation for high standards of business conduct is an essential aspect of this responsibility. Our Code of Conduct, updated in 2023, sets out the principles of how we expect everyone who works with or represents the Group to behave and do business and the Board reviews and approves policies that support good business conduct. The Board receives quarterly reputation reports with a headline score assigned to each of investors, business media, partners, employees and society. The scores are based on metrics such as share price, volume of buyers and sellers, media coverage, and partner scorecards. The Board also receives biannual compliance reports, including issues raised through Speak Up, our confidential whistleblowing hotline, and our internal control and risk management framework includes regular reporting to the Board. Other ways in which the culture of the Group is monitored by the Board are discussed on page 126.

→ Read more in our Strategic Report on pages 21 to 23

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

The Board monitors the Group's corporate responsibility, primarily through reporting from senior management, including reports from the ESG Committee. The Board has oversight of the processes and procedures and the governance framework in place for responsible business. The Board considered the Group's approach to climate change and environmental issues, including the risks and opportunities, and this is a key consideration in decision-making. This year the Board approved the Group's Net Zero Roadmap. The Board understands that increasing energy efficiency and sustainability and providing solutions that help our partners to improve in these areas support our strategic objectives of growing revenue and providing efficient solutions.

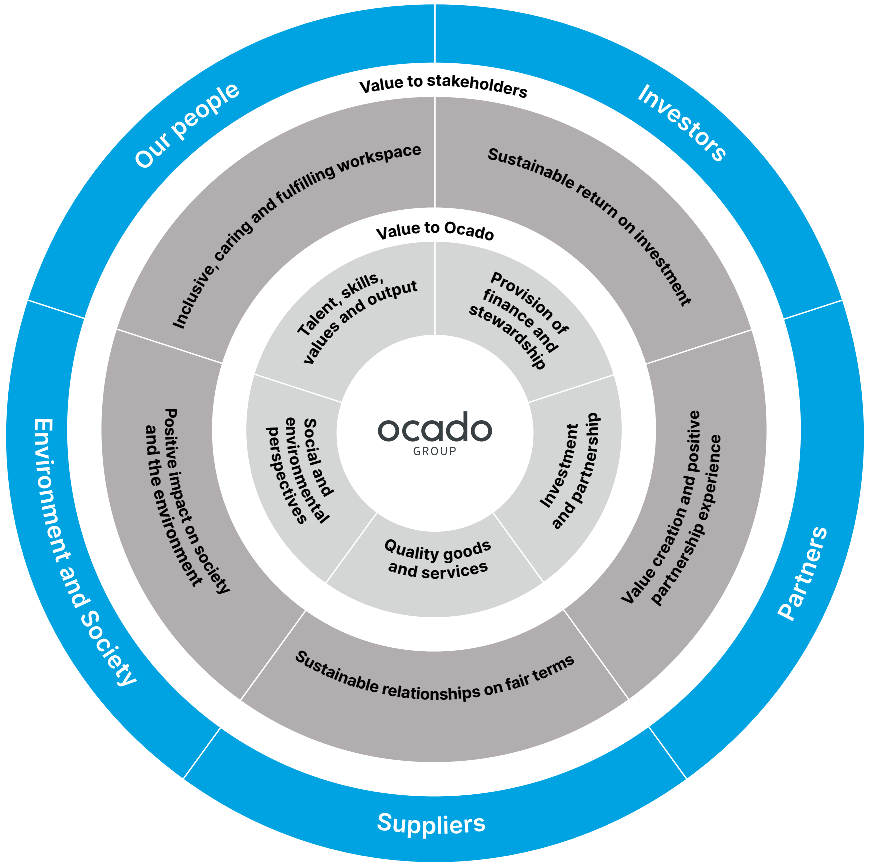
→ Read more in our TCFD report on pages 82 to 102

Our stakeholders: the interests of our employees and the need to foster business relationships with key stakeholders and act fairly as between members

The Board recognises the importance of our key stakeholders to the long-term success of the Group and the need to maintain strong and constructive relationships. The graphic to the right summarises the value of our key stakeholder relationships for our stakeholders and us. The Board ensures that it understands the views and interests of our stakeholders to enable effective consideration of these, in decision-making and setting our strategic priorities. A key consideration in the Board's decision-making is the potential impact of decisions taken on key stakeholders and it is the case that some actions will not have a positive outcome for all stakeholders so competing interests must be balanced, for example ceasing operations at the Hatfield CFC earlier this year.

→ Read more on engagement with our key stakeholders on pages 60 to 63

Two-way constructive relationships with our stakeholders provide value both for our stakeholders and for Ocado Group:



The following examples demonstrate how the Board considered Section 172(1) matters as part of Board discussions and decision-making.

→ The Key Board focus areas during the year can be found on pages 123 and 124

Link to section 172 icons:

- A The likely consequences of any decision in the long term
- B The interests of our employees
- C The need to foster business relationships with key stakeholders
- D The impact of the Group's operations on the community and environment
- E The desirability of maintaining a reputation for high standards of business conduct
- F The need to act fairly as between members

Stakeholder icons:

- Our people
- Partners
- Investors
- Suppliers
- Environment and society

Case study: **Ceasing operations at the Hatfield CFC**

In April 2023, the Board took the decision to cease operations at our oldest CFC in Hatfield, opened in 2002.

- A key consideration for the Board was the impact that ceasing operations would have on our employees working at the site. A focus on offering opportunities for redeployment was important in mitigating the impact, with almost half of those employees affected remaining at Ocado working at other facilities, primarily the new Luton CFC which opened in September 2023.
- The decision was based on the expectation that it will bring longer-term financial benefit and improved productivity due to the greater efficiency at our newer CFCs using OSP technology and the introduction of certain Re:Imagined technologies such as OGRP.
- The Board considered the environmental impact of ceasing operations at Hatfield and using other CFCs, primarily Luton, to fulfil the lost capacity. The Luton CFC has better energy efficiency and a lower carbon footprint.

Stakeholders:

s172: A B C D E

Link to section 172 icons:

- A The likely consequences of any decision in the long term
- B The interests of our employees
- C The need to foster business relationships with key stakeholders
- D The impact of the Group's operations on the community and environment
- E The desirability of maintaining a reputation for high standards of business conduct
- F The need to act fairly as between members

Stakeholder icons:

Our people, Partners, Investors, Suppliers, Environment and society

Case study: Acquisition of 6 River Systems

In June 2023, Ocado acquired 6RS, a collaborative autonomous mobile robot ("AMR") fulfilment solutions provider to the logistics and non-grocery retail sectors, based in Massachusetts, USA.

- The decision to acquire 6RS was based on the potential for increased revenue as well as the alignment of 6RS's products and experience in non-grocery sectors with the development of OIA offering and the potential for this to support the long-term strategy in growth beyond the grocery market.
- The Board considered the impact of the new acquisition on our employees and the need to ensure that the new employees joining as part of the acquisition would integrate well. It was considered that the integration of employees from our previous acquisitions of Myrmex, Kindred and Haddington provided a template to ensure this would be a smooth process.
- The Board considered the existing client base and revenue stream from the business to provide a positive value for our stakeholders.

Stakeholders:

s172: A B C

Case study: Agreement to provide fulfilment technology to McKesson Canada

In November 2023, Ocado agreed a deal for OIA to provide automated fulfilment technology at a distribution site for McKesson Canada, a pharmaceutical distributor.

- The Board considered the long-term consequences of the agreement in broadening the provision of our technology into a new sector, to demonstrate the viability of OIA and support the Group's long-term strategy in growth beyond the grocery market.
- The Board considered the impact on our existing partners, noting the potential for new learnings from a different market sector that could benefit them but also the need to assure them of our focus on continuing to provide first-class solutions tailored to the grocery sector.
- The Board considered the minimal capital requirement, with upfront fees during the construction process, and the forecast to be cash and EBITDA positive in FY25 to provide a positive value for our stakeholders.

Stakeholders:

s172: A C

Responsible Business Report

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Our purpose is to reimagine the world of distribution, fulfilment and ecommerce to drive outstanding customer outcomes. It is this premise that helps shape our approach to responsible business.

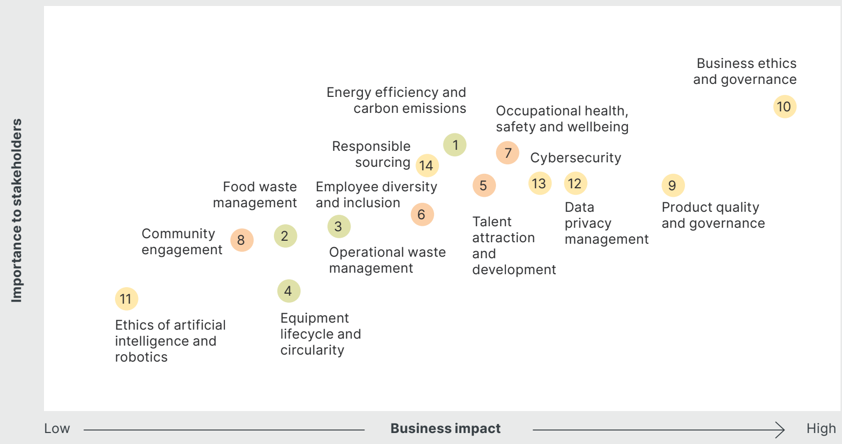
Our initiatives in developing our people's skills for the future, driving efficiencies in our use of natural resources and ensuring platform resilience, while remaining innovative, will all contribute to building profitable, scalable growth for us and our partners.

Responsible business governance

The Board has had regular discussions on environmental, social and governance ("ESG") topics throughout the year, including our Net Zero Roadmap, responsible sourcing, and responsible artificial intelligence ("AI"). The Board also received training during the year on ESG's role in corporate value creation and the Audit Committee received training on upcoming ESG reporting regulations. The Board approved the Net Zero Roadmap at the end of FY23.

Our ESG Committee defines and oversees the responsible business strategy and ensures it is successfully implemented. The Committee is chaired by our Group General Counsel and Company Secretary, Neill Abrams, with additional sponsorship by our Chief Financial Officer, Stephen Daintith, and comprises leaders from across the business who are key to Ocado's strategic and operational success. It meets quarterly in a decision-making capacity and reports to the Board. In 2023, the Committee endorsed the initial findings of the Climate Physical Risk Assessment and approved the Net Zero Roadmap. The Committee underwent specific training on governance and executive oversight concerning climate-related reporting during the year.

Materiality analysis



Environment and natural resources	Our people and skills for the future	Platform resilience and innovation
1. Energy efficiency and carbon emissions	5. Talent attraction and development	9. Product quality and governance
2. Food waste management	6. Employee diversity and inclusion	10. Business ethics and governance
3. Operational waste management	7. Occupational health, safety and wellbeing	11. Ethics of artificial intelligence and robotics
4. Equipment lifecycle and circularity	8. Community engagement	12. Data privacy management
		13. Cybersecurity
		14. Responsible sourcing

Our senior leaders are incentivised to deliver on our sustainability ambitions as part of their remuneration (see page 161 of the Directors' Remuneration Report for more information).

For more information on responsible business governance at Ocado, see our Task Force on Climate-Related Financial Disclosures ("TCFD") report on page 83 to 85.

Our approach and priorities

Conducting business responsibly, with stakeholders at the heart of our decisions, is core to our strategy and success. For our business to scale soundly it must be built on firm foundations, and that includes responsible governance of the issues that are material to our stakeholders.

We believe that the 14 topics that were identified in our last materiality assessment (2020) remain relevant to our business today and continue to organise our activities around these topics.

Progress in FY23

We review the progress during the year under our three headline themes in the remainder of this chapter and in our TCFD report, which outlines our approach to managing the impact of climate change on our business in more detail (see pages 82 to 102).

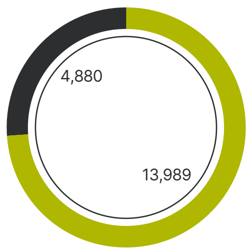
Achievements included:

- the development and approval of our Net Zero Roadmap covering Scope 1, 2 and 3 carbon emissions;
- more in-depth analysis and assessment of the long-term implications of climate change on our business;
- new initiatives and programmes for leadership and management development; and
- new diversity targets launched for our senior leaders and their direct reports.

Our people and skills for the future

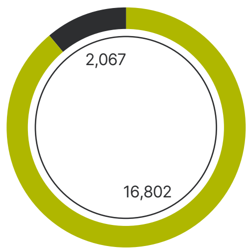
We employ nearly 19,000 people across Technology Solutions and Ocado Logistics. Their contribution is vital in all business areas including developing new technologies, securing robust patents, driving Partner Success, operating our CFCs and delivering excellent service as the face of our Company to UK consumers.

Headcount by business



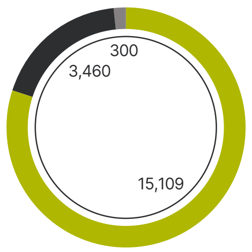
Key:
- Ocado Logistics
- Technology Solutions

Headcount by geography



Key:
- UK
- International

Headcount by gender



Key:
- Male
- Female
- Not disclosed

18,869

Total number of employees*

* Excludes ORL employees (FY23: 900 employees).

KPIs	Target	**FY23**	FY22	Year on year movement
Employee headcount	–	**18,869**	19,744	-4%
% of female senior managers[1]	40%	**32%**	36%	-4ppts
% of ethnic diversity senior managers[1]	x2 by 2027	**5%**	–	–
Employee engagement (eNPS of Technology Solutions)	^2	**19**	31	-12
Employee engagement (eNPS of Ocado Logistics)	^2	**6**	2	+4

1. "Senior managers" is defined as our Executive Committee and the level below.
2. Our target is to improve the employee experience for all and reduce the eNPS gap of female managers to male managers by 10 points.

Our focus areas

Our people are core to our success and we recognise that we recruit in a competitive market for the best talent. We aim to make Ocado an attractive place to work through our training and career path development, competitive reward, proactive diversity, equity and inclusion ("DE&I") initiatives, and health and wellbeing actions. During the year we have set new targets for increasing female representation and ethnic diversity amongst our senior managers.

This year we have actively invested in the development of our leaders and management skills through dedicated training programmes, as a crucial aspect of talent attraction and development. Our leaders recognise they play an important role in maintaining our open and collegiate, engaged, innovative and entrepreneurial culture. The energy that comes from this is central in supporting and motivating our employees and their sense of wellbeing.

Peakon, our employee listening tool, helps us continually evaluate the employee experience and monitor wellbeing. All our people can confidentially share their views, and our managers and leaders can engage and plan action on insights shared. It measures eNPS across a range of issues, and thus enables us to take timely, responsive and focused action at the local and corporate level.

More information about the specific measures each business is implementing can be found below.

Sharing in the success of Ocado

We are keen that our employees share in the success of Ocado and we encourage shareholdings amongst all our employees globally by granting Free Shares equivalent to 0.5% of their salary to those who have completed six months of service or more, twice a year. We also provide a Sharesave Scheme and Buy As You Earn plan for our employees in the UK, and an Employee Stock Purchase Plan to international employees. This ensures that nearly everyone has the opportunity to purchase Ocado shares and be able to invest in our Company.

Talent attraction and development

Leaders and managers significantly influence the employee experience, and play a crucial role in establishing and sustaining our high-performance culture. They serve as role models for their teams and connect our strategic goals to daily activities, including demonstrating behaviours and expectations in line with our DE&I priorities and supporting our commitment to the health and wellbeing of our people.

Technology Solutions

There is a wide variety of roles and skills required in our Technology Solutions business. We employ nearly 5,000 people across a range of functions including technology R&D, design and development, software and hardware engineering, sales and marketing, client support and human resources.

Developing leadership and managerial capabilities is a top priority in Technology Solutions as the business evolves. We are proud that many of our leaders and managers have been promoted internally, a strong reflection of the high calibre of our employees and the exciting career opportunities available within the Ocado Group.

In FY23, we focused on two initiatives:

Leader and manager impact
- launched an accredited Ocado Leadership Diploma for 53 senior managers;
- invested in targeted talent development initiatives for 17 senior leaders (accelerated development programmes, coaching and assessment); and
- piloted a new manager development programme involving 60 managers globally.

Performance and talent enablement
- introduced a digital onboarding journey for all new joiners;
- supported a 43% increase in new global assignments through talent mobility initiatives; and
- completed two pilot cohorts of the advancing leaders programme, involving 22 high-potential leaders (55% of whom have undergone role changes since participating).

Ocado Logistics

In Ocado Logistics we employ almost 14,000 people across several roles including CFC warehouse operatives (where our employees work alongside our technology and robots), delivery van drivers and fulfilment planning functions. We operate in an industry with a high employee turnover rate and this dynamic is fundamental to our approach and priorities as a business. New joiners undergo a comprehensive 13-week settling-in period, with tapered responsibilities and targets, and additional support from their management teams.

Increased flexibility in working hours is a key priority for our employees. During FY23 we extended our choice of roster patterns, and currently over 20% of our frontline employees have opted for fixed shifts or part-time options of their choice. We plan to further increase these options in 2024 with the implementation of our new time and attendance system.

We also emphasise reward and recognition. Alongside competitive pay rates, we offer a variety of additional benefits. A popular one is the option for salaried and lunar paid employees to draw down wages during the month, which assists them in managing monthly cash flows. In FY23 we introduced anniversary reward payments for our longest-serving employees.

In 2023 our initiatives included:

- **Launch into management:** an internal talent programme designed for new and aspiring frontline managers. Currently, there are 48 active participants, with 10% of them already promoted to managerial roles this year.
- **Senior management development programme:** tailored for site and department leads. 61 managers expressed interest and 86% of them were selected to participate in the pilot for September 2023 and January 2024.
- **Advancing leaders programme:** three future leaders from our organisation have successfully completed this programme in collaboration with Technology Solutions.
- **A new performance framework:** was rolled out to operational managers based on three pillars: 1. self-appraisal, 2. manager feedback and 3. team appraisal.

Case study:
Advancing leaders programme, supporting Technology Solutions and Ocado Logistics

The advancing leaders programme is designed to enhance the visibility and develop the leadership and business capabilities of our future senior leaders.

The initiative involves individuals across the Company including from under-represented groups taking into account gender, ethnicity, disabilities and international location.

The programme spans six months and combines education, exposure and practical experience. Participants engage in developmental courses covering self-awareness, communication, influence and strategic thinking and the learning is supplemented by group coaching sessions and a 360-degree feedback profile. The programme also includes a hands-on business challenge where participants address real business problems or opportunities and gain exposure by presenting their solutions to members of our Executive Committee. Throughout the programme, participants receive guidance from a senior mentor or coach and maintain continuous connections with their cohort.

Following the success of the pilot groups, we have three further cohorts committed in 2024, for a total of 42 participants. We intend to commit to at least two cohorts of this programme per year.

Employee engagement

Employee engagement is an important measure of how well we are doing at attracting and retaining the best talent. Our Technology Solutions business went through a significant restructure in the last quarter of FY23. We recognise this was a difficult time for all our employees and thus it is unsurprising that employee engagement in this quarter dropped significantly (from 31 to 19), after rising steadily in the previous three quarters. We are committed to reversing this trend in FY24 and have included it as a KPI in the Annual Incentive Plan ("AIP") targets for senior leaders (see the Directors' Remuneration Report on pages 154 to 203).

Caring for and respecting our employees is at the heart of our approach and reflective of our culture and values in Ocado Logistics. We believe this was a key reason why we retained almost half of our staff from the closure of the Hatfield CFC and for the continuing improvement in the eNPS of 6 (FY22: 2) despite the uncertainty caused by the CFC closure. It also reflects the ongoing work in developing effective listening and communication channels with our employees. We use monthly local action groups for site management teams to address site specific issues, complementing existing network-wide channels such as Peakon, "hot topic" forums and the Ocado Council (a network of elected employee representatives who feed back challenges and successes to senior management and cascade information to their employees).

Diversity, equity and inclusion

Our Board recognises the importance of DE&I, both in the boardroom and in the organisation. You can read more about Board changes in the year in the Corporate Governance Report on pages 116 to 137 and about our progress towards our diversity targets in our Board Diversity Policy on pages 142 and 143.

In FY23, we furthered our commitment to DE&I across both business segments. We introduced two diversity targets for our senior leaders and their direct reports combined with a target of 40% women representation and a target to double the number of ethnic minority talent.

Our gender data reflects the industries we are in, but we are confident of making progress towards increased female representation throughout the business through the initiatives highlighted below.

We implemented recommendations from the 2022 in-depth audit and external benchmarking process, using the government backed UK National Equality Standard ("NES"). We were delighted to achieve certification during FY23, reflecting our progress and improved performance against 35 competencies. Key initiatives that supported our certification included:

1. Improving people data insights
We are enhancing our understanding of our workforce through detailed data analysis. By delving into engagement, progression and mobility data, we can empower our leaders to identify potential issues related to attraction, development and fairness. This approach ensures accountability in addressing these concerns effectively.

2. Diversifying talent pathways
We are creating new pathways, fostering diversity through reskilling initiatives, emerging talent programmes and targeted recruitment and talent mobility efforts. Additionally, we are widening our reach by promoting education and skills development, preparing our employees for future opportunities.

3. Creating an inclusive culture
Our focus is on fostering inclusivity at every level. First, by developing inclusive products, policies and programmes, we ensure that our environment is welcoming for everyone. Second, we support and promote flexible working options and clear routes for career progression.

We continue to advocate for minority groups and communities, championing their voices and providing essential support. We are delighted to continue being a signatory of the Armed Forces Covenant – which means we are accredited as being a supportive employer for armed services veterans.

Reporting in alignment with UK Listing Rules provisions
We report our Board and executive management (our Executive Committee) diversity data as at 3 December 2023 in accordance with the UK Listing Rules disclosure requirements and our progress in meeting the UK Listing Rules board diversity targets.

The representation of women on the Board currently meets the UK Listing Rules target of 40%. We also meet the requirement of having at least one Director from an ethnic minority background on the Board. Although the data in the charts below is as at 3 December 2023, from 2 February 2024, our representation of women on the Board was 50%, following Neill Abrams and Mark Richardson stepping down from the Board.

	Number of Board members	% of the Board	Number of senior positions on the Board	Number in Executive Management	% of Executive Management
Gender representation as at 3 December 2023					
Male	7	58%	4	7	87.5%
Female	5	42%	0	1	12.5%
Not specified/prefer not to say	–	–	–	–	–
Breakdown by ethnic background as at 3 December 2023					
White British or other White (including minority-White groups)	9	75%	2	6	75%
Black/African/Caribbean/Black British	1	9%	0	0	–
Other ethnic group	2	16%	2	2	25%
Not specified/prefer not to say	–	–	–	–	–

1. Under the Listing Rules, "Executive Management" is defined as the executive committee or most senior executive or managerial body below the board, including the company secretary but excluding administrative and support staff.

Case study:
Ensuring diversity in our Emerging Talent programme

This programme is focused on attracting diverse individuals from universities, student societies and partnerships that concentrate on low socioeconomic backgrounds, gender and ethnicity. It is open to individuals across Ocado, enabling our people to move between divisions. This year we piloted a "Recode Your Career" initiative to provide further reskilling and career growth opportunities. We received over 500 applications and hired a 50:50 balance of men and women onto the programme. Our partnerships include working with Bright Network, 93% club and career experts including Academy, which are key to helping us achieve our DE&I goals in emerging talent.

Although in the year we have not met the target of having at least one senior Board position being held by a woman, we are pleased to report that the Chairs of our Audit Committee and Remuneration Committee are women. The Board is committed to continued enhancement of its diversity, as set out on pages 142 and 143. For the wider workforce, 2023 was the first year we have collected ethnicity data of our employees and not all senior managers disclosed their ethnicity data.

Approach to data collection
Gender and ethnicity data relating to the Board, executive management and Company Secretary is collected on an annual basis as part of our Director year-end confirmation in a confidential questionnaire. The individual self-reports (or specifies they do not wish to report) such data. For ethnicity, the self-reported criteria align to the classifications as designated by the UK Office for National Statistics. The same data was reported as part of the annual Parker Review submission.

You can read more about our work to ensure gender equality in our UK workforce in our Gender Pay Gap Report on our corporate website, www.ocadogroup.com.

Occupational health, safety and wellbeing

Health and safety
Ensuring the health and safety of our people is a key priority and supports our ambition to attract, retain and empower the best people in an industry where talent is a key differentiator.

We manage a range of safety issues across the business. Our employees who work in our UK CFCs and across the driver delivery network are a key focus given it is largely physical work. Our Customer Service Team Members are among the groups most vulnerable to injuries. We monitor injury reports, which helps us identify steps to reduce future injuries, including changes to working procedures, such as van loading.

Using this information, we have also collaborated with our vehicle body supplier to make vehicle design modifications to minimise potential risks as we renew our vehicle fleet.

We use reporting and data to identify trends and areas that need improvement.

These metrics encompass accident frequency rates, closeout rates for audit, and investigation actions. We also undertake senior management reviews of serious incidents and leadership tours in our CFCs to help support our focus on improving our performance.

Fire safety was an area of focus in 2023, with a range of risk mitigations embedded into the business. A significant area of change was the introduction of metal totes into UK CFCs. The roll-out of fire retardant metal totes, which commenced in 2023, will help significantly reduce our fire risk in CFCs over time.

Wellbeing
Including our people in the design and implementation of our initiatives is central to our approach to wellbeing and ensures we provide support that is relevant and valuable to our people. A recent example of this is how we have developed our menopause and fertility policies, which were designed by leveraging an internal working group of our global employees across both Technology Solutions and Logistics. We are focusing on three key initiatives:

1. Improving people data insights
This is a common objective alongside our DE&I initiatives to enable greater insight on the health and wellbeing of our people. It also enables leaders to spot potential issues and take accountability for addressing them, whilst influencing broader organisational change.

2. Creating a culture that supports the wellbeing of our people
Creating an environment where the health and wellbeing of our people are prioritised is a critical part of building trust. This includes focusing on leadership, developing and supporting management capability and driving consistency in the day-to-day employee experience.

3. Enabling access to wellbeing support that considers the "whole person"
Our aim is to develop and provide products and services that consider the whole person, improve the understanding and accessibility of existing products and services and listen to our people when evolving how we support their health and wellbeing.

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Case study:
Equity mentoring programme

Since 2019, we have partnered with Moving Ahead to support the growth of women and ethnic minorities within our organisation. Feedback from the most recent cohorts has been overwhelmingly positive, with 98% of those surveyed suggesting that we continue with the programme. Mentors have expressed that they found the experience inspiring, thought-provoking and rewarding. Likewise, mentees have found the perspectives and support from individuals outside of Ocado to be particularly valuable.

For the 2023/24 programme, we are committed to increasing our participation with 50 mentors and 50 mentees taking part. To enhance our measurement of success and return on investment, we have developed additional impact and engagement metrics.

Participants receive support through workshops and resources provided by Moving Ahead. Additionally, our internal Career Development and Inclusion specialists will conduct regular individual check-ins to ensure continuous support and progress.

Specific actions to support our progress in FY23 included:

- signed the Leadership Pledge coordinated by the Global Business Collaboration for Better Workplace Mental Health and joined the MindForward Alliance;
- expanded the Mental Health Champion Framework that was launched in 2022 as an internal global network of individuals to enable peer-to-peer support, adding 11 new champions globally for Technology Solutions and 78 for Logistics;
- designed and launched a foundational mental health course;
- launched a new wellbeing programme, providing both proactive and reactive wellbeing support to our people, including counselling. 1,256 employees have registered on the site which has in turn managed 131 Employee Assistance Programme cases.

Community engagement

We continue to further develop our community engagement methods and our collaboration with GOSH shows one example of how our work with GOSH and engagement have provided such support (see case study).

Case study:
Community engagement with Great Ormond Street Hospital

We collaborate on a number of technology and innovation projects with Great Ormond Street Hospital and Charity ("GOSH"). Throughout the past year, our employees supported projects with both the Hospital and Charity on a pro-bono basis. We firmly believe this new form of cross-sector collaboration can leverage the skills, experience and expertise of industry to help solve pressing challenges in another sector.

Some specific areas of collaboration include:

- **Support for GOSH's ground-breaking 'Clinical Intelligence Unit'**, charged with finding efficiencies in hospital operations. Ocado's Data team has advised on the Unit's set-up, structure, analytics best practices and governance since February 2023. We also seconded an Ocado Data Analyst to the Unit at the end of 2023.

"The analytics expertise that the Ocado Technology team has provided has been invaluable to us as we set up our own internal analytics function. They have given us great insight and constructive feedback based on their extensive experience to shape our team and the way we run projects. We are now accelerating delivery of meaningful analytics to further our data-driven decision-making across GOSH."
– **William Bryant**, Clinical Intelligence Unit Lead, GOSH

- **Advising the Trust's Pharmacy team.** We have conducted analysis on GOSH's pharmacy data to recommend optimum stock levels to maximise drug availability, while decreasing the cost and environmental impact of "purge" i.e. disposal of expired items. This draws on Ocado's experience in demand forecasting using deep neural networks.
- **Chairing the Charity's Innovation Advisory Group.** Ocado chairs the Group and brings an external perspective to the Charity's future fundraising and internal change initiatives. We offer advice on technology and innovation, including data strategy and AI opportunities.

Environment and natural resources

A core tenet of our business model is delivering operating and capital efficiencies. The greater our efficiency gains the lower our environmental impact and the more compelling our OSP platform becomes for our partners. Our KPIs to monitor progress in this area are the carbon footprint of our operations and food waste in Ocado Retail.

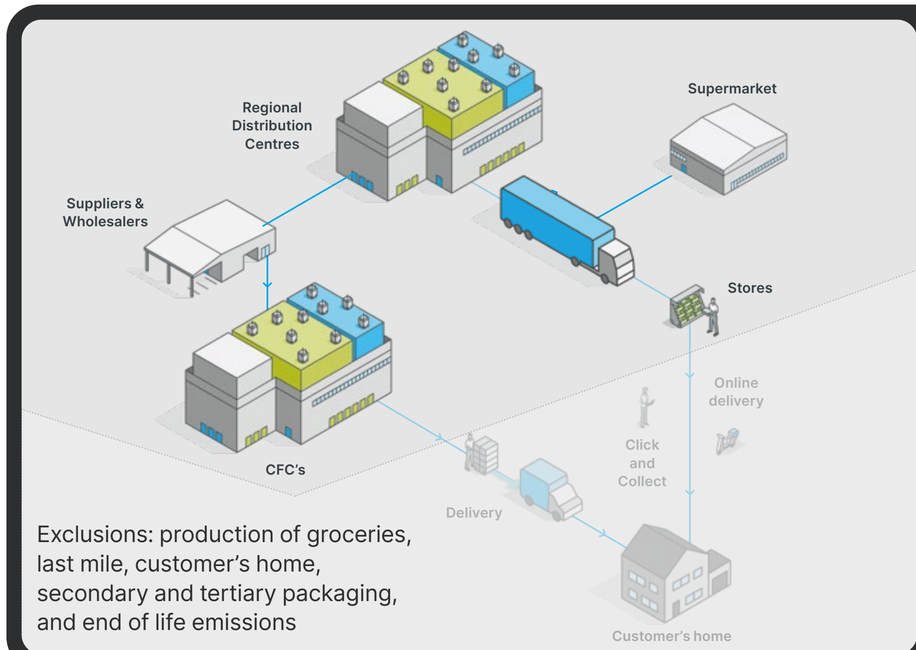
Key achievements during the year have included developing our Net Zero Roadmap, reducing food waste and driving further operating efficiencies across the platform. All these enable an efficient use of natural resources.

Progress in FY23

In FY22, we commissioned Anthesis Consulting Ltd to assess the carbon intensity of fulfilling 1kg of groceries via the Ocado model versus the equivalent operations in a store-based network. The findings were critically reviewed by an independent panel of experts and delivered in 2023.

This year, Anthesis completed a Carbon Efficiency Study of our CFCs. This has confirmed that our OSP model is already significantly more carbon efficient than equivalent online grocery fulfilment in typical store networks, up to the point at which orders are dispatched.

We are very proud of this but there is more that we can achieve: our newest innovations, such as the 600 series bots and grid, are lighter and more energy efficient than the previous 500 series bots and should help improve this even more.



Exclusions: production of groceries, last mile, customer's home, secondary and tertiary packaging, and end of life emissions

Case study:
Customer Fulfilment Centre ("CFC") carbon efficiency

Anthesis' assessment, based on data from our UK operations, found that the carbon footprint of Ocado's CFCs, up to the point at which orders are dispatched, is about **three times** smaller than the supermarket online delivery and supermarket click and collect cases. The majority of the difference is due to the higher carbon footprint of energy consumed in stores, infrastructure differences between stores and Ocado CFCs, and the transport required between upstream distribution centres and store networks.

The carbon footprint of the last mile was found to vary substantially depending on the type of delivery van used (as well as local consumer habits). We continue to work on improving our data quality in this area.

Key assumptions:

- Functional unit is "fulfilment of 1kg of groceries in preparation for delivery or collection to consumer householders".
- OSP and traditional models assume the same split of ambient, refrigerated and frozen and infrastructure impacts allocated based on 30 years' life.
- OSP model is based on data collected from the Erith CFC (operating in 2020) and assumes 500 series bots in operation.

Energy efficiency and carbon emissions

We are committed to doing our part to enable society to transition to a net zero economy and remain committed to be Net Zero in our own operations (Scope 1 and 2 GHGs) by 2035 and in our value chain (Scope 3 GHGs) by 2040.

KPIs[3]	FY23	FY22	Year-on-year movement
Scope 1 GHGs (tCO_2e)[1,3]	**93,293**	96,386	-3.2%
Scope 2 (market-based) GHGs (tCO_2e)[3]	**887**	815	8.8%
Scope 3 GHGs (tCO_2e)[2]	**154,962**	226,411	-31.6%
Scope 1 & 2 GHGs (market based) (tCO_2e)	**94,180**	97,201	-3.1%
Scope 1 & 2 GHG intensity (market based) (tCO_2e per 100,000 orders)	**348**	379	-8.2%
Total energy use (MWh)	**496,956**	491,834	1.0%
Renewable energy (%)	**20.0**	21.3	-6.1%
Energy intensity (MWh per 100,00 orders)	**1,835**	1,916	-4.2%

1. Scope 1 GHGs excludes Ocado Retail Scope 1 GHGs = 120 tonnes.
2. For a breakdown of Scope 3 GHGs by category, see page 102.
3. This data has been independently verified by Carbon Trust according to their proprietary standard, see our corporate website www.ocadogroup.com for the FY23 certificate. For our full SECR disclosure see page 102.

Our Scope 1 and 2 GHG footprint has decreased by 3% this year as we embarked on delivering our Net Zero commitments. This has been achieved through a number of initiatives including:

- **Reducing the use of dry ice** by optimising the temperature and packing efficiency of the freezers in our warehouses;
- **LED lighting:** the roll-out of LED lighting has been completed across the majority of our UK CFCs and offices;
- **Enhancing driving skills and fuel efficiency:** during the year our new in-cab vehicle training system, Lightfoot, has undergone successful trials in Purfleet and Walthamstow. It has already improved our fuel efficiency (miles to gallon) by 5% at these sites. The system was implemented across all our delivery vehicles by the end of November 2023.
- **Energy monitoring:** we have energy monitoring at all CFC sites. During the year we upgraded the energy monitoring systems at some of our CFC sites, to provide additional insight on energy consumption.

The majority of our remaining Scope 1 and 2 emissions are within Ocado Logistics and we are working closely with vehicle providers to reduce these (see case study on page 76). However, we recognise that most of our GHG emissions occur in our value chains (Scope 3), so we will have to take action throughout our organisation to deliver further tangible progress, for example to reduce the embodied carbon in the Technology Solutions MHE used by our global partners.

With a fuller understanding of our Scope 3 baseline emissions across all 15 categories (see page 102) this year we developed our Net Zero Roadmap (see next page). We have identified six critical areas of activity to achieve our Net Zero goals, driving a reduction in carbon emissions from our own operations and also helping our partners to reduce theirs. They cover our full business operations for Technology Solutions and Ocado Logistics, reflecting the spread of our carbon emitting activities.

Our people are key enablers in integrating our carbon reduction plans into how we do business. They need to be carbon literate and feel able to make sustainable decisions, so we plan to implement a carbon learning programme across the Company and include Ocado's Net Zero commitments in our new employee induction programme. We are also updating our policies and operating procedures to encourage, for example, low-carbon travel and commuting.

We plan to update our Net Zero Roadmap annually as our programme identifies and assesses initiatives, in line with our financial planning cycle.

Case study: 600 series bot and Mk3 grid

600 series bot – a lighter and more efficient fulfilment bot

Our super efficient bots pick groceries from the grids in our warehouses. We develop them in house using cutting-edge design methods, such as topology optimisation and advanced manufacturing tools including 3D printers. Unique in the robotics industry, 3D printing empowers engineers to create intricate parts that have high stiffness at a low weight whilst also having a high degree of recyclability. The 600 series bot is our most recent model, which will start to be rolled out from FY24, initially at one of the current live UK CFCs, and presents several economic and operational benefits. These include a lower build cost with c.50% 3D printing and total weight that is three times lighter than the previous 500 series bot, as well as lower maintenance costs and carbon footprint and higher productivity with almost no down time and continual software updates.

Mk3 grid and optimised site design – lighter and more energy efficient grids, installed more quickly

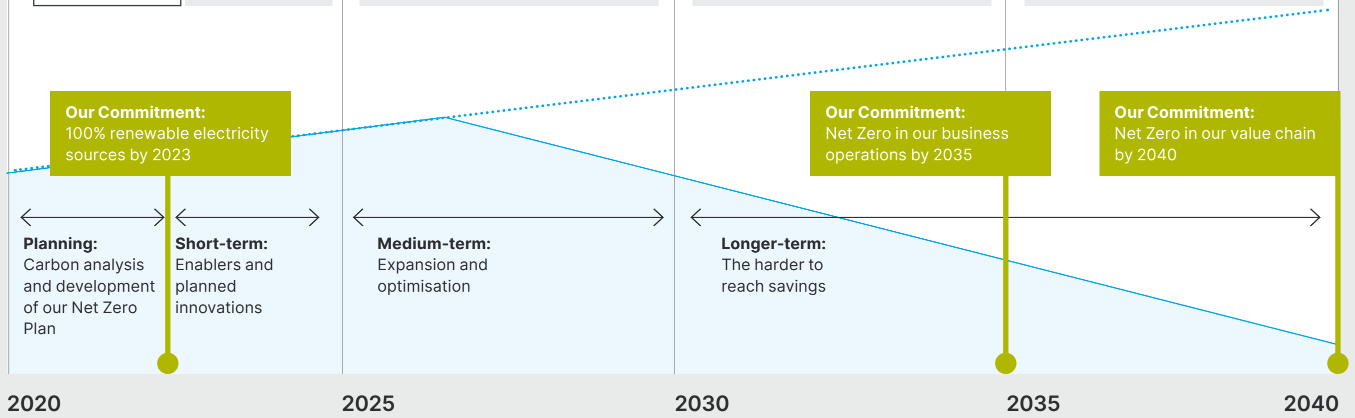
The lightweight design of the 600 series bot allows us to build lighter grids, in a faster timeframe and with a shorter installation time (currently 40% faster than our previous grid system). Less material is required and in turn the grid has a lower cost (60% reduction) and a lower carbon footprint (>50% lower embodied carbon than our previous grid system).

The Mk3 grid will be deployed for the first time for new sites going live in FY25 and beyond.

Our Net Zero Roadmap

Our Net Zero Roadmap[1] was approved by the Board in November 2023.

Fleet Reducing the carbon impact of our UK delivery vehicles	Electric vehicles from three sites, driver fuel efficiency training	Wider electric vehicle rollout, low global warming refrigerants, dry ice replacement, vehicle technology trials and strategy	Strategic fleet alternatives deployments	
Buildings Adopting renewable energy and reducing usage through efficiencies	Energy efficiency improvements and building strategy	Transition our sites to low emission fuel usage	Innovation and investment in the remaining difficult to decarbonise areas	
Freight Minimise upstream transport by reducing distances and use of air freight	Data maturity review and analysis	Quick wins in decarbonising freight	Freight carbon budgeting and management	
Product design Placing sustainability at the forefront of our product design principles	Product circularity and low carbon review	Low carbon design and Ocado Re:Imagined roll-out	Net Zero principles ingrained into product designs and rollout	
Procurement Working with suppliers to reduce the impact of the materials and products that we purchase	Do more with fewer trials and processes, data improvements	Rollout supplier requirements	Net Zero supply chain	Invest in the remaining, lower volume and difficult to decarbonise suppliers
People Enhancing carbon literacy and enabling our people to take sustainable decisions	Employee engagement and skills	Employee engagement and skills	Commuting incentives and business travel policies	
Other Ensuring the enablers are in place for the enduring delivery of Net Zero	Investor engagement, carbon budgeting	Investor engagement, carbon budgeting	Investee engagement, carbon budgeting	Departmental carbon budgets, offsetting, insetting and carbon removal



We have identified six critical areas of activity to achieve our Net Zero goals, driving a reduction in carbon emissions from our own operations and also helping our partners to reduce theirs. We are also undertaking enabling activities to support our progress in these areas.

Near-term actions

Our near-term actions focus on what we can do to reduce our Scope 1 and 2 emissions. We have identified over 40 initiatives such as trialling electric vehicles as we start to transition our delivery fleet, installing solar panels and optimising cloud storage. Many of these actions are already in progress and we have clear visibility on their cost and how they will drive down emissions.

Medium-term to long-term actions

A more significant reduction in emissions beyond the impact of our near-term initiatives is required to achieve net zero. These include the transition of our vehicle fleet to zero emission vehicles, embedding sustainability by design into our processes, adopting carbon-driven procurement and raising supplier engagement. Some of these will also require the development of new carbon-efficient technology, such as widespread availability of green steel and improvements in performance of zero emission delivery vehicles.

1. Ocado Retail, as an independently governed business, has its own net zero roadmap.

Case study:

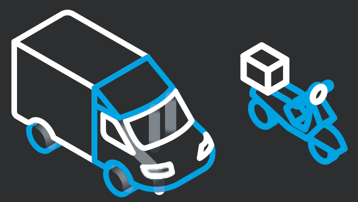
Electric vehicles

We are working with our UK partners to reduce our combined carbon footprint by enhancing the fuel efficiency of the last mile fleet. These improvements will be implemented in the following ways:

Following the completion of an initial trial, we approved capital expenditure to significantly upgrade the electricity infrastructure at three sites. These upgrades will facilitate the increased deployment of more EVs across our network by helping manage the increased demand in peak power.

We have collaborated closely with vehicle manufacturers in the last year, conducting trials of their new fully electric models using the Ocado-designed delivery system. The number of vehicles we can deploy is restricted by the current limitations of EVs range between charges.

We will increase our use of EVs or alternatively fuelled vehicles as the technology evolves and will continue to monitor developments closely – we are currently working with manufacturers to assess hydrogen fuel cell vehicles.



22%

decrease in food waste as % of Ocado Retail sales

Food waste management

Food loss and waste are a critical global challenge with wide-reaching environmental, social and economic consequences that ultimately impact us all through a mix of excess carbon emissions, higher priced food, food poverty and financial loss. In the UK, it is estimated that more than 10 million tonnes of food waste were produced in 2021 across the entire UK food chain.

Grocery retailers, as key touchpoints in the supply of food, play an important role in helping reduce food waste through improving operational processes, working with suppliers and educating consumers to adjust behaviours. We help all our partners through a mix of sophisticated technology (that optimises inventory management, the fulfilment chain and the webshops). We report the food waste of our 50% JV Ocado Retail ("ORL") here, as our most direct impact and exemplar of what is possible.

	FY23	FY22	Year-on-year movement
Food waste (% of Ocado Retail sales)	0.7%	0.9%	22% decrease

How Ocado Retail is tackling food waste

ORL's goal is to reduce food waste tonnage by 20% by 2025 and 50% by 2030 from a 2022 baseline. This will be achieved in a mix of ways without comprising our offer and broad range.

ORL actively manages its food waste, with 72% of unsold food redistributed through our community food partners, the Company shop and the Felix Project which distributes to charities, schools and the vulnerable in society. Inedible food is sent to anaerobic digestion, which creates energy that powers the Dordon CFC.

We will improve food waste through improving processes such as timely and accurate data collection, real time scanning of returns, focusing employees on quick turnarounds and the avoidance of packaging contamination. In the very short term we have goals to identify data at a more central level to help identify more opportunities for redistribution and recovery of unsold food.

Further out, we plan to change processes to improve the proposition that is returned to stock, reduce customer refusals by calling ahead when orders have not been edited, continue improving our on-time deliveries, reducing substitutions and working with our partners on freshness and product life.

At the customer level we are beginning to optimise more of the capabilities of OSP in our webshops. These now enable ORL to execute "flash sales" and discounts at a local level and are showing encouraging results. Longer term, reducing food waste will be a continuous process of improvement. There will be more to gain from OSP: increased accuracy, improved efficiency, enhanced predictive capabilities, and a deeper understanding of our customers' habits at an individual level.

All of this will provide us, our suppliers, and our customers with more insight, helping us to adjust our behaviours, optimise inventory levels, and drive down food waste, all while still delivering excellent fresh products to our customers.

The role of OSP in tackling food waste

Beyond the UK, OSP has a key role in helping our international partners optimise their online grocery offerings, thus playing a role in driving down their food waste too. The complete suite of OSP products maximises operational efficiencies and fulfilment, drives new customers, helps build loyalty through personalisation and brings increased insight into data, actions and outcomes. We see regular improvements and we take these learnings to improve our service, product and offering. As we scale as a global technology solutions provider, our ambition is to enable each of our OSP Partners to reduce food waste in their respective markets and we look forward to reporting on our progress.

Platform resilience and innovation

Technology is at the heart of Ocado's business. Providing a robust and scalable platform for our partners, underpinned by strong governance, critical information and data-related risk management, is central to our ongoing success. We are focused on proactive handling of material issues of data privacy, cybersecurity, product governance, business ethics and governance (including the ethics of artificial intelligence ("AI") and robotics) and responsible sourcing.

This approach is essential to sustaining our leading service to clients and partners throughout our Technology Solutions and Logistics operations. Vigilance in managing these topics and a strong governance oversight are crucial to maintaining our operational integrity and upholding our commitment to delivering exceptional service.

Data privacy management

We are committed to data privacy as we collect and process significant volumes of customer data to assist our Partners in fulfilling orders. Our quality improvement programme ensures adherence to data privacy laws and we integrate data privacy obligations into our organisational culture. We employ the EU General Data Protection Regulation consistently across all Ocado entities and necessary considerations are made for derogations, exemptions, and specific requirements required by local laws.

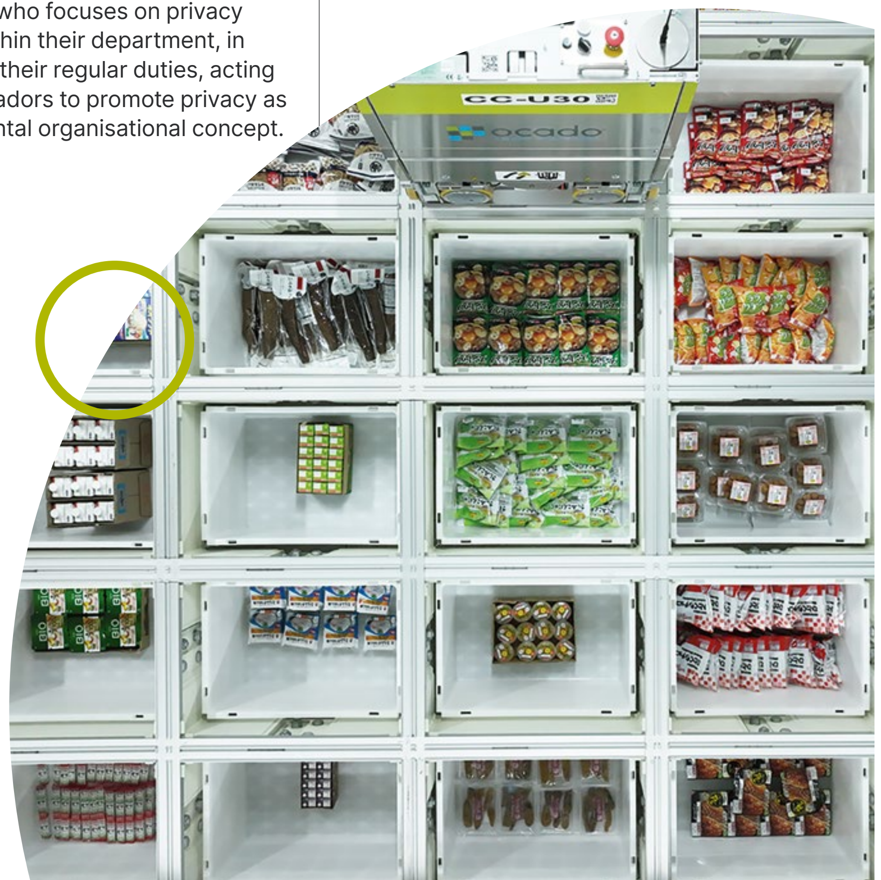
Central to our approach is robust governance and oversight. We operate a Federated Computational Data Governance model. Our approach applies smart automation, low or no-friction solutions to ensure that we maintain oversight of – and governance controls over – the huge volumes of fast-moving data from all client operations, and our own robotic installations.

We have a Personal Data Committee which is accountable to the Audit Committee. Its role is to bolster and steer the data privacy governance agenda, providing assuring to the Executive Committee of the effective data privacy governance and best practice mechanisms in place. Topics covered during FY23 included findings from annual data privacy compliance audits, changes in data privacy legislation and how this will impact Ocado. Every employee, including our Executive Committee, undergoes annual data privacy and security training.

Our Data Protection team is led by a Data Protection Officer. Each business unit has an appointed Data Privacy Champion who focuses on privacy matters within their department, in addition to their regular duties, acting as ambassadors to promote privacy as a fundamental organisational concept.

Over the past 12 months, we concentrated on several key areas:

- Changes in the legal landscape: keeping abreast of developments with the UK's new data protection legislation, the EU Artificial Intelligence Act, the new EU-US Data Privacy Framework ("DPF") and UK-US data bridge to understand the practical implications for Ocado.
- Expansion to new jurisdictions: continuing to adapt our framework for operating OSP in new countries such as South Korea.
- Streamlining compliance processes: The Data Protection team collaborated with employees in Information Security, Procurement, and the Commercial team to streamline due diligence practices, incorporating feedback from Data Privacy Champions and other stakeholders.



Cybersecurity

Cybersecurity & Data remains a Group principal risk for Ocado, and we are committed to safeguarding our data and assets. We recognise the ever-changing threats and understand the crucial role robust cybersecurity practices play in maintaining the trust of our partners and stakeholders.

The landscape is evolving rapidly, marked by increasingly sophisticated cyber threats. Cyber criminals are adopting advanced tactics, including the use of AI tools, to exploit vulnerabilities and breach systems.

Ransomware and supply chain attacks remained major attack vectors in 2023 and will continue to pose significant threats in 2024 and beyond.

As a provider of critical technology, we are alert to these issues and continually enhance our cybersecurity programme to respond to the evolving threats. This proactive approach ensures the protection of both our own and our partners' systems from cyber attacks.

Our comprehensive security programme covers both our corporate systems and OSP including:

- a well-defined security governance framework overseen by the Information Security Committee, which feeds into the Audit Committee;
- a proactive awareness programme to educate all employees about cybersecurity risks;
- a dedicated Security Operations team to detect and respond to security incidents;
- a vendor assurance programme to manage third-party cyber risks;
- regular security testing of our applications and infrastructure; and
- implementing a "secure by design" approach, embedding security into our software development process.

In FY23 we created a cybersecurity strategy in order to define the cybersecurity risks, priorities and objectives for the next three years. The strategy is based on the findings from an independent review of our management of cyber risks that was completed in 2022. The cybersecurity strategy was reviewed and approved by the Board.

Our security programme undergoes annual external audits as part of our Systems and Organisation Controls ("SOC2") certification. SOC2 certification provides our clients with an independent and standardised assessment of Ocado's security practices, demonstrating our ongoing commitment to safeguarding their systems and data. Our SOC2 programme will continue to be a critical component of our cybersecurity strategy, ensuring our security measures remain effective as the threat landscape evolves.

Ethics of AI and robotics

As early adopters we recognise it is important to harness the full benefits of AI and robotics technologies. It is crucial we develop and deploy them in a safe, effective and responsible manner. This approach ensures the trust of our partners and prepares us for upcoming regulations.

In FY23, in line with our commitment to governance, we expanded our AI and Robotics registry to include business owners and technical contacts. This registry now encompasses AI tools used across the entire Ocado Group, not just those developed in Ocado Technology. Presently, the registry covers over 80 use cases within the Group. We proactively reviewed specific use cases to ensure that the relevant teams have adequate awareness and support.

Our AI and robotics commitments

In the past year, we focused on implementing our commitments to responsible AI and robotics:

Building awareness:
We launched an internal campaign to introduce responsible AI and robotics commitments to approximately 4,000 staff members across Ocado Group. Our audience included technology teams and individuals working in risk and regulatory functions. Raising awareness among our staff is crucial because our decentralised approach requires individuals and teams to take appropriate actions based on the specific AI or robotics use case.

Resources and innovation:
We pool internal resources to share and promote best practices. For instance, we provide guidance on breaking down "AI explainability" into understanding how the system works, how to control the inputs and how to interpret the outputs. Additionally, we developed specific guidance on the responsible use of generative AI.

Future actions:
Given our operations in the EU we will continue to monitor the EU AI Act and take proactive steps to anticipate any compliance obligations. In this fast-paced field, we are confident that our early efforts to promote the ethical adoption of AI and robotics will position us favourably in utilising these technologies for the benefit of Ocado's employees, partners and customers.

c.4,000

employees across Ocado Group reached with internal campaign to introduce responsible AI and robotics commitments.

Case study:

How AI is used at Ocado

From the beginning, we have had to solve hard problems for the online grocery industry. This has challenged us to get the best out of fast-evolving technologies including AI and machine learning ("ML").

We have invested in and expanded our Data Function team, building expertise to leverage AI in our product development. The majority of the current 80+ AI use cases in Ocado focus on two areas: consumer experience; and efficient operations. Below are some examples of how we have applied AI to improve the performance of our technology across the OSP suite.

Creating a better consumer experience

AI applications in our OSP software help retailers serve core consumer needs, assisting them to find products they love, as well as discover new products they might love, as easily as possible. AI and ML are used to improve the consumer's ease of shopping, such as the "Instant Shop" which automatically generates a whole order with their favourites, based on their order history (70%+ of a grocery shop is composed of products previously bought). AI and ML are also used for consumer inspiration such as "Recommendations" which present customers with interesting products bought by others with similar habits.

Driving more efficient operations

For a grocery retailer's supply chain, AI powers product demand forecasting for an average basket to account for capacity adjustments at the CFC and last mile capacity, as well as ecommerce trends (e.g. how customers build their basket over time). We use deep learning to find patterns in these multiple data sources, which increases the accuracy of predictions and can also help to reduce food waste.

In a CFC, On-Grid Robotic Pick ("OGRP") (see page 15) stacks an array of AI solutions on top of each other, from computer vision, behaviour cloning, dextrous manipulation, robotic arm control and packing strategies to complex co-ordination and planning in the space shared between the arms and the bots. These AI solutions contribute to OGRP's capability of efficiently picking and packing grocery items without any prior knowledge of what they are.

For last mile delivery, the OSP routing optimiser continuously optimises van routes for a given delivery zone and date up to the point when they have to be picked in the corresponding CFC or store. It handles two jobs: to efficiently assign orders to routes; and to balance the punctuality to the slot time and adherence to physical capacity limits, against the number of vans used and miles driven.

Business ethics

Maintaining and building on our compliance framework is critical to conduct business at high standards of honesty and integrity. Regular reports outlining our plans and progress, along with compliance metrics tracking, are provided to the Board, Audit Committee and Risk Committee.

Focus in FY23

- Updating our Code of Conduct, anti-bribery and anti-tax evasion training modules.
- Launching a new Supplier Code of Conduct and Procurement Policy, driving high standards of compliance from our suppliers.
- Evolving our communication strategy to enhance awareness of core compliance topics, including the launch of a compliance pack for managers.
- Reviewing several existing compliance policies to ensure they remain fit for purpose and accessible globally.
- Strengthening our fraud compliance programme by developing a fraud controls framework.
- Improving our processes for tracking legislation and sanctions.

Our Code of Conduct

Our updated Code of Conduct underpins our expanding business by emphasising the principles guiding our actions. It encapsulates our mission, values and policies for our employees. The Code of Conduct was updated to include our new values (read more on page 22) and emphasises the importance of complying with our minimum standards and expectations. These fundamental principles are reflected in a new Group Supplier Code of Conduct, ensuring uniform compliance and high standards from all our suppliers.

Whistleblowing

We are dedicated to fostering a culture of openness and transparency within our organisation. We have a whistleblowing programme, known internally as "Speak Up" to facilitate whistleblowing without fear of retaliation. This initiative allows employees and third parties to report concerns confidentially through phone or online channels 24/7. The Board and its Committees receive reports on the use of the service, how issues were managed and any mitigating actions.

Anti-bribery and anti-corruption

In FY23 we updated our Anti-Bribery and Anti-Money Laundering Policies to align with the launch of our new Procurement Policy. These policies, along with our public-facing Anti-Bribery Statement, reiterate our zero-tolerance approach and outline the standards expected from those associated with us. The Anti-Bribery Policy covers reporting requirements related to gifts and hospitality and outlines key principles for engaging with third parties and is aligned with our Procurement Policy.

Our Procurement Policy is reinforced by new supplier qualifying requirements, a supplier compliance statement, and updated onboarding and sanctions compliance forms. Our anti-bribery standards and other compliance requirements are integrated into our standard purchasing terms and conditions. We provide third parties with access to our Code of Conduct, Supplier Code of Conduct and confidential reporting channels.

New employees undergo training during their induction to help them identify and manage potential bribery risks, and existing employees receive periodic refresher training. In FY23 our bribery risk assessment was updated to reflect recent changes in the business.

Modern slavery

We are committed to respecting and supporting the internationally recognised human rights encapsulated in the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We take human rights abuse seriously, including forced labour, child labour and human trafficking, and will not tolerate any such practices in our operations or our supply chains. Protecting the human rights of our workforce and the workers in our value chains is embedded within our Human Rights Policy.

In FY23 we began a review of this policy ahead of relaunching it in 2024. We have an ongoing commitment to raise awareness of this issue, to assess our risks, and to implement appropriate due diligence within our own organisation as seen with our responsible sourcing programme (see below). Our commitment and actions during this financial year are set out in our annual Modern Slavery Act Statement. Read our most recent Modern Slavery Act Statement on our corporate website, www.ocadogroup.com.

Responsible sourcing

Our responsible sourcing initiative focuses on driving industry-leading practices into our global hardware manufacturing supply chain, to increase our overall business resilience. It is primarily directed towards the high-risk manufacturing supply chain where we strive to identify, mitigate, monitor and prevent supply chain and business risks through a robust human rights and environmental due diligence plan.

Our progress in FY23

We have a five-year plan in place for responsible sourcing within our global hardware manufacturing supply chain. We made substantial progress in three key areas:

1. Developing responsible sourcing standards and policies:

- We developed a pre-qualification questionnaire for new suppliers in strategic sourcing categories. This aids the identification of modern slavery risks, the evaluation of environmental management (including carbon footprint), transparency, and pinpoints areas for further due diligence.
- We published our first Supplier Code of Conduct for a high-risk segment of suppliers, covering labour and human rights, business integrity and ethics, and management systems principles and standards. The Supplier Code of Conduct can be found on our corporate website, www.ocadogroup.com.
- We established a mandatory procedure for embedding responsible sourcing assessment into our standard procurement systems for supplier onboarding. It forms part of a comprehensive supplier screening process encompassing quality, finance, and data quality assessments.

2. Mapping inherent risk in our broader supply chains:

- We incorporated analysis from SupplyShift to better understand inherent risks in our supply chain based on location, site type and industry, and have used this to determine which suppliers to prioritise for an onsite sustainability audit.
- We have continued to use EcoVadis to assess new suppliers and key existing suppliers' sustainability performance, across all categories in our Supplier Code of Conduct.

3. Beginning engagement with our key suppliers:

- We engaged with our key suppliers representing c.£400m of spend in our hardware manufacturing supply chain, including signing our Supplier Code of Conduct, completing the pre-qualification questionnaire and undergoing a risk categorisation.
- We implemented social auditing requirements for suppliers displaying high social risk factors, ensuring they submit an audit of their facilities by an Ocado-approved auditing body before commencing supply to us. We have completed six onsite audits in four different countries in the first year of our programme.
- We incorporated responsible sourcing aspects into quarterly business reviews with strategic suppliers in scope of the responsible sourcing programme in order to monitor and drive continuous improvement.

These efforts underscore our dedication to responsible sourcing practices, enhancing transparency, and fostering ethical supplier relationships across our global hardware manufacturing supply chain.

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Task Force on Climate-Related Financial Disclosures (“TCFD”) 2023

Compliance Statement

In accordance with the UK’s Financial Conduct Authority (“FCA”) Listing Rule 9.8.6R(8), the table below sets out whether Ocado Group has made disclosures consistent with the TCFD recommendations and recommended disclosures. It also summarises where the relevant disclosures are addressed in the report and the steps we are taking to improve our disclosure, alongside progress in FY23. The climate-related financial disclosures made by Ocado Group comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Section	Section & recommendation	Disclosure consistency	Pages	Progress in FY23	Next steps
1. Governance Disclose the organisation’s governance around climate-related risks and opportunities	a) Describe the board’s oversight of climate-related risks and opportunities.	Consistent	83	As part of its annual strategy meeting in June 2023 the Board received an update on our Net Zero Programme, with updates also provided in September and final Board approval of our Net Zero Roadmap in November 2023.	Continue to operationalise and embed governance around our Net Zero Programme.
	b) Describe management’s role in assessing and managing climate-related risks and opportunities.	Consistent	84	We evolved our TCFD Working Group to cover a broader remit of Environmental Sustainability Compliance and Reporting and increased the frequency of alignment sessions with Ocado Retail.	Continue to improve the governance around managing climate-related risks and opportunities, including monitoring and reporting of mitigating actions.
2. Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Consistent	85	We expanded and updated our climate risk assessment to cover our global footprint.	Ongoing management of climate-related risks and opportunities in line with our Enterprise Risk Management (“ERM”) approach (pages 103 to 106).
	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	Consistent	94	We strengthened the consideration of climate-related risks and opportunities within our five-year plan informing sensitivities.	Continue to improve the linkage between climate-related risks and opportunities and our five-year planning process. This will be part of improving the financial modelling associated with our scenario analysis to support increased quantification in our disclosures and to better understand our resilience.
	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Consistent	95	During the year we have matured the financial modelling associated with our scenario analysis to support increased quantification in our disclosures and to better understand our resilience.	
3. Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks	a) Describe the organisation’s processes for identifying and assessing climate-related risks.	Consistent	96	We updated our climate risk identification and assessment approach to more formally consider our global footprint, and support improved disclosures.	Continue to ensure that climate-related risks and opportunities are identified and assessed in line with our ERM approach (see pages 103-106).
	b) Describe the organisation’s processes for managing climate-related risks.	Consistent	96	The increased frequency of alignment sessions with Ocado Retail and the formalisation of our Net Zero Programme supported more consistent governance of many of the mitigating actions to manage climate-related risks and opportunities.	As our Net Zero Programme continues to mature, we expect that the oversight and monitoring of many mitigating actions to manage climate-related risks and opportunities will be governed by this programme.
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management.	Consistent	96	Continued to manage climate-related risks within our Climate, environment and geopolitical principal risk in line with our Enterprise Risk Management (ERM) approach (see pages 103-106).	Continue to ensure that the management of climate-related risks and opportunities is integrated into the organisation’s overall risk management, especially as we evolve and mature our processes.
4. Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Consistent	97	We have made progress in identifying and developing metrics to assess our climate-related risks and opportunities. The non-financial data to support the assessment of climate-related risks and opportunities and their disclosure is still maturing.	We will continue to mature our non-financial data to support the assessment of climate-related risks and opportunities in line with our strategy and risk management process, and to support the relevant disclosures.
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (“GHG”) emissions, and the related risks.	Consistent	101	We continue to collect data to support our understanding and disclosure of our Scope 1, Scope 2 and Scope 3 GHG emissions, and have progressed in developing our Net Zero Roadmap.	We will continue to develop and embed our Net Zero Roadmap, leveraging our Scope 1, Scope 2 and Scope 3 GHG emissions data.
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Consistent	97	We have made progress in developing our Net Zero Roadmap, which will inform interim targets relating to our longer-term GHG emission targets as appropriate.	As we continue to mature our non-financial data we will consider setting targets as appropriate as metrics are further embedded into the business.

1. Governance

Leadership has oversight of climate-related risks and opportunities through the Board and Audit Committee. The management-level Risk Committee, ESG Committee and working groups have delegated responsibility for delivery of the business-level actions as set out in the diagram below.

a) Describe the board’s oversight of climate-related risks and opportunities

Board

The Board sets and leads the Company’s climate-related strategy and has oversight of climate-related risks and opportunities in line with our ERM approach (see pages 103 to 111).

The Board is responsible for the review and approval of Ocado Group’s risk management framework and the principal and emerging risks, including a review of the Group’s risk appetite. The Board discussed the Company’s principal risks in December 2022, June 2023 and February 2024.

The Board is responsible for setting our overall strategy, which includes the commitment to reduce our environmental impact. As part of its annual strategy meeting in June 2023 the Board received an update on our Net Zero Programme, and approved our Net Zero Roadmap in November 2023.

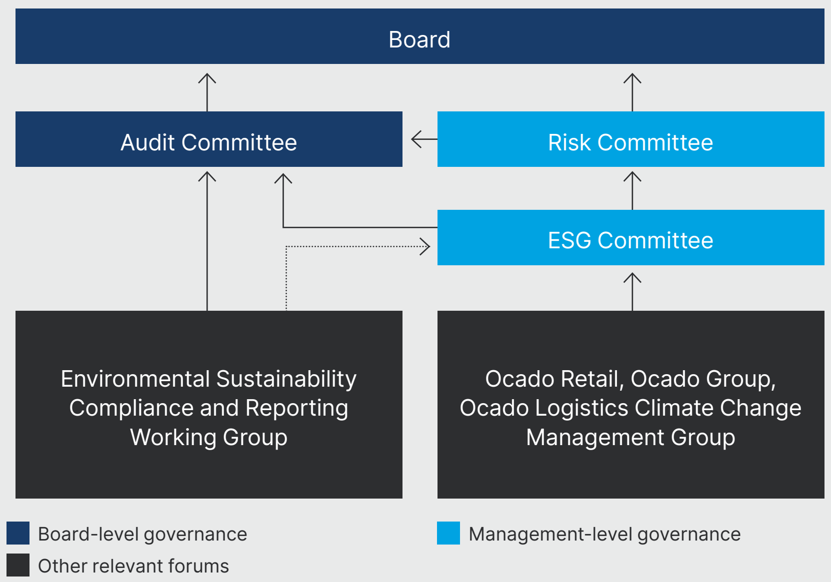
As part of defining our strategy, the Board also considers our five-year plan, which this year factored in climate-related risks as sensitivities to a number of the key assumptions in the plan.

Many of our Net Zero initiatives are proposed for future years, but this year we have incorporated some Net Zero initiatives into financial budgets for FY24.

This will better inform our next rolling five-year plan, and as we continue to develop our Net Zero Roadmap, we expect more initiatives to be considered as part of our budgeting process.

To inform its decision-making, the Board undertook two externally facilitated training sessions during the year relating to the ESG regulatory landscape.

Governance of climate-related risks and opportunities



Performance and remuneration

ESG, which included a Group-wide emissions roadmap to Net Zero, is included as part of the vesting consideration criteria for the Annual Incentive Plan ("AIP") in our Directors' Remuneration Policy, thereby ensuring that the Remuneration Committee considers this factor when determining whether the formulaic vesting levels are appropriate. This year each of our Executive Directors had objectives relating to ESG including the development of an environmental roadmap.

→ See the AIP Corporate Scorecard of performance measures and information relating to the ESG objectives set for FY24 on page 183

Audit Committee

The Board delegates elements of its responsibility to the Audit Committee. The Audit Committee meets at least quarterly and, delegated by the Board, is responsible for the review of the effectiveness of risk management and the system of internal control for Ocado Group. Twice a year the Audit Committee discusses the Risk Committee's enterprise risk report, including our Climate, environment and geopolitical principal risk.

The Audit Committee also receives ad hoc updates on climate-related risks, which this year included an update on the evolving ESG regulatory landscape, and the status of activities to mature our climate-related disclosures.

In 2024, our Internal Audit function will review the status of activities of both the ESG and Net Zero Programmes.

The Chair of the Audit Committee provided updates to the Board throughout the year on matters discussed at Committee meetings, including updates on our evolving ESG landscape.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Risk Committee

The Risk Committee meets quarterly and reviews and challenges the risk management process at Ocado Group, including the identification, prioritisation and management of principal and key risks, including our Climate, environment and geopolitical principal risk. The Risk Committee has delegated oversight of climate-related risks to the ESG Committee to better leverage subject matter expertise. The Risk Committee reports to the Audit Committee and the Board.

ESG Committee

The ESG Committee convenes four times a year and has governance of our climate-related risks and opportunities. The Committee is chaired by Neill Abrams (Group General Counsel and Company Secretary), sponsor of our climate change agenda. Neill, along with Stephen Daintith (Chief Financial Officer), maintains oversight of our net zero and climate risk management activities and reporting. Members include Claire Ainscough (Chief People Officer), James Matthews (CEO, Ocado Technology) and Brian McClory (Managing Director, Ocado Logistics). Updates on its decisions and actions are provided to the Risk Committee, Audit Committee and the Board.

Topics discussed by the ESG Committee during the year included: our Scope 1, Scope 2 and Scope 3 GHG emissions; the basis of reporting GHG emissions; the development of a Net Zero Roadmap; and initiatives which underpin this. The ESG Committee also received training on climate matters specifically focused around governance requirements under new and emerging ESG regulations.

Other relevant forums

Environmental Sustainability Compliance and Reporting Working Group
Formerly the TCFD Working Group, the Environmental Sustainability Compliance and Reporting Working Group is a management group which co-ordinates risk, compliance and reporting activities, with a focus on environmental sustainability regulations. This working group supports alignment across central functions for the ongoing assessment and reporting of climate-related risks and opportunities, and reports to the Audit Committee. Topics managed by this group include current and emerging reporting requirements relating to environmental sustainability.

Ocado Retail ("ORL"), Ocado Group, Ocado Logistics Climate Change Management Group
ORL governs the management of climate-related risks and opportunities independently from the Ocado Group risk governance structure.

To maintain appropriate alignment and manage dependencies a management group with representatives from across ORL, Ocado Group and Ocado Logistics convene on a six-weekly basis to co-ordinate the management of climate-related risks. Issues discussed by the management group include GHG emissions data, food waste and fleet decarbonisation. Various operational meetings are held in addition to this. This group reports to the Ocado Group ESG Committee and ORL ESG Committee.

→ See the How we manage our risks section (pages 103 to 111) for additional detail on how we maintain alignment between Ocado Group and Ocado Retail

2. Strategy

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

Climate-related risks are identified, assessed, managed and monitored in line with our ERM approach (page 103). To understand our exposure to physical risk in additional detail, a third party supported a Physical Risk Scenario Analysis across 25 CFC locations in the UK and internationally.

The process(es) used to determine which risks and opportunities could have a material financial impact on the organisation

Building on last year's climate risk assessment, which engaged external subject matter experts to obtain additional external information and data, we worked with stakeholders across the business to review a "long-list" of climate-related risks across the following categories:

Risks
- Policy and Legal
- Technology
- Market
- Reputation
- Physical Risk (Acute)
- Physical Risk (Chronic)

Opportunities
- Resource Efficiency
- Energy Source
- Products and Services
- Market Opportunity
- Resilience

We asked business stakeholders to consider the impact and timeframe over which risks and opportunities might materialise, and this informed the prioritisation of those climate-related risks which have been identified as key risks within our Climate, environment and geopolitical principal risk.

Risk assessment period

We recognise that one of the key characteristics of climate-related risks and opportunities is that they materialise over the longer term.

To better understand and manage climate-related risks, we extend our time horizons beyond our five-year plan to consider the impact of climate on our business over the lifetime of our CFCs and other significant assets. We consider our climate-related risks by geography, in terms of either i) UK – affecting our Logistics business; or ii) Global – affecting our Technology Solutions business.

Short, medium, and long term time horizons

We describe the climate-related risks and opportunities we identified over the short, medium, and long term, by geography, and in reference to climate-related risk and opportunity categories below.

Risk assessment period

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

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Our key climate-related risks and opportunities

Through our risk and scenario analysis, the following risks and opportunities have been identified. Our analysis during the year has allowed us to continue to better define climate-related risks for Ocado Group, as our understanding of the risks deepens. This will continue into next year. See pages 95 and 87 for a description of the scenarios and financial impact analysis ranges used.

Climate risk/opportunity definition	Potential impact on Ocado	Potential financial impact	What are we doing to manage this risk/opportunity
1. Extreme weather There is a risk of increased severity of extreme weather events such as heatwaves, hurricanes and floods disrupting the supply chain **Link to principal risk:** • Climate, environment and geopolitical **Link to Metrics:** We are still evaluating suitable metrics to monitor impact of Extreme Weather. **Category:** Physical Risk (Acute) **Geography and timeframe:** UK, Global, Short, Medium, Long	Extreme weather could cause damage to physical assets and impacts on insurance liabilities and disruption to operations, transportation and supply chains. Analysis of eight different climate hazards across 25 CFC locations in the UK and internationally is performed. In the long term under a >4 degree Celsius scenario (i.e. the worst case scenario): • all CFCs in the UK and internationally are expected to experience increased heat and precipitation risk; • some CFCs in the UK and internationally are expected to experience increased drought, flood, windspeed, and wildfire risk; • few CFCs internationally are expected to experience increased hail/thunderstorm risk; and • all CFCs in the UK and internationally are expected to experience less cold risk.	In the UK our operations encompass our UK Logistics business and our shared ownership Retail business. Internationally, CFCs are sited, developed and operated by our clients. As such, Ocado has less direct financial exposure to this risk outside of the UK. Nonetheless, we have considered the exposure to physical risks at international CFCs given their strategic importance. Financial analysis of four climate hazards across 25 CFC locations in the UK and internationally: **<2 degrees Celsius SSP 1 – RCP 2.6:** Short term: Minor £ Medium term: Minor £ Long term: Minor £ **2-3 degrees Celsius SSP 2 – RCP 4.5:** Short term: Minor £ Medium term: Minor £ Long term: Moderate ££ **>4 degrees Celsius SSP 5 – RCP 8.5:** Short term: Minor £ Medium term: Moderate ££ Long term: Moderate ££	**Insurance:** • Our insurance arrangements respond to natural catastrophe risks (e.g. flood, earthquake, windstorm, wild fire) covering both physical assets and liabilities under a global insurance programme aligned with our exposure and risk appetite. **Crisis management and business continuity arrangements:** • Our business continuity management programme is already embedded in the UK and at our international development centres. Plans are in place to develop business continuity capability arrangements for international client sites.

Definitions, scope and assumptions of financial impact analysis:

- Physical risk assessment covered 25 CFC sites across the UK and internationally, and therefore spoke and Zoom sites are not included in this analysis.
- Physical risk assessment covered eight climate hazards: extreme rainfall; days of extreme cold; hail and thunderstorm probability; drought frequency; flood depth of water; extreme wind speeds; days of high heat; and wildfire risk.
  - Additional assumptions specific to the analysis performed on each hazard type were built into the modelling e.g. mitigation from governmental flood defences in certain geographies.
- Financial quantification covered four climate hazards: flood depth of water; extreme wind speeds; wildfire; and days of high heat.
  - Estimates of physical asset and site contents value were based on insured values, with proxy values allocated for sites which are not yet live.
  - Estimates of site specific revenue were based on the number of modules live or expected at "go live date" at an assumed standard revenue per module.
  - Additional assumptions specific to the analysis performed on each hazard type were built into the financial modelling e.g. the damage to buildings caused by extreme events.
- The analysis does not take account of site specific mitigating actions when assessing the baseline financial impact of the risks.
- SSP – Shared Socioeconomic Pathway; RCP – Representative Concentration Pathways.
- Potential financial impact analysis was performed to the nearest million (£).

Key:

Geography: UK, Global

Timeframe: Short, Medium, Long

Key to financial impact analysis ranges

In our analysis of the financial impact of the identified risks, we have used the below financial impact ranges. These align with the financial quantification criteria used in our enterprise risk management impact approach. The results of our analysis is summarised in the risk table on pages (86 to 93). Risks should be considered in isolation as the complex interrelationship between multiple risks has not been considered.

Impact	Financial impact analysis range – average annual profit before tax/asset loss
Major £££	Financial quantification of the risk is more than £25m
Moderate ££	Financial quantification of the risk is between £10m and £25m
Minor £	Financial quantification of the risk is less than £10m

Climate risk/opportunity definition	Potential impact on Ocado	Potential financial impact	What are we doing to manage this risk/opportunity
2. Climate-related disclosures There is a risk of an increasing landscape of mandatory climate-related disclosures with additional complexity and compliance burden (e.g. TCFD, CSRD, Companies Act 2006). **Link to principal risk:** • Regulatory & compliance **Link to Metrics:** CDP score **Category:** Policy and Legal **Geography and timeframe:** UK	• Ocado's international operations and subsidiaries mean that Ocado is exposed to international regulation as well as UK climate reporting obligations. • Compliance with an increasing landscape of mandatory climate-related disclosures has a cost burden. • If this were unmitigated, failure to comply could result in a loss of trust in Ocado's reporting, reputational damage and reduced ability to secure finance. • This is an increasing risk as investors and insurers are requiring more climate information to be able to appropriately assess and price climate-related risks and opportunities.	• The financial impact will primarily be across systems, processes, controls and people to ensure the accuracy and robustness of data and information reported. • If this were unmitigated, there may be potential costs due to failure to comply with regulatory requirements (e.g. fines) or an increased cost of funding/inability to raise finance. **Scope and assumptions of financial impact analysis:** • We are already experiencing an increasing landscape of mandatory climate-related disclosures with additional complexity and compliance burden, and as such our analysis has not considered the impact of scenarios on this risk.	**Governance:** • Refer to pages 83 to 85 to read more about how we govern climate-related risks. • Updates on compliance status and emerging regulation were provided to Board and management-level committees regularly throughout the year. **Regulatory horizon scanning:** • Workshops were held during the year to identify gaps and improvement focus areas for the identification, assessment and implementation of new, emerging and current climate-related regulatory requirements.
3. Energy usage There is a risk of changing climate patterns (mean temperature increase) leading to increased CFC energy requirements (and costs) for cooling. **Link to principal risk:** • Climate, environment and geopolitical **Link to Metrics:** CFC Electricity Consumption (kWh/Each) Electricity produced from non-grid sources (% of total Electricity Consumption) **Category:** Physical Risk (Chronic) **Geography and timeframe:** UK	• The main impact is on energy usage to maintain food temperature. • Energy demand for CFC cooling is anticipated to increase over the medium and long term (driven by changing climatic conditions). • Energy pricing is also expected to increase over the medium and long term (driven by carbon pricing/energy supply). • This risk impacts our UK Logistics business and our shared ownership Retail business. • Internationally, our clients own and build their CFCs, as well as being responsible for the utilities within CFCs. As such, the international risk sits with our clients.	Under both Orderly Transition and Hot House World scenarios we anticipate that both the energy consumption for our CFCs and energy prices will increase. The increase in energy consumption is greater under a Hot House World scenario (driven to a greater extent by demand for cooling) whilst the increase in energy price is greater in an Orderly Transition (driven to a greater extent by factors such as carbon pricing). **Orderly Transition:** Short term: Minor £ Medium term: Minor £ Long term: Moderate ££ **Hot House World:** Short term: Minor £ Medium term: Moderate ££ Long term: Moderate ££ **Scope and assumptions of financial impact analysis:** • We modelled the impact on CFC electricity costs of changing electricity usage and prices under different scenarios. • Modelled using data from Network for Greening the Financial System ("NGFS") (GCAM5.3) and Ocado Group electricity consumption and cost data. • We have modelled the change in energy price and consumption for our UK CFCs utilising our FY22 data as a baseline. This baseline already includes an increase in energy prices following the energy crisis in 2021-2022. The baseline spend data used includes all electricity consumption (e.g. freezers, chillers, MHE, lighting) and we have not apportioned this figure before performing our analysis. • Scope of modelling included UK CFCs only, and not spoke or Zoom sites. • We assumed no additional mitigations are put in place (e.g. energy efficiency initiatives). • We have not modelled any change in energy consumption due to growth in our operations. • Potential financial impact analysis was performed to the nearest million (£).	**Energy supply diversification:** • We are beginning to diversify our supply of energy including the use of anaerobic digestion and solar photovoltaics at our CFCs. **Net Zero Programme:** • Our Net Zero Programme is developing a roadmap of initiatives including adopting renewable energy and reducing energy usage through efficiency measures. **Energy supply monitoring:** • We have an Electricity Procurement Risk Management Policy, which has been approved by the Audit Committee, and a governance structure in place for electricity procurement. • We take expert advice on energy price hedging and other control measures.

Climate risk/opportunity definition	Potential impact on Ocado	Potential financial impact	What are we doing to manage this risk/opportunity
4. Natural Resources There is a risk that policies on sustainable materials e.g. plastics, mined raw materials, carbon pricing are introduced resulting in increased prices or reduced availability of raw materials. **Link to principal risk:** • Climate, environment and geopolitical • Supply chain **Link to Metrics:** We currently monitor metrics around the number of suppliers who have signed our Supplier Code of Conduct, and number of suppliers screened during the supplier onboarding process. We have plans to mature the metrics we monitor. **Category:** Policy and Legal **Geography and timeframe:** UK	Under both a Hot House World and Orderly Transition scenario we expect that the potential impacts will be similar: • It is expected that this risk will be driven by the introduction of policies such as carbon pricing increasing the cost of carbon intensive materials such as cement or steel. • Similarly increased demand for, or reduced availability of, materials required for sustainable solutions (e.g. lithium for batteries) may result in cost increases.	**CFC construction costs (UK only)** In the UK, increased costs of carbon intensive materials would likely result in a pass-through of these costs from suppliers resulting in increased capital expenditure costs for CFC construction. Internationally, Ocado's OSP partners site and develop CFC buildings, into which Ocado installs its MHE. **Short term:** We do not plan to build any new CFCs in the UK in the short term, as we seek to maximise capacity in the existing infrastructure. **Medium/long term:** the impact of increased costs would be considered in the business case for any new CFCs. **MHE Costs (UK & global)** **Short term:** We will manage this through our supply chain management and procurement policies and procedures. We are also continuing to identify opportunities within our products that require less carbon intensive material, amongst other initiatives. **Medium/long term:** The extent to which any financial impact will be felt is dependent on the extent to which we include cost increases within the cost of our product/ pass on costs to clients.	**Procurement policies:** The controls we are implementing to manage other ESG issues in the supply chain will support the management of climate-related risks. This includes: • Procurement policies in technology hardware manufacturing supply chains; • A pre-qualification questionnaire for all new suppliers in strategic sourcing category segments, as of July 2023. • A Responsible Sourcing Screening Standard Operating Procedure ("SOP") for onboarding new suppliers in Ocado Technology. • An Ocado Supplier Code of Conduct was implemented in January 2023, and will be monitored as part of our responsible sourcing programme. **Critical suppliers:** • As part of our Net Zero Programme, we have measured, and are starting to engage with our suppliers based on, spend-based GHG emissions factors with the goal of reducing our carbon emissions, by focusing on our highest-emission suppliers first. This work continues into next year and has the goal of gaining more mature data next year. • We have also started to map critical suppliers to different materials in order to better respond to regulations which impact certain resources (e.g. aluminium, steel, etc.). This work continues into next year.
		Scope and assumptions of financial impact analysis: • Our analysis considered data from Network for Greening the Financial System ("NGFS") (GCAM5.3) and Bloomberg. However, we require more understanding of the drivers of this risk to enable financial modelling under a Hot House World and Orderly Transition scenario.	
5. Internal Combustion Engine ("ICE") Vehicles Ban There is a risk that the technology required to transition our fleet to use alternative fuels (e.g. electric or hydrogen) is not available or is not economically viable for us to be able to meet the ban on the use of internal combustion engines by the UK Government deadline. Currently, the relatively low range of EVs in comparison with ICE vehicles poses a limitation on the number of operational sites which we are able to electrify. The impact of this risk is that we may need to change our model to meet client demand, and face reputational damage. **Link to principal risk:** • Climate, environment and geopolitical **Link to Metrics:** Van fleet utilising zero emissions technology (%) **Targets:** • Net Zero fleet by 2035 (Scope 1) **Category:** Policy and Legal **Geography and timeframe:** UK	• The majority of the fleet we operate are vans (under 3.5 tonnes) which are leased by Ocado Retail and Morrisons, and trucks (above 26 tonnes), which we lease and operate. • The UK Government, as part of its transport decarbonisation plan, will end the sale of new petrol and diesel cars and vans (under 3.5 tonnes) by 2035. • We are a signatory member of the British Retail Consortium ("BRC") Net Zero Roadmap and are therefore already committed to decarbonising our fleet by 2035 as part of its strategy. • We need to build new relationships with zero emissions vehicle suppliers and novel infrastructure suppliers, and we may need to invest in pilot studies to support the implementation of new technologies and understand the operational impact of alternative fuel technologies.	**Short term:** Minor £ In the short term we expect leasing, maintenance and fuel costs to change incrementally as we transition the fleet to alternative fuel technologies, beginning with those vans where the technology is available to meet our operational needs (i.e. delivery route lengths). In the first tranche of our proposed fleet transition (planned for FY24), Ocado Retail plans to lease the capital infrastructure required. **Medium/long term:** Not quantified Given the evolution of alternative fuel technologies, and the need for vehicle range to improve to meet the needs of our operations we are unable to quantify the financial impact in the medium to long term. We anticipate that there will be a financial cost associated with acquiring the infrastructure and assets required to transition the fleet.	**Fleet transition plan:** • Analysis of sites has been conducted with a view to prioritising sites for electrification on the basis of site characteristics and available EV technology. • This includes route length, power availability/cost, current infrastructure and physical limitations, and encumbrance. • On the basis of this analysis a roll-out plan has been developed with tranches of electrification proposed. **Vehicle manufacturer engagement:** • Ocado is engaging with multiple vehicle manufacturers on novel technologies, including hydrogen-fuelled vehicles and infrastructure.
		Scope and assumptions of financial impact analysis: • We have assumed that this risk is scenario agnostic. • Our financial analysis to date uses Ocado Retail data from existing plans for the acquisition of charging infrastructure at three spoke sites. • Our approach to transitioning our fleet to alternative fuel technologies depends on the capability of current and future technology to meet our operational needs, and the associated economic viability. • Potential financial impact analysis was performed to the nearest million (£).	

Climate risk/opportunity definition	Potential impact on Ocado	Potential financial impact	What are we doing to manage this risk/opportunity
6. Net Zero Challenge There is a risk that we fail to articulate and deliver on our Net Zero commitments due to a lack of mandate, lack of commitment, lack of budget, prioritised decision-making and resourcing required to create a cohesive plan to achieve Net Zero, resulting in regulatory scrutiny and loss of client and investor reputation. **Link to principal risk:** • Climate, environment and geopolitical **Link to Metrics:** GHG emissions (Scope 1, 2, and 3) % of UK sites using renewable electricity sources **Targets:** • Net Zero in our operations by 2035 (Scope 1 and Scope 2) • Net Zero in our value chain by 2040 (Scope 3) • 100% renewable electricity sources by 2023 **Category:** Policy and Legal, Reputational **Geography and timeframe:**	**Orderly Transition:** We anticipate that the regulatory scrutiny and consequences will be greater in an Orderly Transition scenario, but that the coordinated large scale cross-industry and cross-organisational response would mean that technological advances are more readily available to support initiatives. **Hot House World:** We anticipate that whilst there may be less regulatory scrutiny, the slower pace of technological advance under a Hot House World scenario would make transitioning to Net Zero more challenging. Under both scenarios we expect: • Achieving Net Zero will require a co-ordinated large scale cross-industry and cross-organisational response. • The impact of failing to articulate and deliver on our Net Zero commitments would be both reputational and regulatory. • Similarly, investors are increasingly asking companies that have published Net Zero targets to articulate better how they will deliver on these targets, supported by credible commitments.	• The financial impact will primarily be across systems, processes, controls and people to ensure the accuracy and robustness of data and information reported. • Also, investment into novel technologies will be required, which might include operational expenditure or capital expenditure. • Our Net Zero Programme will analyse costs on a project-by-project basis. **Scope and assumptions of financial impact analysis:** • We have assumed that the financial impact of this risk is scenario agnostic. • Our Net Zero Programme will analyse costs on a project-by-project basis, and therefore we are currently unable to quantify the overall financial impact.	**Governance:** • Net Zero Programme governance established during FY23. • Executive Committee sponsorship confirmed. • A business lead and Net Zero Programme manager have been appointed at the annual Board strategy meeting in June 2023. **Net Zero programme:** • A roadmap of initiatives has been developed for FY24 and FY25 as part of the Net Zero Roadmap, developed in partnership with xtonnes. Refer to page 75 for more information. **External capability:** • xtonnes, a carbon analytics provider, has been contracted for an additional three years of support.
7. Low-carbon MHE There is an opportunity to design low-carbon components into the product and supply chain (upstream and downstream), to improve product efficiency, circularity, and to prepare for future regulation and business expectations. **Link to principal risk:** • Product innovation, protection & performance **Link to Metrics:** We will consider setting metrics and targets as we develop our Net Zero Roadmap. **Opportunity category:** Products and Services **Timeframe:**	• Re:Imagined technology that requires less carbon intensive material or reduces operational energy use could provide a unique opportunity to help Ocado and its partners reduce their own carbon footprints.	• This opportunity could result in increased partnerships as sustainable ecommerce solutions become more desirable for retailers. **Scope and assumptions of financial impact analysis:** • We are currently unable to quantify the financial impact of this opportunity.	**Re:Imagined technology development:** • Development teams continue to identify re-design opportunities for Re:Imagined technology that requires less carbon intensive material, creates fewer transportation emissions or reduces operational energy use. **Net Zero Programme:** • This opportunity will be analysed through our Net Zero programme.

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

How identified climate-related issues have affected their businesses, strategy, and financial planning

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

Several of the risks and opportunities identified above (Risks 3, 4, 5, 6 and 7) are to some extent addressed through the delivery of our Net Zero Programme. This forms part of our work to develop our transition plan (see pages 74 and 75), which is delivering our commitments to becoming a Net Zero business (see Metrics and Targets section below). Other risks and opportunities identified above (Risks 1, 2, 3, 4 and 6) are addressed through mitigations which we consider to be part of business as usual (e.g. insurance, governance, monitoring). Where mitigations are more strategic in nature, we have described the impact of these on our business strategy in the areas set out in the table below.

The impact of climate-related issues on the organisation's financial performance (e.g., revenues, costs) and financial position

The climate-related risks, opportunities and scenario analysis which we disclosed in FY22 informed key sensitivities included in our five-year plan, which was discussed at the Board's annual strategy meeting in June 2023.

Risk mitigations and initiatives are factored into financial planning via enterprise-wide budgetary and capital allocation processes. Many of our Net Zero initiatives are proposed for future years, but this year we have incorporated some Net Zero initiatives into financial budgets for FY24. This will better inform our next rolling five-year plan, and as we continue to develop our Net Zero Roadmap we expect more initiatives to be considered as part of our budgeting process. Where mitigations are more strategic in nature, we have set out below the extent to which our activities to address climate risk are currently factored into financial planning.

Impact on strategy	Impact on financial planning
Fleet transformation (Investment in research and development, mitigation activities)	
Link to risk(s)/opportunity: 5	
Research and development • Research and development includes collaboration projects with vehicle manufacturers, to provide them with real world testing of next generation vehicles. **Mitigation activities** • Mitigation activities include plans for the electrification of our fleet to prepare for the UK Government ban on the sale of new petrol and diesel cars and vans (under 3.5 tonnes) by 2035. • Electrification of our ORL van fleet is being conducted in "tranches" to allow us to pilot technologies, provide data and inform lessons learnt for future investments.	**Research and development** • Collaboration projects with vehicle manufacturers included in teams' business plans and budgets. **Mitigation activities** • The business case for tranche 1 of our fleet transition, proposed for FY24, has been approved by the ORL board.
Energy diversification (mitigation activities, value chain)	
Link to risk(s)/opportunity: 3	
• Ocado has contracted with a company which operates anaerobic digestion plants to recycle organic waste into green energy for the UK national grid. • There is an active project looking at solar photovoltaics across all CFCs.	• Energy prices are agreed with the company who operates anaerobic digestion plants on a six-monthly basis. • Commercials for solar photovoltaics at our CFCs are being developed. Executive agreement has been obtained for the core components, with the infrastructure aspects now being costed for final Board approval.
Re:Imagined Technology	
Link to risk(s)/opportunity: 5 and 7	
• Development teams continue to identify re-design opportunities for Re:Imagined technology that requires less carbon intensive material, creates fewer transportation emissions or reduces operational energy use.	• We are committed to a three-year partnership with xtonnes, a carbon analytics provider that supports our work to develop a Net Zero Roadmap, and supports our development teams in understanding the carbon footprint of our products.

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

Scenarios used to inform the organisation's strategy and financial planning

Last year we worked with external expert advisors to support the undertaking of scenario analysis. This scenario analysis was reviewed in the FY23 reporting year, and updated as required. Our scenario analysis will be reviewed on an annual basis, and updated when required.

During the year we have matured the financial modelling associated with our scenario analysis to support increased quantification in our disclosures.

Our scenario analysis considered an Orderly Transition scenario and a Hot House World scenario so that we were informed by a breadth of physical and transition risks. Whilst transition and physical risks are expected to occur in all scenarios, the Orderly Transition scenario is characterised by high transition risks, whilst the Hot House World scenario is characterised high physical risks. Additional information on these scenarios is included in the box below.

Climate scenarios

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

Orderly Transition

Description

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

Key scenario drivers

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

Hot House World

Description

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

Key scenario drivers

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

Physical Risk Scenario Analysis

To understand our exposure to physical risk in additional detail, a third party supported a Physical Risk Scenario Analysis across 25 of our CFC locations internationally (both Ocado- and client-owned sites). This analysis utilised the following climate scenarios based on IPCC's 6th Coupled Model Intercomparison Project (CMIP-6):

- <2 degrees Celsius SSP 1 – RCP 2.6   2-3 degrees Celsius SSP 2 – RCP 4.5   >4 degrees Celsius SSP 5 – RCP 8.5

This analysis examined the climate risk across eight different climate hazards (extreme rainfall; days of extreme cold; hail and thunderstorm probability; drought frequency; flood depth of water; extreme wind speeds; days of high heat; and wildfire risk).

Through our risk and scenario analysis we consider our business to be resilient to the risks we have identified. This assessment is supported by the mitigating actions previously described as well as other factors, including that:

- we run a diverse business across three operational segments, meaning that transition risks which impact particular sectors pose less impact to us;
- we have a geographically distributed base of partners, providing a natural hedge against weather extremities; and
- we have established OIA to bring Ocado's unique and proprietary technology to clients outside grocery, further diversifying and spreading the impact of risk.

Transition plan

You can read about the Net Zero Roadmap on page 75. This forms part of our work to develop our transition plan.

3. Risk Management

a) Describe the organisation's processes for identifying and assessing climate-related risks

Our ERM approach has identified Climate, environment and geopolitical as a principal risk. Therefore, the approach to identify, assess and manage this risk on an ongoing basis follows our overall risk management approach which is described on pages 103 to 106. Risk and opportunity identification is performed at Ocado Group level, with our process allowing us to categorise risks as applying to Ocado Technology Solutions or Ocado Logistics. We maintain alignment with ORL, which manages its risk process independently, via our governance structure (see pages 83 and 104), and which has a roadmap to publish its TCFD disclosure in 2024. Refer to the 'How we manage our risks' section (page 103) for additional detail on how we maintain alignment between Ocado Group and ORL.

Our ERM approach allows for the continual identification and assessment of climate-related risks. For each principal risk we consider additional characteristics which are pertinent to that risk, so as part of an annual review, climate-related risks and opportunities are identified and assessed considering additional characteristics in line with TCFD requirements. This includes geography, timeframe, and specific categories of risk, opportunity and impact. Amongst other considerations, ongoing climate risk reviews include assessment of impact on products and services; supply chain; mitigation activities; investment in research and development; and operations. Risks such as compliance with existing and emerging regulatory requirements related to climate change are considered against principal risks such as Climate, environment and geopolitical (page 111) and Regulatory and compliance (page 110).

Our approach to identify and assess climate-related risks and opportunities built on work performed in previous years when we engaged external subject matter experts to obtain additional external information and data, and this year reflected the following:

- Enterprise Risk team review of a "long-list" of climate-related risks and opportunities.
- Informed by prior risk assessment activities, 18 climate-related risks and eight climate-related opportunities were selected for review through key stakeholder interviews, which sought to prioritise the risks by reviewing the business impact of the risks/opportunities and the time horizon from which risks could likely begin to have an impact.
- Key risks were prioritised based on the results of the outcome of key stakeholder interviews and considering expected impact.
- Key risks were further assessed, managed and monitored in line with our principal risk process.

The Enterprise Risk team, working with stakeholders across the business, undertook additional scenario analysis and financial modelling on those key risks which are scenario specific or which have characteristics which can be modelled.

During the year we also engaged external subject matter experts to obtain additional external information and data to fully assess and perform scenario analysis in relation to Physical Risks.

b) Describe the organisation's processes for managing climate-related risks

Key risks are assigned to senior owners in line with ERM practice. Neill Abrams and Stephen Daintith are the Risk Owners of the Climate, environment and geopolitical principal risk. Tactical risk management decisions are taken by management groups previously outlined (see page 84), with oversight provided by the ESG Committee and Risk Committee. Strategic risk mitigation decisions are taken by the ESG Committee, and regularly reviewed to ensure they remain relevant and on track. The Risk Committee meets quarterly and reviews the management of all principal and key risks at least once a year as part of our annual risk review process, including decisions to mitigate, transfer, accept or control risks.

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

See above how climate-related risks are identified, assessed and managed in line with our overall risk management approach.

4. Metrics and Targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process and c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The following section summarises the targets we use to manage climate-related risks and to realise climate-related opportunities including targets linked to both an overarching reduction in emissions and a reduction in individual risks or their impacts previously described.

Interim targets

Our carbon strategy, which we published last year, outlines our commitments to becoming a Net-Zero business in our operations and value chain. For the first time this year we have published more detail relating to priorities we have set to achieve our Net-Zero commitments (see Net Zero Roadmap on page 75). We have also taken steps to disclose additional metrics this year, and will continue to mature our non-financial data. In future years interim targets will be identified and informed by our Net Zero Roadmap and the ongoing development of non-financial metrics as appropriate.

Additional risk and opportunities metrics and targets

We continue to develop new metrics and approaches to help us manage our climate-related risks and opportunities and improve our non-financial data capabilities for Risk 1. Extreme weather; Risk 2. Mandatory climate-related disclosures; Risk 4. Natural resources and opportunity; and Risk 7. Low-carbon MHE.

The metric we use to monitor progress	Target	Performance			Explanation
		Trend	FY23	FY22	
2. Climate risk disclosures					
CDP score	We have not currently set a target.	▽	C	B	CDP rating is the independent global standard widely used by investors to judge the maturity of an organisation's preparedness for climate change and disclosure. We use it internally to measure our own preparedness to meet investor and regulator expectations. The reduction is due to the introduction of new requirements that we are working towards, such as assurance over our Scope 3 emissions
3. Energy usage					
CFC electricity consumption (kWh/Each)	This is our first year disclosing these metrics. As we continue to develop the metrics and targets we monitor to manage our climate-related risks and opportunities we will consider setting targets as appropriate.	△	0.083 kWh/Each	0.081 kWh/Each	The majority of electricity we purchase relates to running premises, of which our UK CFC network comprises a significant component. Although the overall trend is increasing, electricity consumption (kWh/Each) at all UK CFCs except for Hatfield and Luton decreased in comparison with last year. The Hatfield CFC closed and the Luton CFC opened during the year meaning that these sites were not operating as usual. Excluding these sites electricity consumption (kWh/Each) decreased by 10.7%.
		How we calculate this This is calculated using the total electricity consumption (kWh) for UK CFCs (i.e. excluding spoke and Zoom sites). Electricity consumption is divided by the total number of eaches (a single product item) the UK CFCs have picked for Ocado Retail and Morrisons. Due to the relatively low material nature of electricity consumption, this was measured for the closest 12 months of best fit.			
Electricity produced from non-grid sources (% of total electricity consumption)		△	11.3%	0%	There are various initiatives ongoing to diversify our supply of electricity. The increase in this metric reflects that we used an anaerobic digester to provide electricity for the first time this year.
		How we calculate this This is calculated using the total electricity produced from non-grid sources (MWh) during the year. Electricity produced by anaerobic digestion (MWh) is divided by the total electricity consumption (MWh) for UK CFCs (i.e. excluding spoke and Zoom sites). Due to the relatively low material nature of electricity consumption, this was measured for the closest 12 months of best fit. Note that our anaerobic digester came live as of April 2023, operating for eight months of the year.			
5. ICE vehicles ban					
Van fleet utilising zero emissions technology (%)	Net Zero fleet by 2035 (Scope 1)	–	1.2%	1.2%	A large proportion of our direct emissions 91.4% comes from operating our fleet. The majority of the fleet we operate are vans (under 3.5 tonnes) and trucks (above 26 tonnes). This metric allows us to monitor progress transitioning our van fleet to zero emission technology. Tranches of van fleet electrification have been proposed (see page 76). Additional metrics relating to our trucks may be developed in the future.
		How we calculate this This is based on the fleet of Ocado Retail and Morrisons vans we operate, and is calculated by taking the number of zero emission vehicles as a percentage of the total number of Ocado Retail and Morrisons vans we operate.			

The metric we use to monitor progress	Target	Performance			Explanation
		Trend	FY23	FY22	
6. Net Zero challenge					
Scope 1 emissions	Net Zero in our own operations by 2035 (Scope 1 and 2) will be delivered across multiple work streams including: • Net Zero fleet by 2035 (Scope 1) • Net Zero dry ice by 2030 (Scope 1) • Net Zero refrigeration by 2035 (Scope 1)	▽	93,293 Tonnes CO_2e	96,386 Tonnes CO_2e	For Ocado Group, this reflects our Logistics operations serving UK clients (i.e. ORL and Morrisons). A large proportion (98.4%) of this comes from operating our fleet of vans and trucks. The Scope 1 emissions have reduced by 3.2% primarily due to a significant decrease in the volumes of dry ice used in our operations.
		How we calculate this (See Basis of Reporting for supplementary detail) Scope 1 includes direct CO_2e emissions that originate from assets under Ocado's operational control. This includes fuel consumption from our complete vehicle fleet and emergency backup generators, natural gas used by our facilities (leased and owned) (for offices located in North America, an estimation of the energy used is made based on the square footage of the property), refrigerant gas losses, dry ice for cooling, and compressed natural gas consumed within our HGV fleet. Emissions are calculated by multiplying the consumption by the relevant emissions factors. Specific inputs include: • total fuel consumed (litres); • total natural gas consumed (kWh) – estimated for the final month of the reporting period; • total refrigerant gas (kilogrammes); • total dry ice delivered (tonnes) – estimated for the final month of the reporting period; and • total compressed natural gas consumed (kilogrammes). Emissions are reported in line with our financial year. Due to the relatively low material nature of natural gas consumption; refrigerant gas consumption; fuel consumption for backup generators; dry ice consumption; and compressed natural gas consumption, this was measured for the closest 12 months of best fit.			
% of UK sites using renewable electricity sources	100% renewable electricity sources by 2023	**Complete** – All of the electricity purchased by Ocado Group is Renewable Energy Guarantees of Origin ("REGO") certified, excluding those sites where electricity is provided by the landlord and therefore is outside of our control. **How we calculate this** This is calculated as a percentage of the electricity we purchase for Ocado Group sites which utilise REGO certified electricity.			
Scope 2 emissions (Location-based)	Net Zero in our own operations by 2035 (scope 1 and scope 2)	△	21,145 Tonnes CO_2e	21,098 Tonnes CO_2e	Scope 2 emissions have remained in line with prior year primarily due to the use of an anaerobic digester at one of our sites which offset the additional electricity consumed across our CFCs.
		How we calculate this (See Basis of Reporting for supplementary detail) Scope 2 includes all indirect CO_2e emissions in relation to the consumption of electricity, and district heating and cooling by assets under Ocado's operational control. Consumption is measured in kWh, based on invoices, multiplied by the relevant emissions factors. For properties located in North America, energy consumption is estimated based on the square footage leased. Due to the relatively low material nature of electricity consumption and district heating and cooling, this was measured for the closest 12 months of best fit. With regard to electricity consumption, an estimate is made for the final month of the reporting period (the final two months are estimated in Poland). Specific inputs include: • total electricity consumed (kWh); and • total heating and cooling consumed (kWh).			

The metric we use to monitor progress	Target	Performance: Trend	Performance: FY23	Performance: FY22	Explanation
6. Net Zero Challenge (continued)					
Scope 3 emissions	Net Zero in our value chain by 2040 (Scope 3) will be delivered across multiple work streams. Refer to page 75 for details of Ocado Group Net Zero Programme.	▽	154,962 Tonnes CO_2e	226,411 Tonnes CO_2e	For Ocado Group, this reflects the provision and operations of the global Technology Solutions platform. A large proportion (54.7%) of this comes from purchases of equipment or services to run our technology and clients use of our technology. Scope 3 emissions have decreased primarily due to a reduction in capital expenditures (3.2 Capital Goods), in particular on high carbon intensity items. Emissions were further reduced due to fewer freight journeys being required during the year.

How we calculate this (See Basis of Reporting for supplementary detail)
Scope 3 emissions are calculated using actual, estimated or modelled data, and the relevant emissions factors. For the nine Scope 3 categories relevant to Ocado Group specific inputs include:

- 3.1 Purchased Goods and Services: payments made to third-party suppliers categorised as providing goods and services;
- 3.2 Capital Goods: payments made to third-party suppliers categorised as providing capital goods;
- 3.3 Fuel and Energy Related Activities: Scope 1 and Scope 2 energy usage multiplied by the relevant "well-to-tank" emissions factor;
- 3.4 Upstream Transportation and Distribution: transportation and logistics journeys identified in central procurement data, both "upstream" (i.e. journeys to Ocado Group) and "downstream" (i.e. journeys to clients);
- 3.5 Waste Generated in Operations: waste and waste water data for all properties where the information was available. Where not available, the emissions were included in category 3.1;
- 3.6 Business Travel: travel data from Ocado Group's travel provider, covering the air, rail and public transport travel of Ocado Group employees, as well as hotel stays and rental vehicles;
- 3.7 Employee Commuting: based on a commuting survey used to estimate employee's commuting behaviour for which 1,200 responses were received;
- 3.13 Downstream Leased Assets: Based on the average energy use of the various pieces of hardware of a typical module; and
- 3.15 Investments: the most recent full year revenue from an investee company on which Ocado does not have operational control, adjusted for the Group's share of ownership.

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Methodology

Our GHG emissions have been calculated in line with the GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition), developed by the World Resources Institute/World Business Council for Sustainable Development. Ocado has selected the operational control approach to define our reporting boundary.

Accordingly, in line with the Streamlined Energy and Carbon Reporting ("SECR") requirements, we set out in the table below the Scope 1, Scope 2 and Scope 3 GHG emissions for Ocado Group. Ocado has selected the operational control approach to define our reporting boundary, meaning that GHG emissions relating to ORL controlled activities are excluded from the Group footprint.

However, as a large unquoted company, ORL falls under the SECR reporting requirements and therefore we have set out in the table on page 102 the Scope 1, 2 and 3 (Category 6. Business Travel (where responsible for fuel)) GHG emissions for ORL.

Following the operational control approach adopted to define our reporting boundary, the GHG emissions for Ocado Retail are exclusive of the GHG emissions for Ocado Group.

Refer to the Ocado Group "Basis of Reporting" document on our website at https://www.ocadogroup.com/our-responsible-business/corporate-statements/ for more information relating to the methodologies, inclusions and exclusions.

Ocado Group SECR reporting

Reflecting the maturity of our UK operations, we have reported our Scope 1 and 2 emissions since 2012/13. Since then, we have delivered a cumulative 48.7% reduction in Scope 1 and 2 carbon intensity (as defined by our location-based intensity KPI measure of tCO_2e per 100,000 orders), even as total emissions have increased by 87.2%, reflecting the rapid growth of our UK Partners.

Energy efficiency initiatives implemented during the year include:

- **LED lighting:** the roll-out of LED lighting has been completed across the majority of our UK CFCs, spokes, and Zoom sites, to be completed in 2024.
- **Energy monitoring:** we have energy monitoring at all CFC sites. During the year we upgraded the energy monitoring systems at some of our CFC sites, to provide additional insight on energy consumption.
- **Driver efficiency technology:** during the year our new in-cab vehicle training system, Lightfoot, has undergone successful trials at Purfleet and Walthamstow, and commenced full implementation across our van fleet. This is an in-vehicle training and coaching technology to enhance the driving skills of our workforce. We also updated the driver efficiency technology in our truck fleet.

Scope 1 and 2 greenhouse gas (GHG) footprint and energy efficiency

Ocado Group SECR reporting[1]	Unit	2022/23	2021/22	Year on year change
Scope 1 – Direct emissions	tCO_2e	93,293	96,386	(3,093)
of which UK		93,267	96,347	(3,080)
Scope 2 – Indirect emissions	tCO_2e			
Location-based		21,145	21,098	47
of which UK		20,577	20,629	(52)
Market-based		887	815	72
of which UK		179	301	(122)
Total Scope 1 & Scope 2 emissions (Location-based)	tCO_2e	114,438	117,484	(3,046)
of which UK		113,844	116,976	(3,132)
Total Scope 1 & Scope 2 emissions (Market-based)		94,180	97,201	(3,021)
of which UK		93,446	96,648	(3,202)
Energy consumption associated with Scope 1 & Scope 2 emissions	MWh	496,956	491,834	5,122
of which UK		494,982	490,168	4,814
Scope 1 & Scope 2 emissions intensity measure	tCO_2e/ 100,000 orders			
Location-based		422	458	(36)
Market-based		348	379	(31)
Energy consumption	MWh/ 100,000 orders	1,835	1,916	(81)

1. Uses World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol: A Corporate Accounting Standard revised edition methodology with an operation control approach. Refer to page 210 for more information relating to the methodology and conversion factors used.

Scope 3 GHG emissions by category

Scope 3 emissions table by category[1]	FY23 (tonnes CO_2e)	FY22 (tonnes CO_2e)	Year on year change %
3.1 Purchase Goods & Services	21,887	24,637	-11%
3.2 Capital Good	36,347	90,509	-60%
3.3 Fuel and Energy-Related Activities	29,072	28,723	+1%
3.4 Upstream Transport	10,824	30,561	-65%
3.5 Waste in Operations	1,161	1,138	+2%
3.6 Business Travel	11,202	8,233	+36%
3.7 Employee Commuting	24,195	25,389	-5%
3.13 Downstream Leased Assets	15,752	13,296	+18%
3.15 Investments	4,522	3,925	+15%
Total Scope 3 GHG emissions[2]	**154,962**	**226,411**	**-31.6%**

1. Scope 3 emissions from prior year have been restated, in line with the GHG Protocol and Ocado's Restatement Policy, to reflect a change in methodology with regard to our MHE which are now reported under category 3.13 Downstream Leased Assets and data improvements identified during the year.
2. Category 8 (Upstream Leased Assets), 9 (Downstream Transportation and Distribution), 10 (Processing of Sold Products), 11 (Use of Sold Products), 12 (End of Life Treatment of Sold Products) and 14 (Franchises) are not relevant to Ocado Group as we do not have operations that relate to these categories.

ORL SECR reporting
ORL's gross total GHG emissions Scope 1, Scope 2 (location-based) and Scope 3 (Category 6. Business Travel (where responsible for fuel)) for FY23 are 385 tonnes CO_2e (FY22: 454 tonnes CO_2e). ORL's footprint is solely UK-based.

The methodology used is the WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard revised edition in conjunction with UK Government environmental reporting guidelines including SECR guidance. An operational control approach has been taken. We have used the UK Government GHG conversion factors for company reporting 2023. Scope 2 emissions from purchased electricity are reported using a location-based approach, with emissions also calculated using a market-based approach.

ORL total energy consumption for FY23 is 1,922 MWh (FY22: 2,368 MWh). This includes the company's share of electricity and natural gas usage for the Apollo Court building and Sunderland building, and transport fuels for business travel in employee-owned cars and hire cars. It should be noted that since July 2021 ORL has been accounting for 100% of consumption at Apollo Court building, against 72% previously due to the building being shared with Ocado Group.

The emission reduction in FY23 comes from a reduction of energy consumption at Apollo Court.

ORL is not reporting any energy efficiency actions this year.

Ocado Retail SECR reporting[1]	Unit	2022/23	2021/22	2020/21
Scope 1 – Direct emissions	tCO_2e	120	146	117
Scope 2 – Indirect emissions				
Location-based	tCO_2e	246	284	215
Market-based		-	-	-
Total Scope 1 & Scope 2 emissions (Location-based)	tCO_2e	366	430	332
Energy consumption associated with Scope 1 & Scope 2 emissions	MWh	1,922	2,368	1,697
Scope 1 & Scope 2 emissions intensity measure	tCO_2e/ 100,000 orders	1.8	2.2	1.8
Scope 3 emissions – Category 6. Business Travel (where responsible for fuel)	tCO_2e	19	24	12

1. Uses World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol: A Corporate Accounting Standard (revised edition) methodology with an operation control approach, using UK Government GHG conversion factors.

Internal carbon price
We have assessed the potential financial impact of the risk of policies on sustainable materials (including carbon pricing) on page 90. This analysis shows that in the short term we do not expect there to be an impact relating to the construction of CFCs (as we do not plan to build any new CFCs in the UK in the short term), or MHE costs (we will manage this through our supply chain management and procurement policies and procedures). In light of this we have not set an internal carbon price. The approach we have adopted to developing our Net Zero Roadmap considers the financial costs and benefits alongside the carbon reduction potential of initiatives.

How we manage our risks

Ocado Group's Enterprise Risk Management ("ERM") enhances our resilience and improves confidence in the delivery of our strategy and business objectives.

Risk management principles and culture

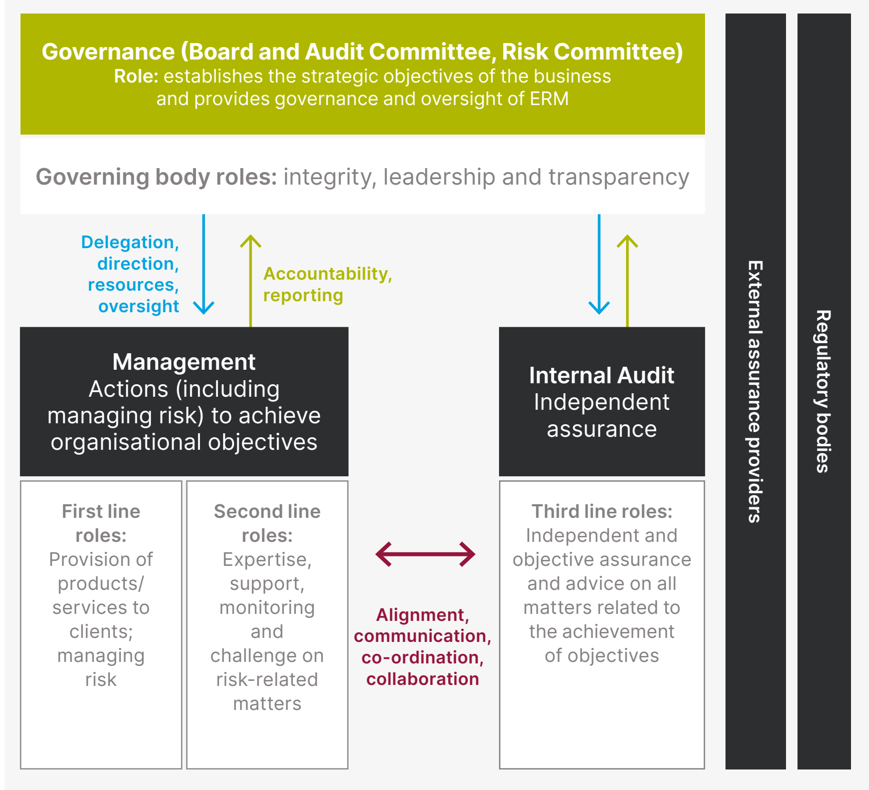
During the year we continued the evolution of our risk management approach to improve governance and operations, and enhance our stakeholder value.

Organisation

Our risk organisation is structured around a collaborative three lines model, with the participation of the underlying teams continually evolving to meet our changing business needs.

Our second line teams provide targeted monitoring and guidance to ensure effective identification, assessment, management and monitoring of our risks across the full span of the business.

Risk organisation three lines model framework

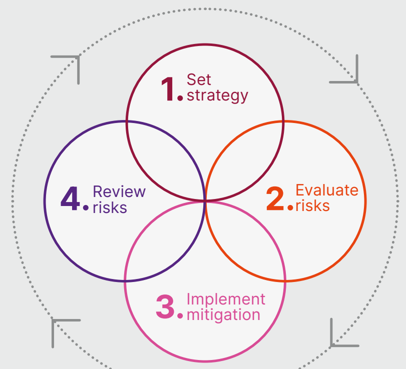


Process

Our risk management framework adopts an end-to-end four-stage approach. Evaluation and mitigation of our risks are owned by the business.

1. **Set strategy:** Our strategy informs the setting of objectives across the business as described on page 21. The Board and Executive Committee members evaluate the principal risks and associated risk appetite for the Group.
2. **Evaluate risks:** Segment directors and second line teams identify and evaluate risks significant to each of their areas. Identified risks are assessed (considering likelihood and impact) and challenged on the basis of reasonable worst case scenarios. Risks are recorded in operational registers. Those considered significant to the Group are escalated to the enterprise register (key risks) which inform our principal risk assessment.
3. **Implement mitigation:** Taking account of risk appetite, management determines how risks will be managed. Mitigation information is added to the operational and key risk registers as appropriate to determine residual exposure.
4. **Review risks:** The Enterprise Risk team in conjunction with the Risk Committee oversees the risk management process. Group-wide risks and mitigation processes are regularly reviewed by the Risk Committee and Audit Committee.

This was the process for identifying, evaluating and managing the principal risks faced by the Group that 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.



Risk management governance

Risk management delivery is governed by the Board and a structured set of Committees:

- **The Board** is responsible for the review and approval of the risk management framework and Ocado Group's principal and emerging risks. As part of its annual strategy review, the Board also reviews and approves the associated risk appetite.
- **The Audit Committee**, delegated by the Board, is responsible for the review of the effectiveness of risk management, the system of internal control, the monitoring of the quality of financial statements and consideration of any findings reported by the external auditor, Deloitte, in relation to Ocado's control environment and its financial reporting procedures.
- **The Risk Committee** reviews principal, key and emerging risks, and monitors effectiveness of risk management and risk appetite across the Group. The Committee is chaired by an Executive Committee member. Attendees include other executives and the Chair of the Audit Committee, and the Risk Committee is directly supported by the Enterprise Risk team. The Committee reviews a full enterprise risk report twice a year which is, in turn, discussed by the Audit Committee and the Board.
- **The Risk Committee is supported by specialist risk committees** and second line teams covering risk areas such as information security, safety, ESG and data privacy.

Internal Audit supports the Audit Committee and Risk Committee in reviewing the effectiveness of the risk management framework and the management of individual risks driven by a risk-based audit plan.

We have an ERM Policy which covers the management of risks, encompassing ESG matters. This has the purpose of protecting and enhancing enterprise value. The Company has a number of other policies which cover specific ESG topics. You can find further detail on these policies on page 81.

Strengthening our framework

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and monitoring the implementation of appropriate internal controls. The Audit Committee has delegated responsibility from the Board for the oversight of the Group's systems of risk management and internal control. The key features of the Group's risk management and internal control systems that underpin the accuracy and reliability of financial reporting include:

- a three lines of defence model and an organisational structure with clearly defined lines of accountability and delegation of authority;
- the Group's Code of Conduct and a framework of policies and procedures that cover key areas, financial planning and reporting;
- a capital expenditure approval policy and governance that controls Ocado's capital expenditure;
- a Risk Committee, a Risk team, and a Financial Controls team which help monitor Ocado's risks and controls;
- an Information Security Committee and an Information Security team which monitor Ocado's information security and a Personal Data Committee and Data Protection team that support data privacy governance; and
- an Internal Audit function that provides independent assurance on key risks, controls and programmes.

Deloitte, the independent auditor, provides independent assurance.

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of risk management and internal control to the Audit Committee, which includes financial, operational and compliance controls and risk management systems.

In making an assessment on effectiveness, the Audit Committee relies on a number of sources of assurance from the Group, including the following:

1. **Internal Audit:** The Group's primary source of internal assurance is through delivery of the Internal Audit plan, which is structured to align with the Group's strategic priorities and principal risks, and is developed by Internal Audit with input from management and the Audit Committee. The plan is reviewed periodically throughout the year to confirm it remains relevant for new and emerging risks and circumstances, both internal and external and to adjust for the growing complexity of the Group. The findings and actions from Internal Audit reviews are agreed with the relevant business area, communicated to the Audit Committee and tracked through to completion or risk acceptance.

2. **Management updates and risk deep dives:** The Audit Committee Chair gains additional insight on the management of risk in Ocado, by attending the Group's regular Risk Committee meetings. The Risk Committee, receives reports from the business on a range of risk topics and discusses principal risks and risk appetite. As part of the Risk Committee's annual calendar, it receives updates on various risk areas including finance risks, business continuity, finance transformation, compliance, whistleblowing and fraud.

3. **Monitoring:** A broad range of activities have been designed and established across the business to monitor key risk areas, such as health and safety and privacy. The OSP platform is subject to independent attestation of its IT security controls under the SOC2 assurance standard. The results of these assurance activities are reported to the Audit Committee and the Board.

4. **Operational oversight:** Various governance committees and operational forums provide oversight and challenge on key risk areas within individual business areas including fire, health and safety, DE&I, sustainability, cyber, fraud, whistleblowing, compliance, technology, AI, data governance and other areas of regulation or risk. The output from these committees is part of the periodic updates provided to the Audit Committee.

The Committee has also considered the control findings raised in the independent auditor's reports.

The Group was compliant throughout the year with the provisions of the UK Corporate Governance Code relating to risk management and internal control systems. No significant failings or weaknesses in these systems were identified by the Audit Committee's review in respect of the period and up to the date of this Annual Report. Where the Committee identifies areas requiring improvement, processes are in place to ensure that the necessary action is taken and that progress is monitored.

You can read more about the Audit Committee's role on pages 144 to 153.

Principal and emerging risks

Principal risks are considered in the context of how they relate to the achievement of the Group's strategic objectives. Emerging risks are less defined than our Group principal risks and typically do not pose an immediate threat. They are future focused, with greater uncertainty and are more difficult to quantify; however, they could threaten the future delivery of our strategy. Set out on the pages below are details of the principal risks and uncertainties for the Group, and the key mitigating activities used to address them. This includes an assessment of the residual (or post-mitigation) risk movement during the year for each principal risk and uncertainty.

Details of consideration given to finance risks by the Company are set out on pages 112 to 114 and 278 to 280

Details of consideration given to climate-related risks by the Company are set out on pages 86 to 93

Details of Going Concern and Viability Statements are set out on pages 112 to 114

We identify new emerging risks and trends using inputs from analysis of the external environment and internal sources. We work with the relevant teams across the business to understand the potential impacts of identified emerging risks. In some cases, the information may be insufficient to determine the scale or define a mitigation plan.

Our emerging risks are provided to the Risk Committee for further scrutiny. Our response is to then decide either to monitor or manage the risks that are reported up to the Audit Committee and Board. This process helps to identify when an emerging risk should be considered for transition to an active risk and is then incorporated into the relevant level of the risk management framework.

Our process identified one emerging risk of note. Our ability to harness disruptive technologies such as generative AI within our OSP product set or operations is an emerging risk and opportunity being actively pursued. Whilst we already have a range of mature and impactful AI use cases, we will continue to explore further applications in 2024. As with all new technology this space is not without risk. Successful adoption will need to align with our responsible AI commitments; and AI's increasing availability in the business environment may increase our risk of cyber attack and IP protection risk.

Setting risk appetite

Risk appetite is the level of risk that we are willing to accept in pursuit of our strategy, before any action is determined to be necessary in order to reduce that risk. The assessment takes into account significant ESG matters, climate-related risks, our regulatory environment, culture, and the geographies in which we operate.

We monitor our risk levels against appetite at the Board and Risk Committee using a five-point scale ranging from "open" (meaning that we are willing to take justified risks to achieve highest return and accept possibility of failure) to "averse" (meaning that avoidance of risk is a core objective, and we will always select the lowest risk option). For example, a lower appetite is adopted in relation to safety and regulatory and compliance risk matters, and a higher appetite in relation to innovation topics.

Ocado Retail

Ocado Retail governs the management of risks and opportunities independently from the Ocado Group risk governance structure. To maintain alignment we consider risk in relation to our activities and investment in Ocado Retail supported by half-yearly meetings. Ocado Group's Audit Committee and Risk Committee formally review the Ocado Retail principal and key risks as part of their half-year and full-year risk reviews.

Risks of significance are set out below:

- Geopolitical and economic uncertainty given the current situation with higher fuel, utilities and cost prices, and continuing events in Ukraine.
- Failure to maintain a retail proposition that appeals to a broad customer base.
- Cybersecurity – the Transitional Services Agreement for IT services from Ocado Group comes to an end in 2024, and consequently Ocado Retail will assume full management of this risk.

Other joint ventures and associates

The Board has oversight of risk management and internal control for wholly-owned subsidiaries. For joint ventures and investments, risk management and internal control are managed via their own boards and management teams.

Changes to our principal risks during the year

We have 10 principal risks and during the year there was a comprehensive review undertaken, including an assessment of the key control activities, alignment to risk appetite and any future mitigating actions. This resulted in the following changes in the principal risks:

- We have combined product innovation, performance and IP into a single principal risk (Product innovation protection & performance) as managing our IP risk helps protect our innovation.
- Partner success has been separated from Product performance.
- We have combined Geopolitical and economic uncertainty and Climate into a single principal risk (Climate, environment & geopolitical) because of the commonality of many of the risk drivers.
- We have included our OIA product offer in our assessment of principal risks for the first time this year. OIA remains a substantially less material part of the overall business risk.
- We have introduced a new principal risk called Liquidity & cash management to reflect the need to maintain sufficient liquidity to fund our growth plans and to meet our obligations.
- The risk Product commercial proposition is now called Market proposition.

The following risks increased in year:

- Partner success – throughout this report we discuss the partner success activities and progress, including initiatives to increase warehouse productivity, drive more efficient last mile economics and optimise the consumer-facing front end experience. While our partner success initiatives expanded in 2023, it is still early days and the Board recognises that our partners' success will ultimately determine Ocado's success and significant further progress is needed to measure the effectiveness of our initiatives. Consequently the partner success risk has increased.
- Cybersecurity & data – the greater risk posed in the external cybersecurity environment, coupled with the risks posed by the adoption of AI by the business, means that the cyber security threat is considered to have increased for Ocado.
- Regulatory & compliance – there has been a significant increase in regulation impacting the operation of the business and how it reports to stakeholders. The regulations are varied and include emerging non-financial and environment reporting requirements and new cyber, AI and data regulations, as well as laws impacting our supply chain and growing global footprint.

Risk movement key: Decreasing · No change · Increasing

Link to strategy key:
1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Drive success for our partners
5. Embed a responsible business approach

Responsible business key: Our people and skills for the future · Environment and natural resources · Platform resilience and innovation

Market proposition
OSP & OIA

What is the risk?

Our OSP and OIA product offer, features, implementation schedule, pricing or terms may not be sufficiently attractive to potential partners or may not be commercially attractive to them at a level that delivers adequate and sustainable returns for us.

Key risks

- Commercial viability both for us and our partners
- Our pricing is not competitive
- The functionality of our products is not sufficiently attractive
- We fail to market our products professionally
- Competitive environment

Risk owner

John Martin, Mark Richardson

Movement: No change

Link to strategy

Responsible business: Environment and natural resources; Platform resilience and innovation

How we manage this risk

- Our regional and commercial teams undertake quarterly pricing reviews, review market pricing and seek price disclosure from prospective partners to ensure that we remain competitive.
- We analyse prospective partner profitability to ensure that our products can deliver benefits to both ourselves and our partners. Ocado is in the position of running a large scale operation of our own using the same products that we are selling to our clients, which provides us with a unique and valuable perspective of the value that our products bring.
- We constantly develop our products to reduce their costs in order to maximise market appeal and commercial viability.
- We review the features and functionality that our solutions provide, and discuss this with potential partners to understand how well our solutions fulfil their needs and determine whether it is appropriate to develop specific features that our prospective partners require.
- We invest substantially in product teams to develop our technology roadmaps to ensure that our products are as relevant as possible and cost effective to our current and prospective partners.
- We invest significant sums in the development of our products to ensure that they remain leading-edge.
- We assess the potential for new business in each of our three international regions.
- In 2023 we launched OIA to deploy our product to a new market segment (see page 32 for more information relating to OIA).
- Our Board approves all material new deals.

Partner success
OSP

What is the risk?

We invest in robots and MHE alongside our partners in the CFCs that we develop for them and we rely on the growth of our partners' online businesses to generate appropriate economic returns from this investment. If our partners do not achieve sustainable returns from their investment then they may not expand their utilisation of the capacity that we have jointly invested in, in which case we may fail to generate our planned returns. It is also possible that if our partners are unable to generate acceptable returns themselves they may close existing CFC facilities.

Key risks

- Partners may be unable to generate sufficient demand to fill the capacity of the CFCs in which they have invested
- Partners may be unable to operate their online grocery businesses efficiently enough to generate the planned returns, including the ability to generate density in last mile operations
- The strategies that our partners adopt may compromise their ability to generate viable ecommerce businesses

Risk owner

John Martin

Movement: Increasing

Link to strategy

Responsible business

How we manage this risk

- We have established and expanded our Partner Success teams with the sole aim of supporting our partners in the profitable growth of their online businesses. The Partner Success teams include specialists in ecommerce, marketing, retail media, retention, operations, last mile and solutions.
- We review and benchmark partner performance at least monthly to identify areas for improvement which we discuss with our partners.
- We review our technology roadmap with our partners to identify specific, relevant features that we can develop to support their growth and profitability.
- We develop training and development materials and best-practice information which we share with our partners.
- We appoint dedicated account management and development teams to support professional account management and partner success. These teams are encouraged to locate either on or close to partner sites.
- See page 15 for further information on partner success.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Risk movement key:

Decreasing | No change | Increasing

Link to strategy key:

1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Drive success for our partners
5. Embed a responsible business approach

Responsible business key:

Our people and skills for the future | Environment and natural resources | Platform resilience and innovation

Product innovation, protection & performance

OSP & OIA

What is the risk?

Our innovation and development processes may not meet partner needs, or we may fail to provide protected, reliable and commercially viable products. This could undermine our ability to attract and retain partners.

Key risks

- Product strategy and roadmap
- Disruptive technologies are not adopted and invested in early enough, e.g. AI
- IP infringement and lack of protection
- Insufficiently sustainable design
- Insufficient product quality and performance
- Site implementation timeframes

Risk owner

James Matthews, Neill Abrams

Movement

Link to Strategy

Responsible business

How we manage this risk

- The Technology Solutions Committee and Risk Committee provide overarching governance.
- Our design development (or engineering) teams undertake quarterly product planning meetings within each stream that are presented to the Executive Committee for oversight and approval.
- Our research teams continually monitor the market and actively participate in funded research with academic institutions, and we are currently involved in three parallel Horizon projects where Ocado Technology is funded to undertake state of the art research.
- Our IP team conducts freedom to operate searches and IP filing monitoring.
- Our specialist patent attorneys work with product developer teams to ensure we protect not just the systems we build but also the other ideas and concepts that are generated during the innovation and development lifecycle. For example, in 2023 we had a successful outcome in the AutoStore litigation (see page 25 for more information).
- Innovation development lifecycle including: ideation sessions with IP; mergers and acquisitions strategy; integration of AI into our systems; and partner conferences to demonstrate our latest technology innovations. For example at our Beyond Conference we presented the latest iteration of the OGRP system.
- Our "Build Right, Run Right" initiative embeds product industrialisation within the development lifecycle for our ASRS product to meet the needs of our OIA client base.

Supply chain

What is the risk?

Disruption in our extended and complex supply chain may adversely affect product availability and responsible sourcing. This could result in increased costs and fines, delays to contractual commitments and loss of revenue.

Key risks

- Contract performance and forecasting demand
- Regulation and responsible sourcing (natural resources)
- Supplier dependencies

Risk owner

James Matthews

Movement

Link to Strategy

Responsible business

How we manage this risk

- Improved internal forecasting of product demand and client requirements in 2023 has helped better manage Ocado's requirements.
- Governance is provided by the Sales and Operations Planning executive review meetings.
- Management KPI reporting packs are reviewed to align supply and demand.
- We are embedding strategic sourcing and supplier relationship management into the business.
- Supplier assessments, due diligence and site audits are undertaken during the product development process.
- We are deploying materials resource planning across new categories which helps manage the areas of higher global supply chain volatility.
- The Responsible Sourcing Working Group monitors multiple work streams and reports to the ESG Committee.
- Combining the above capability we are now better able to review our supply chain suitability, developing deeper strategic relationships and systematically aligning scale of supply with demand to maintain confidence in our delivery. In addition, our enhancements in our people capability, systems, data and root cause analysis allow us to provide greater insight to the business to underpin strategic decision-making.

Talent & capability

What is the risk?

Difficulty in filling key positions, a loss of top performers and an inability to embed diversity could undermine business operations and growth plans.

Key risks

- Retention and rewards
- Attraction
- Training and development
- Diversity and inclusion
- Succession planning
- Culture and wellbeing
- Organisational structure

Risk owner

Claire Ainscough

Movement

Link to Strategy

Responsible business

How we manage this risk

- Refer to the Responsible Business Report (page 68) for additional information.
- We launched new Technology Solutions values and measured these in our regular employee survey.
- We also have very transparent communication processes (e.g. open Q&A tools and Slack) and we prioritise our goals process to ensure it is highly aligned between our commercial and technical teams.
- We continue to work with our employees to create lifestyle policies to support our culture and launched Fertility and Menopause community groups.
- Governance is provided by the Risk Committee and People Committee.
- We conduct periodic reviews of remuneration and incentive plans to align with market trends and internal and external fairness.
- We continue to undertake employee surveys to analyse opinions and engagement levels.
- We launched a talent and performance framework to help us differentiate, develop and deploy the talent we have, supporting future business growth and high performance.
- We launched two new learning platforms, LinkedIn Learning and Learnerbly, to better support our people in developing the skills they need to grow their careers.
- We have invested in developing management capabilities by launching a signature programme focused on critical practices for leading a team, including creating a feedback culture.
- We have launched DE&I and wellbeing learning programmes to build awareness of unconscious bias and how to create an inclusive culture with practical tools, guidance and resources.

Cybersecurity & data

What is the risk?

The disruption or loss of critical assets and sensitive information as a result of a cyber attack, insider threat or a data breach within our Group network or our supply chain could result in business interruption, reputational damage or regulatory impacts, for both Ocado and our partners.

Key risks

- Deliberate destruction of systems
- Commercial data loss
- Third party compromise
- Infrastructure outage
- Personal data loss

Risk owner

James Matthews

Movement

Link to Strategy

Responsible business

How we manage this risk

- Our security strategy defines priorities and is agreed with the Ocado Board.
- Regular governance and oversight of our security programme is provided by the Information Security Committee.
- Our Information Security function is led by our Chief Information Security Officer who is responsible for the management of our security strategy, the security programme and security risks.
- Our dedicated Security Operations team, supported by a 24/7 specialist security partner, detects and responds to security incidents.
- We regularly test our cyber incident response plan, including annual cyber simulations for the Executive Committee.
- We have developed secure build standards for our core IT assets.
- Security patching is in place for our core IT assets and is measured each month.
- Regular penetration testing is carried out for the Ocado Platform.
- Our zero trust solution provides employees with secure access to Ocado's systems.
- Each year the security controls environment for the Ocado Platform is externally audited as part of our SOC2 certification.
- The Ocado Platform is PCI compliant and is externally audited every year. No payment card data is processed directly by the Ocado Platform.
- Cyber insurance is in place to reduce the cost impact of a major cyber incident.
- Immutable backups have been set up to help protect the Ocado Platform from deliberate destruction.
- Our Data Protection Officer oversees the Group's privacy compliance programme.

Risk movement key: Decreasing | No change | Increasing

Link to strategy key:
1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Drive success for our partners
5. Embed a responsible business approach

Responsible business key: Our people and skills for the future | Environment and natural resources | Platform resilience and innovation

Fire & safety

What is the risk?
Fire, or injury to a worker or customer, caused by product design or operating failures could result in business disruption, loss of assets and reputational loss.

Key risks
- Fire safety
- Product safety
- Food safety
- People safety (construction, operation and logistics)

Risk owner
James Matthews

Movement

Link to Strategy

Responsible business

How we manage this risk
- Our governance programme is overseen by the Safety Committee.
- Our team of technical experts monitors and audits compliance against regulations, policies and procedures in safety areas including food, product, occupational health, fire and construction.
- We deploy training and carry out risk and safe systems of work assessments to raise awareness and knowledge.
- We monitor regulatory change, leveraging third-party expert advice to introduce appropriate mitigations.
- This year we continued our programme of fire insight days for local authorities; and introduced an expert third-party Fire Risk Assessment programme for UK premises. This is supplemented by our annual programme of risk engineering surveys.
- Following the Andover CFC fire, we started to investigate fire retardant tote designs. The activity involved lengthy investigations supported by FM Global and its fire research campus. This has resulted in the current metal tote design which is anticipated to significantly reduce our fire risk These are currently being deployed at significant cost across our global footprint.
- Please see page 71 for further information on safety.

Regulatory & compliance

What is the risk?
Failure to comply with local and international regulations could lead to loss of trust, penalties and personal liability for our employees, and undermine our ability to operate.

Key risks
- Statutory compliance across jurisdictions of operation
- Fraud, bribery, sanctions and industry specific compliance
- New geographies
- Accelerating pace of global regulatory change (mandatory climate-related disclosures, wider sustainability reporting and supply chain requirements)
- Governance

Risk owner
Neill Abrams

Movement

Link to Strategy

Responsible business

How we manage this risk
- Governance is provided by the Risk Committee.
- Coordinated by the Regulatory & Compliance team, the business tracks global regulatory changes, leveraging third-party advice as needed to inform our actions and respond to new requirements. The business has had to respond rapidly in 2023 to minimise disruption to our operations and supply chain and ensure we operate in a compliant manner with the dynamic changes to sanctions and export control laws in particular.
- In 2023 our global regulations tracking process broadened to encompass wider ESG requirements and was aimed at supporting the business to prepare to meet multiple new non-financial reporting requirements.
- Our Due Diligence and Territory Research teams conduct extensive research and engage specialist advice to understand local market regulatory issues when exploring new territories and new partners to ensure we understand and fully cost the potential risks.
- We have deployed and continue to develop a compliance framework of policies and procedures underpinned by employee training, guidance and tailored awareness campaigns, refreshing policies where needed to reflect evolving standards, including updating our Human Rights Policy, and we are also implementing a new Sanctions and Export Control Policy.
- We conduct periodic risk assessments on core compliance topics to ensure that we identify and close gaps arising from organisational change and evolving standards. This year we refreshed our anti-bribery risk assessment and next year we will focus on our fraud risk assessment to account for new legislation on this topic.

Climate, environment & geopolitical

What is the risk?
Transformation pressures and adverse external events could increase cost, disrupt our supply chain and operations, and the demand for our product.

Key risks
- Internal combustion engine vehicles ban
- Energy usage
- Natural resources
- Net Zero Challenge
- Extreme weather
- War, conflict and sanctions
- Civil unrest and activism
- Societal disruption (pandemic, cost of living)

Risk owner
Stephen Daintith, Neill Abrams

Movement

Link to Strategy

Responsible business

How we manage this risk
- Governance is provided by our ESG Committee and Risk Committee, with other relevant forums such as our Environmental Sustainability Compliance and Reporting Working Group coordinating environmental sustainability risk, compliance and reporting activities.
- We are involved in several electric vehicle manufacturer engagement programmes to aid the development of zero-emission vehicle alternatives.
- We use various energy supply monitoring and diversification initiatives, including the use of an anaerobic digester. Refer to pages 77 and 98 to read more about this.
- Our MHE stock levels provide resilience in construction and operation.
- Our global client footprint provides resilience from local shocks.
- We conduct risk assessments prior to entering new geographical markets or undertaking new ventures.
- We maintain financial and physical reserves to cushion any operational impact.
- This year we engaged external experts to support our physical climate risk assessment using third-party scenario-based data.
- In 2023 we formally established our Net Zero Programme (see page 75).

Liquidity & cash management

What is the risk?
Insufficient liquidity (cash balances plus undrawn facilities) to deliver our business goals and/or settle our liabilities.

Key risks
- Inability to access the capital markets to refinance our debt as it approaches maturity
- Inability to extend or access our RCF including due to failure to comply with its financial covenants
- Deterioration in financial performance (profitability and cash flow generation) that causes refinancing of existing debt to become difficult
- Poor cash management forecasting processes leading to unanticipated shortfalls in liquidity which compromise our ability to meet our commitments

Risk owner
Stephen Daintith

Movement

Link to Strategy

Responsible business

How we manage this risk
- We ensure that we carry out our refinancing activities well in advance of our maturity dates.
- We monitor the capital markets carefully and, with the assistance of our advisors, assess the accessibility of the capital markets on a regular basis (at least monthly).
- We prepare robust five-year cash flow forecasts (which are updated annually and are tested on a regular basis for their integrity).
- We have also prepared a five-year cash flow forecast that includes various downside scenarios and used this to determine future cash requirements, liquidity levels and covenant compliance metrics under these scenarios.
- The five-year cash flow forecasts include all investment plans. These are reviewed by the Board (subject to materiality tests) and approved only after meeting strict return requirements.
- Over the course of the year we have enhanced our cash flow forecasts to include quarterly compliance with financial covenants. This helps us assess our ability to access the RCF on a quarter-by-quarter basis. This gives us further comfort in our testing of sufficient liquidity headroom.
- We engage regularly with our relationship banking group to maintain the strong relations that we have with them. We also ensure that they are well informed of our cash flows and liquidity.
- We have recently appointed a new Head of Capital Markets to work alongside the CFO and the Group FD to maintain these strong working relationships with our relationship banks.
- We continue to monitor the capital markets and our refinancing strategy and update the Board on these matters at each Board meeting. These Board discussions will also include a review of the optimal time to carry out any refinancing activities.
- Please refer to the Going Concern and Viability Statements on page 112 for more information.

Going Concern and Viability Statements

Context for going concern and viability

The Directors have assessed the Group's prospects both as a going concern, covering a period of at least 12 months from the date of this report, and its viability over a period of three years. Understanding of our business model, our strategy and our principal risks is a key element in the assessment of the Group's prospects, as well as the formal consideration of viability. The Group's strategy is detailed on pages 21 to 23, and our risk management framework is described on pages 103 to 111.

The Group's planning cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group, covering the five successive financial years from FY24 to FY28.

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 and cost base of the business (logistics, technology and corporate functions), combined with the effects of major capital initiatives.

The robust planning process is led by the Chief Executive Officer, the Chief Financial Officer and other members of the Executive Committee. The Board undertook a detailed review of the plan during its annual Strategy Meeting in June 2023, which was approved by the Board. The plan was then updated to reflect the outcome of the FY24 Budget, which was approved by the Board in November 2023.

In preparing the plan the Board considered the impact of the cost-of-living crisis and inflation environment, 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 senior management and the Board in the context of the objectives and targets of the forecast, within which the Group's strategy remains embedded.

Liquidity and financing position

The Group has cash and cash equivalents of £0.9bn and net debt of £1.1bn as at the end of the period, compared with cash and cash equivalents of £1.3bn and net debt of £0.6bn at the end of FY22. The Group also has access to additional liquidity through its £300m revolving credit facility ("RCF") until June 2025, subject to meeting certain covenants, with options to extend for an additional two years to June 2027 subject to agreement with the banking group.

The RCF contains a net leverage covenant, which needs to be met in order to be able to draw down under the facility. The net leverage covenant applies to the Restricted Group – the consolidated group excluding Ocado Retail, Jones Food and the results of the Group's captive insurance entity. It is assumed that the option to extend the RCF is exercised to cover the full viability assessment period.

The Group's senior unsecured notes ("SUNs") contain typical high-yield covenants, including a Fixed Charge Coverage Ratio ("FCCR") which provides greater financial flexibility when greater than 2.0x, and a Consolidated Net Leverage Ratio which governs the Group's ability to make certain restricted distributions. In both cases, the covenants are only tested on an "incurrence" basis (i.e. when accessing additional funding) and apply to the Restricted Group. Whilst no additional funding requirement is indicated in the modelling below, we expect the FCCR to be maintained above 2.0x throughout the assessment period, maintaining our ability to access additional funding if required.

Current borrowing facilities mature in FY26 and FY27 with repayment due in December 2025 (£600m convertible bond), October 2026 (£500m SUNs) and January 2027 (£350m convertible bond). As these maturities fall within, or just outside, the viability assessment period, a key assumption in this exercise is that replacement funding would be obtainable as required to refinance existing facilities. In line with normal practice it is anticipated that any refinancing would take place in advance of the ultimate maturity date and would therefore all fall within the viability assessment period. In addition, the coupon rates on any refinancing are expected to be significantly higher than the coupon rates on current facilities.

Assessment of longer-term viability

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

Whilst there are a number of factors which could support a longer-term time horizon – notably the five-year duration of the Group's annual strategic planning process; the open-ended duration of our Solutions contracts; and the Group's financing profile which extends out to 2026 (SUNs) and 2025 and 2027 respectively (convertible bonds) – the rapid pace of strategic and technological development for the Group, both in the UK and Internationally, is a strong indicator that would support a shorter time horizon.

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

Financial modelling

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

- the base case;
- a downside stress test; and
- a severe downside stress test.

The table below shows how the downside and severe downside scenarios have reflected the crystallisation of one or more of the Group's principal risks.

Group principal risks and impact	Downside	Severe downside
Market proposition – OSP and OIA and **Product innovation, protection and performance – OSP and OIA:** inability to attract new clients	Limiting growth in the acquisition of new OSP Partners and OIA Clients with a corresponding impact on upfront fees and OIA cash margin.	Removing growth in international OSP Partners with a corresponding impact on upfront fees. Limiting growth in the acquisition of new OIA Clients with corresponding impact on OIA cash margin.
Partner success – OSP: inability to support OSP Partners expansion plans	Reduction of growth in modules from existing clients and Partners with a corresponding impact on fees.	Further reduction in growth in modules from existing clients and partners with a corresponding impact on fees.
Product innovation, protection and performance – OSP and OIA: inability to support existing client and partner requirements	Limiting growth in the acquisition of new OIA Clients.	Limiting growth in the acquisition of new OIA Clients.
Supply chain, Talent & capability and **Climate, environment and geopolitical –** increasing costs of solution delivery	Increase in direct operating costs compared with the base case scenario (i.e. reduced efficiencies obtained).	Further increase in direct operating costs compared with the base case scenario to maintain at FY23 exit level across the assessment period (i.e. no additional efficiencies obtained).
Liquidity and Cash Management – increase in coupon rates for refinancing	Increase in coupon rates for refinancing existing debt by 1ppt.	Increase in coupon rates for refinancing existing debt by 2ppt.

The principal risks of Cybersecurity & data, Fire & safety and Regulatory & compliance have not specifically been referenced in the downside and severe downside modelling. These risks are considered insurable and the primary impact likely to be reputational. As such any significant impact from these risks is covered by the reduction in growth of new clients and partners in the downside and severe downside scenarios.

The scenarios modelled do not make allowance for other mitigating actions available to the Board that could be taken in response to the crystallisation of one or more of the significant risks. These mitigating actions include:

- reducing or temporarily slowing down our investment in technology;
- disposing of all or part of our 50% holding in Ocado Retail;
- disposing of some or all of our strategic ventures investments; and
- enforcement of contractual terms with clients and partners in relation to underperformance.

The base case

The Going Concern and Viability assessments use as their base the five-year strategic plan approved by the Board, updated to reflect the FY23 outturn financial performance and the FY24 Budget.

The Group has a cash position of £0.9bn as at the end of FY23, and under the base case is forecast to retain positive cash headroom of at least £560m throughout the assessment period, together with access to additional RCF liquidity should it be required.

The base case assumes a continuation of the trends seen in FY23, including growth in customers and orders as well as heightened input cost pressures in the UK Retail business. Growth is forecast to continue in the UK through utilisation of existing capacity, and internationally with CFC and module orders from both existing and new clients as well as the expansion in the Group's ASRS business.

Capital expenditure is assumed to continue to deliver the roll-out of the CFC programme, as well as continued investment in our technology and the OSP platform.

Based on the operational cash flows assumed in the plan, our expectation is that no further fundraise would be required within the viability period in order to support ongoing capital expenditure requirements, although it is assumed that existing debt due to mature in the viability assessment period is able to be refinanced at appropriate market rates.

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

Downside stress tests

A downside stress scenario was undertaken to determine the sensitivity to going concern and viability, as noted in the table above.

Under the downside scenario, the negative impact on fees as a result of reduced new and existing client and partner growth, and the increase in direct operating costs, is partially offset by a reduction in capital expenditure resulting in a small decline in the Group's cash position over the viability period when compared with the base case. Despite the decline, the Group retains positive cash headroom of at least £480m throughout the assessment period under the downside scenario.

Additionally, as a result of the reduced fee income, the Group would fail to meet the net leverage ratio covenant to enable it to draw down on the RCF at the end of FY24. However, the modelling indicates that no such drawdown would be required over the going concern and viability assessment periods. As part of the upcoming expected refinancing of existing debt and RCF extension we would aim to ensure compliance with all covenants, such that the RCF could be drawn at all times.

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 more severe impacts of the principal risks modelled in the downside stress test as noted above, including no new OSP Partners being signed over the assessment period and a 50% reduction in modules going live from the downside case. Direct operating costs have been modelled by assuming that there will be no further reduction in costs beyond those currently being achieved at our mature sites. This would represent a significant increase in the cost base of the business.

Under this scenario, there is a more significant decrease in the cash position of the Group compared with the base case. However, the Group retains positive cash headroom of at least £400m throughout the assessment period.

Additionally, as a result of the reduced fee income, the Group would fail to meet the net leverage ratio to enable it to draw down on the RCF at the end of FY24 and FY25. However, the modelling indicates that no such drawdown would be required over the going concern and viability assessment periods. As part of the upcoming expected refinancing of existing debt and RCF extension we would aim to ensure compliance with all covenants, such that the RCF could be drawn at all times.

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

Confirmation of viability

The assessment of the Group's viability considers severe but plausible scenarios aligned to the principal risks and uncertainties set out on pages 107 to 111 where the realisation of these risks is considered remote, considering the effectiveness of the Group's internal control and risk management system and current risk appetite.

The degree of severity applied in these scenarios was based on management's experience and knowledge of the industry to determine plausible movements in assumptions.

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

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the viability assessment period.

Going Concern Statement

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis.

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Financial Review on pages 40 to 59. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Strategic Report on pages 1 to 115, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors as set out on pages 107 to 111.

After reviewing the Group's liquidity and financial positions, the Directors considered it appropriate to adopt the going concern basis of accounting, with no material uncertainty identified, in the preparation of the Company's and Group's financial statements.

Non-Financial and Sustainability Information Statement

The following table sets out where stakeholders can find relevant non-financial information within this Annual Report, further to the Financial Reporting Directive requirements contained in Sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that support these requirements.

Reporting requirement	Relevant Ocado policies and procedures	Additional information
1 Business model		Our Business Model, pages 18 and 19
2 Principal risks and impact of business activity	Our **ERM Policy** covers the management of risks.	How We Manage Our Risks, pages 103 to 111 Audit Committee Report, pages 144 to 153
3 Non-financial KPIs		Our Strategy, pages 21 to 23 Key Performance Indicators, pages 8 to 11
4 Our employees	Our **Code of Conduct** sets out the principles of how we expect our employees to conduct themselves. Our **Whistleblowing Policy** provides guidance on how to report suspected wrongdoing. Our **Equal Opportunities Policy** sets out our commitment to treat all our employees fairly and equally. Our **Work from Anywhere Policy** provides flexibility for our employees to work remotely in another country or location. Our **Board Diversity Policy** confirms the Board's commitment to support and promote diversity and inclusion across the Group. Our **Health and Wellbeing Strategy** is focused on supporting and enhancing the wellbeing of our employees.	Responsible Business Report, pages 80 to 81 People Committee Report, pages 137 to 143 Directors' Remuneration Report, pages 154 to 203
5 Respect for human rights	Our **Human Rights Policy** sets out requirements for all persons working for us or on our behalf to ensure their human rights are respected. Our **Modern Slavery Act Statement** confirms our commitment to human rights and safe and secure working environments.	Responsible Business Report, pages 67 to 81
6 Social matters	Our **Code of Conduct** guides our behaviour in line with our values and provides a framework for responsible business practices.	Responsible Business Report, pages 67 to 81
7 Anti-bribery and anti-corruption	Our **Anti-Bribery Policy** and **Anti-Money Laundering Policy** set out expected standards of behaviour and guidance on how to deal with bribery and corruption issues. Our **Conflicts of Interest Policy** provides guidance regarding the management of conflicts of interests.	Responsible Business Report, pages 80 to 81 and 132 to 133
8 Environmental matters, including climate-related disclosures	Our **Responsible Business Strategy** sets out our objectives with respect to our impact on the environment, including reducing the climate impact of our operations.	Responsible Business Report, pages 67 to 81 TCFD Report, pages 82 to 102

Strategic Report approval

The Company's Strategic Report is set out on pages 1 to 115.

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

Neill Abrams
Group General Counsel and Company Secretary

29 February 2024

Governance at a glance

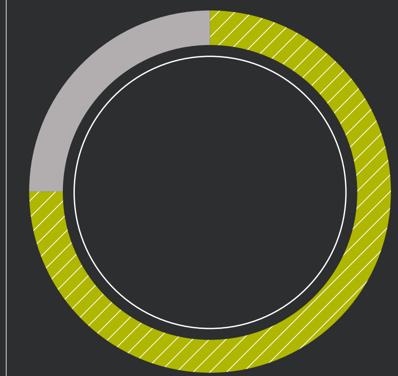
Number of Board meetings
13

Board meeting attendance
95%

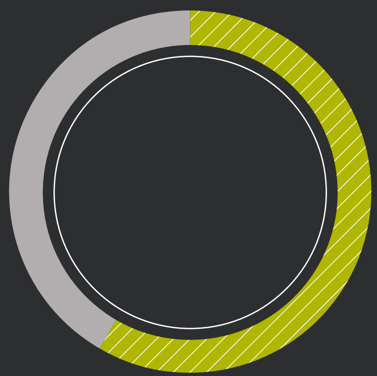
Non-Executive to Executive Director ratio*
8:4

Board time spent on strategy**
45%

Board ethnic diversity*



Board gender diversity*



Board highlights

- Ocado Intelligent Automation ("OIA") deal with McKesson Canada
- New Luton Customer Fulfilment Centre ("CFC") opened
- Operations ceased at Hatfield CFC
- Closed two spokes
- Cost reduction and cash flow efficiency exercise
- Acquisition of 6 River Systems ("6RS")
- Net Zero Roadmap approved
- Development of the Partner Success programme
- AutoStore litigation settlement
- Approval of the five year plan

Key Board updates

- Appointment of Julia M. Brown as Non-Executive Director, 1 January 2023
- Resignation of Michael Sherman as Non-Executive Director, 26 June 2023
- Appointment of Rachel Osborne as Non-Executive Director, 1 September 2023
- Appointment of John Martin as CEO, Ocado Solutions and resignation as Non-Executive Director, 1 September 2023
- Resignation of Luke Jensen as Executive Director, 30 September 2023
- Resignations of Neill Abrams and Mark Richardson as Executive Directors, 2 February 2024

* As at 3 December 2023
** Based on allocated discussion time in Board meetings, with other discussion time spent on matters including performance, operations, governance, people, finance, risk and responsible business

Chair's Governance Statement

Rick Haythornthwaite
Chair

This year the Board continued to put strategy front and centre in its business to ensure the decisions and actions taken focus on furthering our strategic objectives. We continually monitor progress against our strategy and during our three-day annual Board strategy meeting we took the opportunity to stand back and review all areas of the business, including external factors impacting the Group, and further tailor short- and medium-term plans to meet our objectives, including driving partner success, technology development and aligning across the business on our five year plan.

We increased the role and remit of our Board Committees in operational oversight with reporting on key issues to the full Board. This enabled more discussion and time to focus on delivering on our strategy in Board meetings.

An additional area of focus in FY23 was the Group's responsible business strategy that considers all our environmental, social and governance ("ESG") impacts across the Group. As these evolve we need to ensure we are able to apply the increasing sustainability reporting requirements in a manner that offers real insights into potential business opportunities and risks. We are improving our data collection and moving our focus to ensuring we integrate responsible business into our daily operational decision-making and, over time, increasingly to be at the heart of our strategy.

In particular, the Board spent time focusing on talent attraction, development and diversity. There were a number of initiatives implemented this year to develop talent across the business. These included mapping career pathways, leadership and management programmes, graduate and retraining opportunities and the introduction of new senior leader DE&I targets, for gender during FY23 and for ethnicity in early 2024. It is important the Board understands the talent coming through the Group and reviews Non-Executive Director succession planning and executive roles regularly. We naturally look at the current and future composition of the Board to ensure we have the diversity and skills to support the delivery of our strategic objectives.

As detailed in the Chair's Letter on page 6 the composition of our Board has changed with two new members replacing the five members stepping down and reducing in size from 13 to 10 (12 as at year end), with an improved balance of gender and independence. I am pleased that John Martin took on the role of CEO, Ocado Solutions, stepping down from the Board. His knowledge and experience of the Group will be key to the future development of our Company and offer.

Rick Haythornthwaite
Chair

29 February 2024

Board of Directors

Key:
- Chair
- Executive Director
- Non-Executive Director
- Group General Counsel and Company Secretary

Key to Committee membership
- A Audit Committee
- R Remuneration Committee
- P People Committee
- Committee Chair

Rick Haythornthwaite
Chair

Appointed: 1 January 2021
Tenure: 3 years
Skills and competencies:

Rick joined the Board of Ocado Group as Non-Executive Chair in 2021 and is also a Non-Executive Director of NatWest Group plc, where he will take over as Chairman on 15 April 2024. He is a graduate of Oxford University and MIT and spent his early career at BP, latterly becoming CEO of Blue Circle and Invensys and a Partner of Star Capital. Rick's non-executive career has been extensive – he was previously Chair of Mastercard Inc., Chair of Railsr, an embedded finance technology company, Xynteo, an ESG consulting company, Centrica plc and Network Rail Limited. He is co-founder of QiO Technologies (he was also previously Chair), an industrial AI company, and has held non-executive directorships at Globant SA, Land Securities Group plc, Imperial Chemical Industries plc, Lafarge SA and Cookson Group plc.

Rick's skills and previous experience in a wide range of industries make him an exceptional Chair for Ocado. He has strong business acumen and brings a blend of strategic vision and operational expertise to the role. His ability to navigate complex challenges, drive innovation and adapt to changing market dynamics aligns perfectly with Ocado's position as a pioneer in online grocery and robotics.

External appointments:
- Non-Executive Director of NatWest Group plc (will become Chairman in April 2024)
- Chairman of the AA*

Committee membership:
P

* Rick will step down as Chairman and become a Non-Executive Director when he becomes Chairman at NatWest Group plc in April 2024.

Tim Steiner OBE
Chief Executive Officer

Appointed: 13 April 2000
Tenure: 23 years
Skills and competencies:

Tim is the founding Chief Executive Officer of Ocado, which he established with two former colleagues from Goldman Sachs in 2000, and has been an Executive Director ever since. He started his career as a bond trader at Goldman Sachs in London, New York and Hong Kong. He is one of an elite group of founders to have built a FTSE 100 business from scratch.

As CEO, Tim leads on the implementation of the Group's strategy and ensures the Executive Committee is aligned on the Group's strategy and vision. Tim's ability to drive strategic partnerships, navigate complex supply chain logistics and leverage cutting-edge technology demonstrates his effectiveness in steering Ocado's growth. As a founder of Ocado, he plays an important role in leading Ocado's culture of openness, innovation and collaboration.

External appointments:
- Non-Executive Director of Ocado Retail Limited

Stephen Daintith
Chief Financial Officer

Appointed: 22 March 2021
Tenure: 2 years
Skills and competencies:

Stephen joined the Ocado Group Board as Chief Financial Officer from Rolls-Royce in 2021, bringing with him a deep understanding and experience of UK-listed and international business across a range of sectors. He graduated from the University of Leeds with a BA in Economics and Accounting and qualified as a Chartered Accountant at PricewaterhouseCoopers (now PwC) in 1988. Stephen has held many executive roles including Finance Director of Daily Mail and General Trust plc, Chief Operating Officer and Chief Financial Officer of Dow Jones & Co, and CFO of News International. He has extensive financial expertise and a strategic mindset gained over his career. Stephen's financial stewardship makes him a valuable asset in shaping Ocado's financial strategy and ensuring its continued success.

External appointments:
- Non-Executive Director of 3i Group plc
- Non-Executive Director of Ocado Retail Limited

Andrew Harrison
Senior Independent Director and Designated Non-Executive Director ("DNED")

Appointed: 1 March 2016
Tenure: 7 years
Skills and competencies:

Andrew joined the Ocado Group Board as a Non-Executive Director in 2016. He graduated from the University of Leeds with a BA (Hons) in Management Studies in 1992 and is currently a partner at Freston Road Ventures, which invests in consumer brands that challenge the status quo. He chairs a number of the investments, including Purplebricks, and advises and works with others such as Five Guys. Andrew previously served as Chair of Carphone Warehouse Ltd and was formerly Group CEO of Carphone Warehouse Group PLC before its merger which he led with Dixons Group plc.

Andrew has an extensive background in leadership and governance and brings a wealth of strategic knowledge and corporate governance expertise to the Board. His ability to provide independent oversight and offer valuable insights enables him to contribute to, and constructively challenge, a wide range of Board debates. His roles as DNED and Chair of the People Committee are pivotal in ensuring both the succession and composition of the Board and senior management align to the culture and strategy of Ocado, and that employees feel their voice is heard in the boardroom.

During his career, he has successfully grown numerous new businesses, has international retail experience and developed and ran a global services business.

External appointments:
- Chair of Trustees of The Mix
- Chair of Purplebricks (Strike Ltd)
- Partner of Freston Ventures Investments LLP
- Chair of Chicken Shop (Chik'n Ltd)
- Non-Executive Director of Dr. Martens plc
- Director of Smiles and Smiles Holding Ltd

Committee membership:
A R P

Jörn Rausing
Non-Executive Director; Independent

Appointed: 13 March 2003
Tenure: 20 years
Skills and competencies:

Jörn has been a Non-Executive Director of Ocado Group since 2003, when he made a significant investment in the business and before the Group was listed. He holds a degree in Business Administration from Lund University, Sweden and has over 30 years' experience in corporate development and international mergers and acquisitions.

Jörn's extensive background in business and investments equips him with strong skills in assessing investment opportunities, evaluating risk and providing a broader perspective on business strategy. This aligns well with Ocado's ambition in the competitive online grocery and technology sectors and his significant knowledge of the history of the business is extremely valuable in providing context and continuity for new members. He is considered independent by the Board. Read more about the consideration of Jörn's independence on page 132.

External appointments:
- Group Board Member of Tetra Laval
- Board Member of Alfa Laval AB
- Board Member of DeLaval Holding AB

Committee membership:
P

Emma Lloyd
Non-Executive Director; Independent

Appointed: 1 December 2016
Tenure: 7 years
Skills and competencies:

Emma joined the Board of Ocado Group as a Non-Executive Director in 2016. She is also Vice President, Partnerships EMEA at Netflix. Emma graduated with a BA Joint Hons in Management Studies and Geography from the University of Leeds in 1992 and has an extensive background in technology, innovation and digital transformation, spanning leadership roles in renowned technology companies and venture capital firms. She spent 15 years at Sky Group overseeing the creation of Sky's start-up venture investment function and US presence, leading to investment in over 30 technology start-ups. Prior to leaving she held the position of Chief Business Development Officer of the group.

Emma's experience in innovation, business development and leadership bring a dynamic dimension to the Board. Her forward-thinking approach and ability to navigate complex landscapes position her as a strategic asset.

External appointments:
- VP, Partnerships EMEA, Netflix

Committee membership:
R P

Key:
- Chair
- Executive Director
- Non-Executive Director
- Group General Counsel and Company Secretary

Key to Committee membership
- A Audit Committee
- R Remuneration Committee
- P People Committee
- Committee Chair

Julie Southern

Non-Executive Director; Independent

Appointed: 1 September 2018

Tenure: 5 years

Skills and competencies:

Julie joined the Board of Ocado Group as a Non-Executive Director in 2018 and is Chair of the Remuneration Committee. She is also a Non-Executive Chair of RWS Holdings and NXP Semiconductors. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a qualified chartered accountant. Her previous executive roles included Group Finance Director at Porsche Cars, CFO and CCO at Virgin Atlantic and Finance and Operations Director at WH Smith. Her former non-executive roles included Chair of the Audit Committees at Rentokil Initial plc, DFS Furniture Company and Cineworld plc. She was also Non-Executive Director and SID at easyJet plc and Chair of the Nomination and Compensation Committee at Gategroup.

Julie's extensive experience in finance and strategic leadership across technology, aviation and finance sectors bring financial acumen, risk assessment skills and a proven track record of guiding organisations through growth and transformation to the Board. She provides valuable insights, significant board experience in public companies and financial expertise to effectively chair the Remuneration Committee and provide valuable experience to the Audit Committee.

External appointments:

- Non-Executive Director at NXP Semiconductors N.V.
- Non-Executive Director of Shilton Midco 2 Limited
- Non-Executive Director at RWS Holdings plc

Committee membership:

A R P

Nadia Shouraboura

Non-Executive Director; Independent

Appointed: 1 September 2021

Tenure: 2 years

Skills and competencies:

Nadia joined the Board of Ocado Group as a Non-Executive Director in 2021. She is an industry leader in the field of machine learning and robotics, and holds a PhD in Mathematics from Princeton University. Her previous roles include Vice President, Technology, Worldwide Supply Chain and Fulfilment at Amazon, Non-Executive Director of Cimpress plc, Director of X5 Retail Group, and CEO and founder of Hointer, a start-up retail technology company aiming to change the physical retail experience with smart solutions and analytics.

Nadia's extensive knowledge in technology, supply chain efficiency and innovation brings a profound understanding of ecommerce, automation, logistics and strategies focused on meeting customer needs to the Board. She provides focused insight and valuable know-how to Board discussions.

External appointments:

- Non-Executive Director of Ferguson plc
- Senior Advisor to New Mountain Capital LLC
- Non-Executive Director of Mobile TeleSystems PJSC

Committee membership:

A P

Julia M. Brown

Non-Executive Director; Independent

Appointed: 1 January 2023

Tenure: 1 year

Skills and competencies:

Julia joined the Ocado board as Non-Executive Director in January 2023. She has more than 30 years' experience in the fields of supply chain, procurement and operations. She has served as Chief Procurement officer for several of the world's largest global companies including Clorox, Kraft, Mondelez, Mars-Wrigley and Carnival Corporation and plc. She has also worked in key leadership positions at Procter & Gamble, Diageo and Gillette. She has led significant operational and organizational transformation initiatives primarily in the consumer products and hospitality sectors. She has also led the creation of multi-billion dollar contracts and supplier relationships and global teams in every region of the world.

Julia has an extensive background in mergers & acquisitions and sustainability. She also advises on non-profit boards and has served on finance, audit and governance for those organisations. She currently serves as a trustee for the Perez Art Museum (Miami) and the Chartered Institute for Purchasing and Supply (UK).

Julia's qualifications and experience make her an outstanding Non-Executive Director at Ocado, largely owing to her vast experience across her roles.

External appointments:

- Board Member of Molson Coors Beverage Company
- Board Member of Solo Brands, Inc
- Board Member of Perrigo Company PLC

Committee membership:

R P

Rachel Osborne

Non-Executive Director; Independent

Appointed: 1 September 2023

Tenure: 6 months

Skills and competencies:

Rachel is the newest member of the Ocado Group Board, joining as a Non-Executive Director and Chair of the Audit Committee in 2023. She was most recently the CEO of Ted Baker, stepping down in June 2023, and was previously CFO of Debenhams plc, Domino's Pizza Group plc and Finance Director of the John Lewis Division within the John Lewis Partnership. Rachel holds an MA in Veterinary Medicine from the University of Cambridge and is a qualified chartered accountant.

Rachel is a highly qualified Non-Executive Director and she possesses in-depth comprehension of financial management, strategic planning, and customer-centric business approaches. Her background and extensive financial expertise allow her to chair the Audit Committee effectively and her background and insight into consumer experience and retail are very valuable.

External appointments:

- Non-Executive Director of Marston's PLC

Committee membership:

A P

Neill Abrams

Group General Counsel and Company Secretary

Appointed: 8 September 2000

Tenure: 23 years

Skills and competencies:

Neill was on the founding team of Ocado, joining the Board as an Executive Director in September 2000. He resigned from the Board in February 2024. He has Board responsibility for the Group Operations departments covering Legal, Governance, Intellectual Property, Real Estate and ESG. Prior to Ocado, he was a barrister in practice at One Essex Court and spent nine years at Goldman Sachs in London in the investment banking and legal divisions. Neill holds degrees in industrial psychology and law from the University of the Witwatersrand in Johannesburg and a Masters in Law from Sidney Sussex College, Cambridge. He is admitted as a barrister in England and Wales, an attorney in New York and an advocate in South Africa.

Neill has extensive legal expertise and corporate governance acumen as well as significant knowledge of Ocado Group and the markets we serve. His background in law and experience serving in legal leadership positions bring a deep and valuable understanding of regulatory compliance and legal intricacies to the Group.

Changes to the Board

During the period and up to the date of signing of the financial statements the following changes to the composition of the Board took place:

- Michael Sherman resigned as Non-Executive Director, effective 26 June 2023.
- Rachel Osborne was appointed as Non-Executive Director and Chair of the Audit Committee on 1 September 2023.
- John Martin resigned from the Board, effective 31 August 2023, to become CEO, Ocado Solutions from 1 September 2023.
- Luke Jensen resigned from the Board and from his position as CEO, Ocado Solutions, effective 30 September 2023;
- Neill Abrams resigned from the Board, effective 2 February 2024, continuing as Group General Counsel and Company Secretary.
- Mark Richardson resigned from the Board, effective 2 February 2024, continuing as CEO, Ocado Intelligent Automation.

Corporate Governance Statement 2023

Ocado Group was subject to the UK Corporate Governance Code 2018 (the "Code") for the year ended 3 December 2023. This Corporate Governance Statement as required by the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTR") forms part of the Directors' Report, and has been prepared in accordance with the principles of the Code. A copy of the Code and further information on the Code can be found on the Financial Reporting Council's website, www.frc.org.uk.

This Corporate Governance Statement 2023, together with the rest of the Corporate Governance Report and the Committee Reports, provides information on how the Group applied and complied with the principles and provisions of the Code and meets other relevant requirements, including provisions of the Listing Rules and the DTR of the FCA.

Compliance with the Code

For the financial year ended 3 December 2023, the Board considers that it has applied all the principles and complied with all provisions of the Code.

The key requirements under DTR 7.2 are covered in greater detail throughout the Annual Report. Additional information can be found here:

- The Group's risk management and internal control systems are described on pages 103 to 111.
- Share capital information is in the Directors' Report on pages 204 to 213.
- Information on Board and Committee composition can be found on pages 134 to 137 and information on their operation is included across the Corporate Governance Report and in the individual Committee reports.
- The Board Diversity Policy is discussed on pages 142 and 143 with further information on diversity on pages 135 to 136 and 70 to 71.

Board approval

This separate Corporate Governance Statement 2023 is approved by the Board and signed on behalf of the Board by its Chair and the Group General Counsel and Company Secretary.

Rick Haythornthwaite
Chair

Neill Abrams
Group General Counsel and Company Secretary

29 February 2024

Code principles

The layout of the Corporate Governance Report follows the structure of the principles of the Code and illustrates how the Code principles have been applied by Ocado.

Board Leadership and Company Purpose	Division of Responsibilities	Composition, Succession and Evaluation	Audit, Risk and Internal Control	Remuneration
A. Effective Board **page 124**	F. Board roles **page 131**	J. Appointments to the Board **page 134**	M. Effectiveness of external auditor and internal audit and integrity of accounts **page 151**	P. Linking remuneration with purpose and strategy **page 186**
B. Purpose, strategy, values and culture **page 124**	G. Independence **page 132**	K. Board composition **page 135**	N. Fair, balanced, and understandable assessment of Company prospects **page 146**	Q. A formal and transparent procedure for developing policy **page 186**
C. Prudent and effective controls and Board resources **page 127**	H. External commitments and conflicts of interest **page 132**	L. Annual Board evaluation **page 137**	O. Internal financial controls and risk management **page 150**	R. Independent judgement and discretion **page 202**
D. Stakeholder engagement **page 128**	I. Board efficiency **page 123**			
E. Workforce policies and practices **pages 128 to 129**				

Board Leadership and Company Purpose

Key Board focus areas during the year

Link to strategy key:
1. Grow our revenue
2. Optimise OSP economics
3. Deliver transformational technology
4. Drive success for our Partners
5. Embed a responsible business approach

Stakeholders considered key:
- People
- Investors
- Partners
- Suppliers
- Environment and society

		Link to strategy	Stakeholders considered
Strategy and financing	Held a three-day strategy meeting to discuss medium- and long-term strategy and growth opportunities, including challenges and risks, and determined Ocado Group's key strategic priorities.		
	Reviewed and approved the updated five year plan.		
	Approved ceasing operations at the Hatfield CFC, the closure of two spokes and the opening of the Luton CFC.		
	Approved the agreement between pharmaceutical distributor McKesson Canada and OIA to provide our automated fulfilment technology.		
	Approved the acquisition of 6RS, a collaborative autonomous mobile robot fulfilment solutions provider to the logistics and non-grocery retail sectors.		
	Considered the Marks and Spencer Group plc ("M&S") contingent consideration payment regarding our joint venture agreement.		
	Approved an increased loan facility to Ocado Retail Limited, our joint venture with M&S.		
	Monitored the progress of litigation with AutoStore and the successful settlement of all claims.		
Performance and operations	Received reports from the CEO and CFO at each Board meeting, including progress against strategic objectives, and throughout the year from the CEO of each business unit, including Ocado Retail, on trading, business performance, financing and strategy implementation.		
	Received regular reports on OSP Partner operations and the implementation of CFC projects, including regular reports from the Partner Success teams on the evolving plans to support our Partners.		
	Received regular reports on the development of OIA, the business unit focused on providing our product offering in new market sectors outside of grocery.		
	Following his appointment as CEO, Ocado Solutions, John Martin provided a deep dive on the Ocado Solutions business, including an assessment on current partners, CFC status and his priorities for the business.		
	Received progress updates on the project to migrate our UK partners to OSP.		
	Reviewed and approved the annual Group budget and business plan.		
	Reviewed and approved individual capital expenditure projects, including funding the development of metal totes and 600 series bots.		
	Reviewed and approved OSP capital expenditure projects, including CFC builds for OSP Partners Kroger and Coles.		
Risk management and internal control	Completed the annual review of principal and emerging risks and consideration of the risk appetite, including the approval of a new risk for Liquidity and Cash Management.		
	Reviewed the effectiveness of the Group's systems of internal control and risk management.		
	Approved the Group's cybersecurity strategy and reviewed updates on cybersecurity, including risks and mitigation, and the Group's cybersecurity programme.		

		Link to strategy	Stakeholders considered
Leadership and people	Appointment of John Martin as CEO, Ocado Solutions.		
	Reviewed and discussed the outcomes of the internal Board effectiveness review and creation of the action plan for 2024. Reviewed progress against the 2022 Board evaluation action plan.		
	Considered the composition and effectiveness of the Board, including approval of the appointment of Rachel Osborne.		
Governance and responsible business	Approved the Group's Net Zero Roadmap.		
	Reviewed various ESG-related matters, including the annual stakeholder engagement analysis and corporate responsibility update.		
	Reviewed the ESG strategy and data collection and reporting, including the Task Force on Climate-Related Financial Disclosures Report.		
	Reviewed and approved corporate statements including the Gender Pay Gap Statement, Modern Slavery Act Statement and the Basis of Reporting 2023.		

Effective Board

The principal role of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value for investors and other stakeholders and to contribute to the wider society. The Board defines the Group's purpose and strategy, in line with our values, and ensures that the business model and culture support the delivery of the Group's strategic priorities to generate sustainable growth.

→ For information on our purpose, strategy and values see pages 18, 21 and 22

The Board considers strong governance essential to delivering our strategy and ensuring the Group's long-term success. A system based on accountability and responsibility, transparency and effective controls is necessary for the Board to be able to provide effective strategic leadership. Our governance framework provides for clearly defined roles and responsibilities and is supported by strong systems of risk management and internal control.

→ See our governance framework on page 127

→ For more information on risk management and internal controls see pages 103 to 111

The Board recognises the importance of monitoring the composition of the Board to ensure it has the skills and experience required to enable sustainable success. The Board recruits and develops Directors who will provide a positive contribution to the business. The culture of the Board facilitates an open and inclusive environment where the Directors can have open and honest discussions and feel able to provide constructive challenge. The Board meeting agendas are set to allow sufficient time for discussion and the Chair actively encourages participation from all Board members.

→ For more on Board composition see page 135

The Board Committees are utilised to ensure the Board has sufficient time for discussion and is able to focus on strategic matters. As a result the Board Committees' role in operational oversight has increased in 2023, with Committee chairs continuing to provide reports at Board meetings to ensure informed decision-making by the Board.

Purpose, strategy, values and culture

The Board is responsible for setting the strategic direction of the Group, establishing the Group's purpose and values and taking a leading role in laying the foundations of the Group's culture. The Board recognises that a clearly established purpose and strategy, alongside strong values and a positive culture that support these, are essential for the Group's long-term sustainability and success. This year our purpose was redefined to state clearly what we are seeking to achieve through our technology.

Our purpose and strategy are key considerations in the actions and decision-making of the Board and the oversight of the implementation of these by the business. Our "strategy on a page" document is included in each Board meeting pack to ensure these objectives are central to discussions. The Board undertakes an in-depth annual review of the strategy to ensure it remains fit for purpose and the short- and medium-term goals to progress our objectives are in place. The goals are then monitored throughout the year with an update on progress included in each Board meeting.

Board strategy meeting

During the 2023 strategy meeting, held across three days, Board discussions focused on the delivery of our strategic objectives and five year plan. In-depth reports from across the business, as well as a review of the external market where the Board heard from external advisers and one of our OSP Partners, enabled informed discussions on the challenges and opportunities for the Group (and partners) to deliver its short- and long-term objectives.

The Board agreed the key priorities for the business for the next year to further the strategy, including the continued development of the Partner Success programme, prioritisation in technology development, and ensuring the actions required are fully funded and aligned with the five year plan. The Board also highlighted the need to ensure the Group organisation and structure is in place to achieve these priorities and in turn deliver the strategy, with objectives set to ensure this. At the following Board meeting the Board approved for each priority area the key deliverables, roadmap to achieve these and the KPIs to measure progress.

The Board is responsible for ensuring the necessary resources are in place to be able to deliver the strategy. This year the Board monitored and reviewed the ongoing Group-wide reorganisation and focused on the prioritisation of investment in technology to ensure this. The Executive Directors and senior management are responsible for the implementation of strategic objectives, with decision-making further dispersed across the business. Therefore it is essential that, across the Group, there is an understanding of our strategy and how individuals contribute to this. In order to increase employee understanding of the strategy and provide short-term measurable steps we launched our Technology Solutions Goals for the year, in January 2023. This provided clear short-term goals, which then informed goal-setting in individual teams within Technology Solutions, to ensure alignment with the strategic direction of the Group.

The links between the Group strategy and the Board's actions and decisions this year are shown in the table on pages 123 to 124. Examples include:

- the development of the OIA business to deliver on diversifying and growing our revenue streams, including approving the first OIA deal to provide automated fulfilment solutions to McKesson Canada;
- ceasing operations at the Hatfield CFC and the opening of the Luton CFC to further our strategy of optimising OSP economics;
- approving investment in 600 series bots development to continue to deliver transformational technology; and
- the continued development of the Partner Success programme to deliver on our Partner commitments.

Our values guide how the Board and workforce behave, individually and collectively, and help underpin our culture. This year we set specific values for both Ocado Logistics and Technology Solutions, as described on page 22, to reflect the separate business segments. However, these values remain focused around similar themes. Our people are key to realising our purpose and through our values of innovation, inclusivity and collaboration we are able to deliver on our strategy. More details on our values can be found on page 22.

Our values underpin our culture, which is open and collegiate, engaged, innovative and entrepreneurial. In order to continue to deliver new technology and develop new and efficient solutions we need our people to be curious and innovative and to work together in an inclusive environment where they can fulfil their potential and perform at their best.

The Directors strive through their own conduct to set the right tone from the top for senior management and the wider workforce. This is shown in the Board's commitment to high standards of corporate governance and ethical behaviour, open and transparent reporting, engagement with our people and entrepreneurial leadership. The Board ensures that the necessary policies and procedures are in place to maintain the culture and promote our values. Any new policies or procedures, and any subsequent significant changes thereof, are brought to the Board for discussion and approval.

The Board ensures that our culture and values support our strategy and purpose. Our culture influences decision-making and business conduct so in order to deliver on our strategic objectives it is vital these remain aligned. The Board monitors the culture through various qualitative and quantitative measures that provide insight into the culture of the Group. This includes metrics such as our employee Net Promoter Scores (eNPS), OSP Partner scorecards, employee training completion rates, and whistleblowing reports; as well as reports on employee matters, compliance, and health and safety. As the business continues to grow and evolve this oversight is vital to ensure our culture is retained across all areas of the business. The ongoing reorganisation of the Group, ceasing operations at the Hatfield CFC and the acquisition of 6RS all provided potential challenges this year to maintaining our culture, as well as our increasingly global workforce. Following the reorganisation of the business and reporting lines in Ocado Logistics and Technology Solutions it is important to maintain a cohesive culture across the whole Group. To ensure the culture is embedded Group-wide there is a focus on communication and access to information, including a new online information platform launched this year, and ensuring tools and processes to enable collaboration are in place.

The table on the following page demonstrates how the Board monitored and assessed the culture of the Group this year.

Our culture and decision-making

Board action	Link to culture
Provided with updates from the People team on employee matters including engagement, recruitment, retention, diversity and mental wellbeing.	Provided information on recruitment and retention and feedback from employees through the Peakon employee listening tool regarding the employee experience at Ocado to enable a broad assessment of the culture in line with our values.
Reviewed quarterly Reputation Dashboard, including eNPS scores and OSP Partner scorecards.	Provided information on employee engagement levels, for both Ocado Logistics and Technology Solutions, and the external perspective of our OSP Partners on how our employees operate.
Reviewed and approved workforce-related policies, including updated policies on data protection and employee share dealing.	Enabled assessment and oversight to ensure the policies continue to reflect our values and the desired behaviours that help to embed the culture.
Andrew Harrison, as DNED, reported to every Board meeting on workforce issues raised, initiatives being undertaken and other matters from his engagement across various employee platforms. He also updated the People Committee on topics discussed with employees. → For more about our DNED see page 128	Provided direct updates on concerns and issues raised by employees to assist in monitoring the culture, including the cost of living crisis, the impact of ceasing operations at the Hatfield CFC and Group reorganisation.
Reviewed biannual compliance reports, including statistics on compliance training completion, use of compliance tools, and whistleblowing reports received through the Speak Up hotline or management.	Provided information on workforce engagement with regulatory requirements and compliance, including risks and concerns identified across the workforce.
Reviewed health, safety and wellbeing metrics and reports, including injury rates, safety incidents and risk assessment results.	Enabled the assessment of the effectiveness of safety practices and behaviours and possible risks, and any actions required.
Reviewed and approved the Gender Pay Gap Statement and the Remuneration Committee reviewed the annual Group-wide Report on Remuneration, including share plans and benefits.	Enabled oversight to ensure remuneration reflects and supports a culture where our people feel valued and motivated to achieve our objectives.
Reviewed and approved the Group's Modern Slavery Act Statement.	Provided oversight of steps taken to prevent modern slavery and human trafficking within the Group and our supply chain.
The People Committee received reports on senior management and leadership development, including training on diversity and inclusion-related matters.	Enabled assessment of the support provided to management to enable them to take an appropriate lead on the expected behaviours that promote a culture that reflects our values.
Reviewed the report and recommendations from the Board effectiveness review undertaken by an external evaluator.	Enabled assessment of the Board in fulfilling its role to lead by example to promote a positive culture in line with our values.

Governance framework

Board of Directors

The Board is primarily responsible for setting the Group's strategy to deliver sustainable long-term value to our investors and other stakeholders, providing effective oversight and challenge to senior management regarding the implementation of the strategy and ensuring effective risk management and internal control systems are in place.

Board Committees

The Board delegates certain matters to three Board Committees to enable effective oversight whilst allowing the Board to focus on strategic matters.

Audit Committee

Oversees the Group's financial reporting, risk management and internal control systems, the relationship with the external auditor and the effectiveness of the Internal Audit function.

→ See pages 144 to 153

Remuneration Committee

Establishes and manages the Group's Remuneration Policy and oversees remuneration and workforce policies.

→ See pages 154 to 203

People Committee

Oversees composition and succession planning for the Board, senior management succession planning and people engagement issues.

→ See pages 138 to 143

Executive Committee

The Executive Committee is responsible for the day-to-day management of the business, carrying out and overseeing operational management and implementing the strategic objectives set by the Board.

Governance Committees

The governance committees provide oversight on key business activities and risks and report to the Executive Committee and the Board or Board Committees as appropriate.

Risk Committee	Global HSE Committee	Personal Data Committee
Information Security Committee	Disclosure Committee	IT Operating Committee
Treasury Committee	Capital Expenditure Group	ESG Committee

Effective controls

Our governance framework provides the structure to make decisions and achieve our strategic objectives within an established framework of prudent and effective controls. The framework of Board and governance Committees and clearly stated levels of authority creates clear lines of accountability and effective oversight. This also facilitates timely decision-making at the correct level and ensures responsibilities are clear. Through the facilitation of information sharing, the Board is able to exercise effective oversight, monitor performance and take informed decisions. This also ensures an understanding across the business of the strategic objectives to enable effective decision-making at all levels of the organisation aligned with strategy.

The framework has established reporting channels to ensure the Board is able to conduct effective discussions and informed decision-making. The Committee Chairs report at Board meetings on the discussions that have taken place at Committee meetings, including any issues that require Board input, any matters for Board approval and any actions taken.

The Executive Directors, and other members of senior management as appropriate, provide reports covering all areas of the business at Board meetings. Through reporting, including the use of both financial and non-financial metrics, the Board is able to evaluate and guide the progress and performance of the Group.

The Board maintains a formal schedule of matters reserved for the Board, including decisions regarding strategy, financing, capital structure and risk appetite, and a Delegations of Authority Policy. During the year, the Board reviewed and approved an updated Delegations of Authority Policy and Schedule of Matters Reserved for the Board.

There are robust risk management and internal control systems in place which allow the Board to assess and manage risks to the business.

→ For more information on internal controls see page 150

→ For more information on risk management see pages 103 to 111

Board resources

The Chair is responsible for ensuring that Directors are properly briefed on issues arising at Board meetings and that they have full and timely access to accurate, relevant information. To enable the Board to discharge its duties, Directors receive appropriate information, including briefing papers distributed in advance of the Board meetings. The Directors access Board papers and other relevant documents using a secure electronic platform. Board materials and the quality of information and resources as a whole are reviewed each year as part of the annual effectiveness review. This year new Board paper templates were developed, alongside effective paper writing guidance, for contributors to improve the quality of papers and information provided to the Board. This contributed to better-informed decision-making.

Directors can, where they judge it to be necessary to discharge their responsibilities as Directors, obtain independent professional advice at the Company's expense. The Board Committees have access to sufficient resources to discharge their duties, including external consultants and advisors, and access to internal resources and relevant personnel.

During the year, no Directors raised any concerns about the operation of the Board or the management of the Company.

Stakeholder engagement

The Board recognises the role of its key stakeholders in the long-term success of the Group and undertakes an annual review of stakeholder engagement to ensure it remains effective. The engagement mechanisms used are assessed to ensure that they provide opportunities for a two-way dialogue, for example through participation in stakeholder events where the Group is able to provide updates on the business and listen to and discuss stakeholder views. In addition, it is considered whether the outcome of engagement, both direct and as reported from across the business, provides the Board with a good understanding of the views of a wide range of stakeholders.

Employee engagement

The Board understands the central role our people have in the long-term success of the business and is committed to ensuring that it understands the composition and views of employees. Direct and indirect engagement methods are used to understand employee views and the Board takes these into account in its decision-making.

Information regarding engagement with our key stakeholders, and the consideration of stakeholders in Board activities, can be found in the Stakeholder Engagement section on pages 60 to 63, the Section 172(1) Statement on pages 64 to 66 and the Key Board focus areas during the year table on pages 123 and 124.

Designated Non-Executive Director for Workforce Engagement – Andrew Harrison

The Board continues to consider the DNED the most appropriate method of workforce engagement.

Andrew Harrison has been the DNED since 2019 and was appointed Chair of the People Committee in 2022. His experience and knowledge as DNED have been invaluable to the People Committee's consideration of people engagement issues, part of the Committee's expanded remit since 2022.

Through active engagement with a range of employee forums and the People team the DNED is an important link between the Board and the wider workforce. Andrew meets monthly with the Heads of the People and Global Listening, Culture and Engagement teams to review listening insights and feedback and support plans for proactive engagement. He also met with department heads this year to review feedback from Peakon employee surveys. Andrew chairs the biannual Ocado Logistics Council meetings and meets biannually with the Inclusion Committee chairs. This year Andrew moderated a panel event marking International Women's Day and made several site visits.

DNED reports on employee feedback, issues and concerns raised are a standing item at every Board meeting. The issues that Andrew brought to the Board's attention this year include the impact of the ongoing cost-of-living crisis, positive feedback regarding improvements in payroll processes and the impact of ceasing operations at the Hatfield CFC. He also supported and highlighted a deep dive exercise looking at significantly lower engagement of female managers compared with male managers in Technology Solutions, indicated through eNPS scores.

Workforce policies and practices

The Board takes responsibility for all workforce policies and practices to ensure they are consistent with the Group's values and support its long-term sustainable success.

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

The Board recognises the value of, and supports, the significant investment of time and resources in our workforce to allow the Group to attract and retain talent and develop the skills of our employees. A new talent and performance framework was developed this year which, as we continue to roll it out over the next year, will further support the development of our employees. More information on the Group's investment in our people is included in the Responsible Business Report section on pages 67 to 81.

The Board reviews and approves all significant policies that impact our workforce to ensure that policies and practices support the Group's purpose and reflect our values. Employees undertake mandatory training on key policies to ensure that they are properly read and understood and to help embed the principles as part of our culture. The Board is updated biannually on completion rates for mandatory training.

The Board is responsible for overseeing the Group's arrangements for the workforce to be able to raise matters of concern and seeks to foster an environment where individuals can be confident about speaking up about concerns without fear of retaliation. The Company operates an externally facilitated system, Speak Up, where reports can be made anonymously. The Board receives biannual reports on submissions through the system, and raised outside the system through management, including the issues raised, investigations undertaken and outcomes, including actions taken.

Engagement with suppliers, partners and clients

Delivering our strategy requires strong, mutually beneficial relationships with all of our stakeholders and in particular our partners and suppliers. This year the Board approved a new Supplier Code of Conduct setting out clear expectations for standards of conduct. The Board also monitored the ongoing development of the Partner Success function and the OIA business to ensure positive engagement with existing and potential new partners and clients.

Engagement with investors

The Board is committed to engaging with investors to inform and aid understanding of our business and strategy and, through dialogue, to understand the views and concerns of investors.

Key questions on Ocado investors' minds

- How the Group is working with OSP Partners to get the best out of OSP.
- The rate of module and CFC growth over the coming years.
- The path to cash flow positive, liquidity and plans for refinancing existing debt.
- Opportunities and the model for OIA.
- Actions being taken and planned regarding environmental issues.
- Governance issues including Board composition and remuneration.
- The Group's approach to improving talent, retention, diversity, equity and inclusion.

Engagement with our investors and understanding their views has informed the Board's focus on the composition of the Board, detailed further on page 135, the proposed 2024 Directors' Remuneration Policy, and furthering our ESG strategy including approving the Net Zero Roadmap and introducing new initiatives focused on talent growth (see pages 68 and 69). Positive feedback also demonstrates that investors are supportive of the development of our Partner Success programme and our move into non-grocery markets through OIA. We also welcome the opportunities to explain our strategic objectives and business model to enable investors to better understand our business.

Shareholder voting at the 2023 Annual General Meeting

At the 2023 Annual General Meeting, all resolutions were passed with votes in support ranging from 69.86% to 99.99%.

There was a significant minority vote (30.14%) against Resolution 2 (Directors' Remuneration Report). The Company understands that this outcome was broadly attributable to the outturn of the FY22 Annual Incentive Plan ("AIP") in the context of the Group's financial performance and mix of performance measures, and the hurdles under the third tranche of the Value Creation Plan ("VCP").

A statement explaining the basis of the AIP performance measures and targets and the creation of the third VCP tranche was published following this result. In October 2023 we wrote to our largest shareholders, detailing our proposed approach to the FY24 AIP, and welcomed any feedback on the proposals.

Following a review of the Company's remuneration structure at the end of FY23, the Remuneration Committee developed the proposed 2024 Directors' Remuneration Policy. An extensive shareholder consultation exercise was then carried out to seek feedback on the proposed changes. This is detailed in the Remuneration Committee Report on pages 154 to 203.

In keeping with Investment Association guidance, an update statement on the Company's response to the outcome of the 2023 Annual General Meeting significant votes against was sent to the Investment Association and can be found on the corporate website, www.ocadogroup.com.

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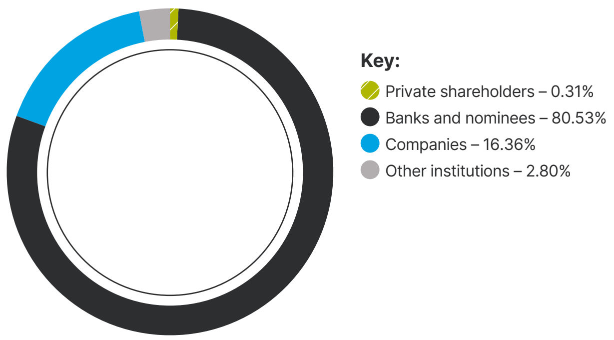
Investor activity this year

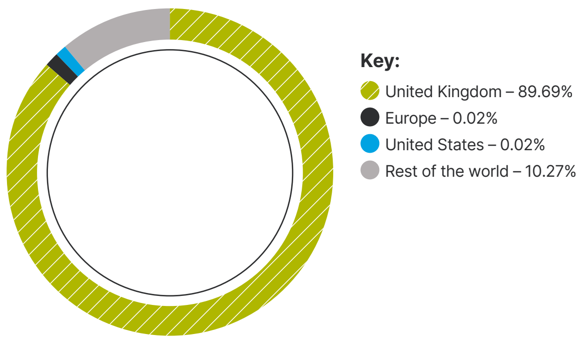
Throughout the year Directors held one-to-one and group meetings and calls and hosted group investor tours around UK CFCs. Additional specific meetings included the following:

January	Participated in Goldman Sachs Global Strategy Conference.
February	FY22 results presentation followed by a series of in-person meetings with around 70 institutional investors, including all major Ocado Group shareholders, in London, New York, Chicago and Dublin.
March	Held CEO fireside chat at JP Morgan European Internet Days Conference.
April	Chair-hosted governance breakfast. Chair investor roadshow.
May	2023 Annual General Meeting.
June	Held CEO fireside chat at the BNP Paribas Exane CEO Conference in Paris.
July	FY23 half-year results presentation followed by an investor roadshow including one-to-one meetings and group calls with over 110 institutional investors.
September	Chair investor roadshow. Held CFO fireside chat at the annual Bernstein Pan European Strategic Decisions Conference.
October	Investor roadshow in Poland.
November	Participated in Barclays European Retail Conference and JP Morgan Stanley European Technology, Media & Telecom Conference in Barcelona. Held fireside CFO chat at JP Morgan UK Leaders Conference. CEO fireside chat with Bank of America.

Shareholders by type



Shareholders by geography



Division of Responsibilities

Board roles

The role descriptions for the CEO, Chair, Senior Independent Director and Designated Non-Executive Director for Workforce Engagement are set out in writing and provide a system of checks and balances to ensure no individual has unfettered decision-making power.

Non-Executive

Non-Executive Directors

- Provide support and constructive challenge to the Executive Directors.
- Monitor the delivery of the Group's strategy within the risk and control framework set by the Board.
- Provide an external perspective and bring a diverse range of skills and experience to the Board's decision-making.
- Oversee the appointment and removal of, and determine appropriate levels of remuneration for, the Executive Directors.

Chair

- Provide effective leadership of the Board.
- Promote high standards of governance and ensure the effectiveness of the Board in directing the Group.
- Set the Board's agenda to ensure sufficient time for discussions and effective decision-making.
- Ensure that all Directors make an effective contribution to the Board.
- Promote a culture of openness, constructive debate and challenge on the Board.

Senior Independent Director

- Support and act as a sounding board for the Chair.
- Be available to shareholders if they have concerns.
- Meet, at least annually, with the other Non-Executive Directors, without the Chair present, to appraise the performance of the Chair.
- Act as an intermediary for the other Directors when necessary.

Designated Non-Executive Director for Workforce Engagement

- Understand the views of the workforce and identify any areas of concern.
- Provide regular updates to the Board on the views of the workforce.
- Ensure the Board considers the workforce in decision-making.
- Explain to the workforce the Company's policy on executive remuneration.

Executive

Executive Committee

- Oversee the day-to-day management of the Group's operations.
- Execute the strategic objectives agreed by the Board and develop plans in collaboration with the Board to implement strategy.
- Ensure the Board is properly informed of important and strategic issues within the business.
- Undertake certain aspects of the Board's responsibilities as delegated.

Chief Executive Officer

- Responsible for the day-to-day running of the Group and the performance of the business.
- Responsible for the implementation of strategy and decisions of the Board.
- Provide clear and visible leadership.
- Represent management on the Board.

Group General Counsel and Company Secretary

- Ensure compliance with Board procedures.
- Implement and oversee the governance framework.
- Ensure that information flows between management, the Board and its Committees.
- Advise the Directors, as required, on regulatory compliance and corporate governance.

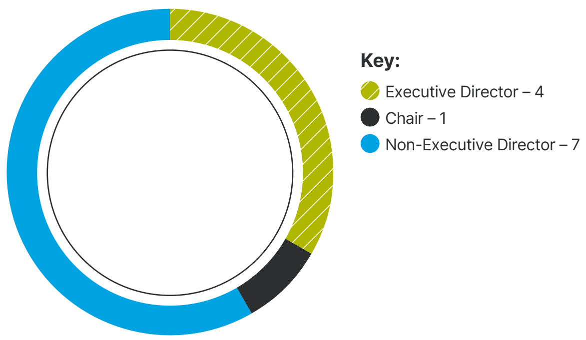
Board independence

The Non-Executive Directors play a vital role in holding the Executive Directors to account against agreed performance objectives and scrutinising the performance of senior management. In addition, independent insight and an external perspective support better decision-making. Therefore, it is of paramount importance that this independence, and an appropriate balance of independent to non-independent Directors on the Board, is maintained.

At 3 December 2023, the Board comprised 12 Directors (which reduced to 10 after the year end), including seven Non-Executive Directors, excluding the Chair (who was independent on appointment), all determined by the Board to be independent, and four Executive Directors (reduced to two after year end). The independence of the Non-Executive Directors is assessed annually, including the length of tenure and relationships or other circumstances that are likely to, or could appear to, impair a Director's judgement. Similarly, the composition of the People Committee, Audit Committee and Remuneration Committee complied in all respects with the independence provisions of the Code during the period.

The data from page 132 to 136 is as at 3 December 2023.

Board composition*



* Figures as at 3 December 2023

Jörn Rausing

The Board has continued to closely scrutinise the factors relevant to its determination of the independence of Non-Executive Director Jörn Rausing. This is due to the length of tenure, as a Director for 20 years, and because Jörn is a beneficiary of the Apple III Trust, which owns Apple III Limited (together, "Apple"), a significant (approximately 10%) shareholder of the Company. Jörn is not a representative of Apple, nor does Apple have any right to appoint a Director to the Board.

The Board considers Jörn's continuing directorship to benefit the Group due to his significant business experience and international expertise. This is coupled with in-depth knowledge of the Group and bringing a long-term perspective to the Board's decision-making. The Board considers Jörn to be independent in character and judgement, and does not believe the size of Apple's shareholding, nor the duration of Jörn's tenure on the Board, amounts to a relationship or circumstance which may affect his judgement. Jörn has stood for re-election annually since 2011 and on each occasion has been re-elected by a substantial majority of shareholders.

External commitments

The Company is mindful of the time commitment required from Non-Executive Directors in order to effectively fulfil their responsibilities on the Board, particularly providing constructive challenge and holding management to account, and utilising their diverse skills and experience to benefit the Company and provide strategic guidance.

Prior to appointment, prospective directors provide details of any other roles or significant obligations that may affect the time available for them to commit to the Company. Each Non-Executive Director's appointment letter includes the minimum time commitment required for the role. The Chair and the Board are informed by each Director of any proposed external appointments or other significant commitments as they arise and these are monitored to ensure they have sufficient time to fulfil their obligations. Chair approval is required prior to a Director taking on any additional external appointment. The Company monitors and remains compliant with applicable shareholder advisory groups' guidance on "overboarding".

Each Director's biographical details, including any significant external appointments, are set out on pages 118 to 121. Prior to approving new appointments, consideration is given to the additional time commitments of the roles, and the Chair (and Board regarding any external appointments of the Chair) was satisfied they would still have sufficient time to fulfil their obligations to the Company. The People Committee's consideration of Rick Haythornthwaite's appointment to NatWest Group plc is detailed on page 140.

Conflicts of interest

Ocado Group has a Conflicts of Interest Policy in place applicable to our workforce, including the Directors. In addition, the Board has established formal procedures, detailed in the Director Conflicts of Interest and Related Parties Policy, for the declaration, review and authorisation of any conflicts of interest of Board members.

Prior to their appointment, Julia Brown and Rachel Osborne completed a questionnaire disclosing any conflicts of interest or potential conflicts to the Company. Each Director is required to disclose conflicts and potential conflicts to the Chair and the Group General Counsel and Company Secretary as and when they arise, with an opportunity to disclose conflicts at the beginning of each Board and Committee meeting based on the matters to be discussed.

When a Director seeks to take on additional external responsibilities, the Director discusses the potential position with the Chair and approval will only be given once the Chair is satisfied and the Director confirms that, as far as they are aware, there are no conflicts of interest. A formal annual review is undertaken to ensure the information is up to date and a register is maintained by the Group General Counsel and Company Secretary.

There were no actual or potential conflicts of interest declared to the Company by the Directors between their duties to the Company and their private interests and/or other duties, except in the case of the Executive Directors, each of whom holds the position of Director of the Company and director of a number of Group subsidiary companies.

Ocado Retail Limited ("ORL") and conflicts of interest

Tim Steiner, Stephen Daintith and James Matthews are Ocado-appointed directors on the ORL board. Notwithstanding ORL's Companies Act 2006 duties and obligations under its Articles of Association, all three directors are subject to the provisions of the ORL articles of association and to the provisions within the ORL shareholders' agreement on conflicts of interest and related party matters. For more information about the governance framework of ORL see page 20.

Board and Committee meetings and attendance

During the year, the Board and its Committees conducted meetings in person, providing video conference facilities if required by any Director, with some ad hoc meetings added to the Board schedule to discuss and make time-sensitive decisions. During the period, the Non-Executive Directors held six scheduled meetings without the Executive Directors present, as well as a number of informal sessions. In the event a Director was unable to attend a meeting they received all papers for the meeting and had the opportunity to raise any points ahead of the meeting. In the year, there were some additional meetings diarised and some Directors were unable to join due to prior commitments and the short notice of these meetings.

Board and Committee meetings and attendance

Meetings attended/possible meetings the Director could have attended

Director	Board	Audit Committee	People Committee	Remuneration Committee
Rick Haythornthwaite (Chair)	13/13		4/5	
Tim Steiner	13/13			
Stephen Daintith	13/13			
Mark Richardson**	13/13			
Neill Abrams**	12/13			
Andrew Harrison	13/13	9/9	5/5	7/7
Jörn Rausing	12/13		5/5	
Julie Southern	13/13	8/9	4/5	7/7
Emma Lloyd	11/13		4/5	6/7
Nadia Shouraboura	13/13	9/9	3/5	
Julia M. Brown	10/12*		5/5	5/6*
Rachel Osborne	2/2*	2/2*	2/2*	
Past Directors				
Luke Jensen	11/12*			
John Martin	11/11*	7/7*	2/3*	
Michael Sherman	6/8*	4/6*	1/2*	

* Luke Jensen resigned from the Board effective 30 September 2023. John Martin resigned from the Board, Audit Committee and People Committee effective 31 August 2023. Michael Sherman resigned from the Board, Audit Committee and People Committee effective 27 June 2023. Julia M. Brown joined the Board, Remuneration Committee and People Committee effective 1 January 2023. Rachel Osborne joined the Board, Audit Committee and People Committee effective 1 September 2023.
** Mark Richardson and Neill Abrams stepped down from the Board after the financial year end.

Composition, Succession and Evaluation

Appointments to the Board

The People Committee is responsible for overseeing the selection of individuals to serve on the Board and provides suggestions to the Board regarding these appointments. The Committee also ensures there are succession plans in place to ensure a smooth transition for the Board and senior management when needed. Appointments and succession plans are based on merit and assessed against objective criteria with the promotion of diversity a central consideration. The formal procedure for Board appointments and succession planning is detailed on pages 138 to 143.

Director re-election

Each Director is required under the Articles of Association to retire at every annual general meeting and submit themselves for re-election by shareholders. At the 2023 Annual General Meeting, all the Directors stood for appointment or reappointment, and were duly elected or re-elected.

At the 2024 AGM, all of the current Directors, except Rachel Osborne, will submit themselves for re-election by shareholders. Rachel is subject to appointment by shareholders, having joined the Board on 1 September 2023. This report, and in particular the Board biographies on pages 118 to 121, sets out the contribution of each Director to the Company and on this basis the Board, and specifically the Chair, believes each Director proposed for election or re-election at the AGM should be reappointed or appointed.

Board development

During the year, the Board members enhanced their professional development with the following training and development opportunities:

APR	The Group's external advisors provided a session on ESG and value creation.
MAY	The Group's external advisors provided a training session on corporate governance updates and sustainability.
SEP	The Group's external legal advisor provided a training session on director duties for Julia M. Brown and Rachel Osborne.
NOV	Senior management provided a technology deep dive session focusing on last mile issues.

The Board has based its recommendations for election or re-election, in part, on its review of the results from the Board effectiveness process outlined on page 137, on the reviews of the Executive Directors conducted at meetings of the Non-Executive Directors, the Chair's review of individual Directors and on the basis that each Director has demonstrated substantial commitment to their role, taking into account a number of considerations including outside commitments.

Jörn Rausing has served as a Non-Executive Director for 20 years, seven of which were before the Company's Admission to the London Stock Exchange. He is considered independent by the Board. Accordingly, due to the length of tenure, the recommendation of his reappointment to the Board was subject to particular scrutiny (including the importance of maintaining Board continuity).

Board induction, training and professional development

On joining the Board, it is the responsibility of the Chair and Group General Counsel and Company Secretary to ensure the newly appointed Directors undergo a thorough and personalised induction process, taking into consideration their specific backgrounds and experiences and any Committees they will be joining. This is demonstrated in the induction programme undertaken by Rachel Osborne on joining the Board in September 2023, as detailed below.

Rachel Osborne Board induction programme

Director role and responsibilities

- Met with the Group General Counsel and Company Secretary and Deputy Company Secretary to discuss the role of director and responsibilities, including our process for share dealing, insider lists, conflicts of interest and related parties.
- Training session with the Group's external legal advisors on director duties.

Strategy and business model

- Met with both the Chair and CEO to discuss Ocado's strategy and business model.
- Met with the CFO to discuss strategy and the business model, as well as the Group's financial performance and the five year plan.
- Met with senior management from across Technology Solutions and Ocado Logistics including the CEO, Ocado Intelligent Automation, CEO, Ocado Solutions, CEO, Ocado Technology, CFO and Managing Director, Ocado Logistics.
- Met with the CEO of ORL.

Corporate governance

- Met with the Group General Counsel and Company Secretary and Deputy Company Secretary to review Ocado's governance framework, Board and Committee procedures and stakeholder engagement.
- Met with the Group General Counsel and Company Secretary, Chief Compliance Officer and Risk team on ESG matters, including TCFD and regulatory reporting.
- Access to Company policies and procedures including Matters Reserved for the Board, Committee Terms of Reference and policies regarding anti-bribery, whistleblowing, fraud prevention and share dealing.

Culture

- Access to the online employee induction programme provided to all new joiners, including information on the history of the Group, our solutions and technology and our values and culture.
- Met with the Chief People Officer and team.
- Site visits to the Purfleet CFC, Ocado Technology Swiftfields campus and Ocado Group head office.
- Met with various Non-Executive Directors and members of management.

Audit

- Met with the Head of Internal Audit and senior management in the Finance team.
- Training session with the external auditor, including a refresher on relevant accounting standards and FRC changes.
- Audit review with the external audit partner and team.
- Met with all current Audit Committee members and previous Audit Committee chairs John Martin and Julie Southern.
- Audit Committee papers review with the CFO and senior management from the Finance team.
- Met with the Head of Regulatory and Compliance to discuss the Risk Committee and risk framework.

In the year, the Remuneration Committee received updates from the Committee's remuneration advisors covering governance and developments in executive remuneration. The Audit Committee received written technical updates from the external auditor to keep them abreast of the latest accounting, auditing, tax and reporting developments. The Board also received briefings from external advisors on a range of strategic matters detailed in the Board development summary on the previous page.

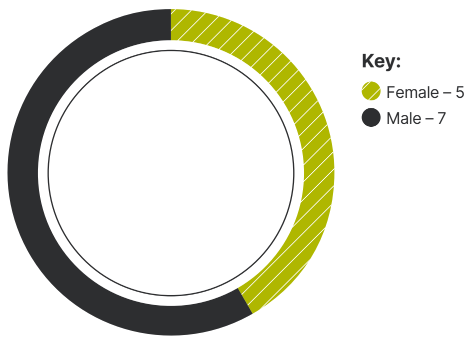
Board composition

The composition of the Board and Board Committees is continually assessed by the Chair and kept under review by the People Committee, to ensure an appropriate balance of skills and experience is maintained. The composition is more formally reviewed annually by the People Committee and as part of the Board effectiveness process. For more information see pages 138 to 142. Each Board member is asked to identify their own skills, experience and diversity characteristics annually as part of the year-end process. The results for 2023 are shown on page 136.

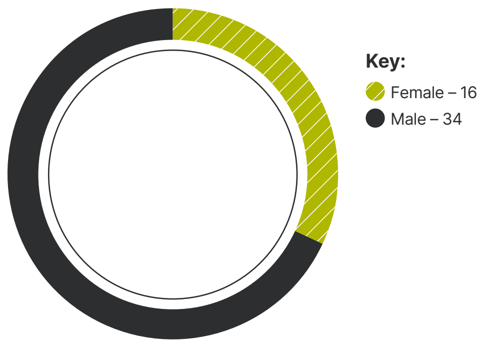
Board diversity

The Board believes that a diverse composition, encompassing gender, ethnicity, and diverse social backgrounds, leads to more favourable outcomes and enhanced decision-making. Consequently, the Board is dedicated to promoting DE&I within its own ranks and among senior management. For more information on the Board's approach to DE&I, including the Board Diversity Policy, see pages 142 and 143. For more information on how the Group as a whole considers DE&I see the Responsible Business Report section on pages 67 to 81 and the corporate website www.ocadogroup.com/diversity-and-inclusion.

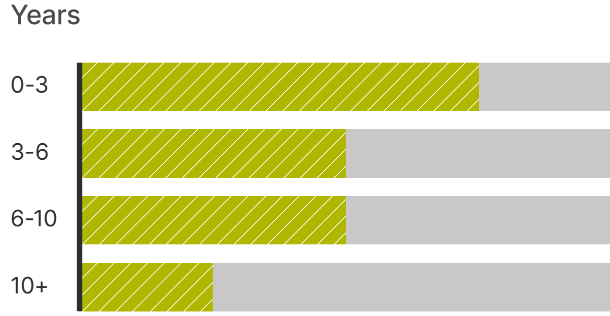
Board gender diversity



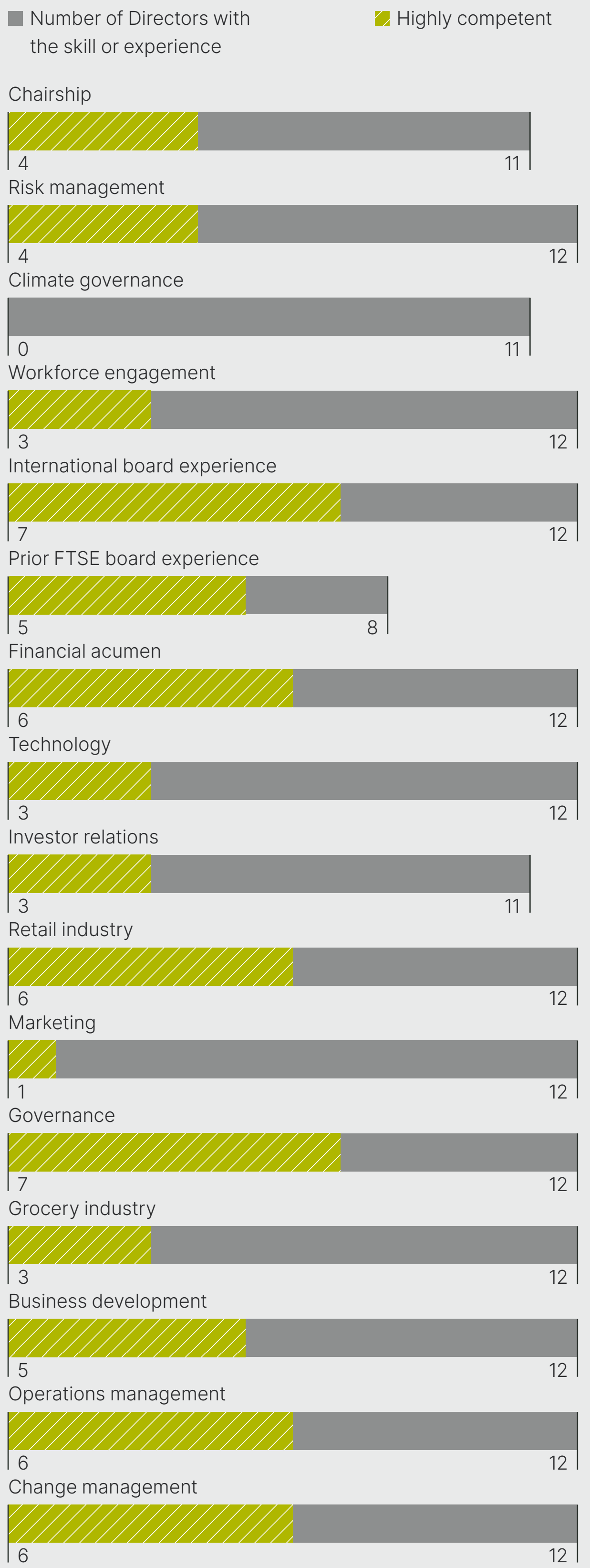
Senior management gender diversity



Length of tenure of Chair and Non-Executive Directors



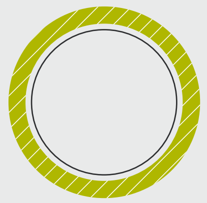
Combination of skills and experience as identified by the Board



Board diversity characteristics

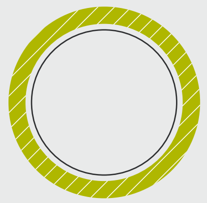
Annually, the Board confirms its own diversity characteristics taking into account less tangible factors, such as life experience and personal attitudes.

Sexual orientation



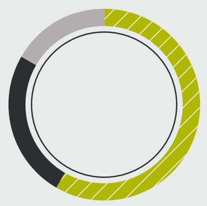
Key:
- Heterosexual/Straight – 12

Disability



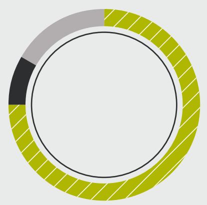
Key:
- No – 12

Highest level of educational attainment



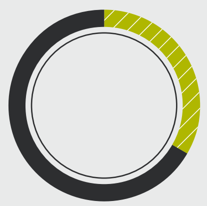
Key:
- Bachelor's degree – 7
- Master's degree – 3
- Doctorate – 2

Ethnic group



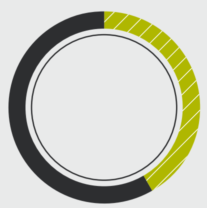
Key:
- White – 9
- Black/African/Caribbean/ Black British – 1
- Other ethnic group – 2

Educated outside of the UK



Key:
- Yes – 4
- No – 8

Age



Key:
- 41-55 – 5
- 56-70 – 7

Review of Board effectiveness

The Board undertakes an annual review of its own and its Committees' performance, with a formal externally facilitated effectiveness review carried out at least every three years in compliance with the Code.

The Directors consider the evaluation of the Board and its Committees and members to be an important aspect of corporate governance and it was agreed that the 2023 Board evaluation process should be internally facilitated.

The actions from the 2022 external evaluation were reviewed in the year and taken into consideration in the 2023 internal evaluation. Board members had the opportunity to assess and discuss how these had been addressed in the year.

The next externally facilitated effectiveness review will take place in 2024 and will be reported on next year.

Process for 2023

1. Effectiveness questionnaire issued

The 2023 questionnaire was issued in August 2023 and completed by the Directors, our PDMRs and the Deputy Company Secretary.

2. Content

The questionnaire covered:

1. progress against last year's actions, including to what extent the participant believed the actions had been addressed and their top priorities for the coming year;
2. Board composition, dynamics and expertise;
3. strategic oversight;
4. risk management;
5. succession planning;
6. the Board's agenda and meetings; particular focus was paid to whether enough time had been spent on topics such as ESG, climate change and cybersecurity;
7. governance of the Board and Board Committees; and
8. effectiveness of the Board Committees.

The participants were requested to score each question on a five-point scale and add any additional commentary to support their response.

Separate questionnaires were designed for each Board Committee and Committee members were requested to complete these, including whether they had any specific comments on composition and effectiveness of the Committee(s).

3. Review and discussion of the report and recommended actions

The findings of the evaluation were presented to the Board ahead of its September 2023 meeting. The Board was invited to review and discuss the results of the performance review and approve some actions to take forward in the year.

Board Committees

The evaluation of Board Committee effectiveness found that all Committees were considered to be chaired and operating effectively. Further details of the composition, role and activities of each Committee can be found on pages 138 to 203.

Chair and individual Director evaluation

The SID reviewed the Chair's performance as part of the 2023 internal effectiveness review and the approach taken involved the SID collecting feedback directly from the Non-Executive Directors and Executive Directors. In February 2024, the People Committee, without the Chair present, discussed the feedback and deemed him to continue to be effective and have the time to commit to the role as Chair of Ocado Group.

The Committee reviewed the performance, tenure, skills, diversity, external commitments and independence of each Director in February 2024 and recommended to the Board the re-election, or election, of each Director at the 2024 AGM, with the exception of Mark Richardson and Neill Abrams who stepped down from the Board on 2 February 2024.

Identified effectiveness actions for 2024

The following outcomes arose from the 2023 internal Board effectiveness review and were identified as recommended strategic priorities which will be monitored at each Board meeting:

- Becoming partner-centric, including ensuring technology investments are aligned with our partners' needs.
- OSP Partner success, including ensuring the success and growth of existing partners and leveraging our Partner Success teams.
- Supporting the success of OIA, including appropriate scrutiny of progress on OIA prospects and balancing investment with future possible business.
- Oversight of the ORL strategy, succession planning and ESG.

People Committee Report

Committee membership

The current members of the Committee are:
Andrew Harrison (Chair), Jörn Rausing, Emma Lloyd, Rick Haythornthwaite, Julie Southern, Nadia Shouraboura, Julia M. Brown, Rachel Osborne (joined 1 September 2023)

Committee changes in the year:
Stepped down from the Board and People Committee: John Martin (31 August 2023) and Michael Sherman (27 June 2023).

Number of meetings during the year:
5

→ Committee membership, together with attendance at meetings, is detailed on page 133

→ Biographies of the Directors are set out on pages 118 to 121

Terms of Reference: https://www.ocadogroup.com/investors/corporate-governance/

Key responsibilities

Board composition

- Reviewing the structure, size and composition of the Board and its Committees.
- Evaluating the combination of skills, experience, diversity, independence and knowledge on the Board and its Committees.

Succession planning

- Reviewing the leadership needs of the organisation.
- Giving full consideration to succession planning for the Board and senior management and overseeing the development of a diverse pipeline for succession.
- Identifying and nominating potential candidates for Board vacancies as and when they arise, in line with succession planning and the Board Diversity Policy.

Board effectiveness

- Reviewing the independence and time commitment of the Non-Executive Directors.
- Reviewing and acting upon the results of the Board performance evaluation process and assess how effectively members work together to achieve objectives.

People engagement

- Considering people engagement-related issues for the Group.
- Supporting workforce initiatives that promote a culture of DE&I.

Andrew Harrison
Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the People Committee (the "Committee") for FY23.

In FY22, the Committee underwent a transformation, in name and scope. The change in name from the Nomination Committee to the People Committee reflected our commitment to a broader and more holistic approach to shaping the workforce and culture of Ocado. Last year I outlined a key priority for FY23: to embed the expanded remit of the Committee and provide effective oversight of engagement of the workforce. This expanded remit, alongside my role as the DNED, which continues to further strengthen the connection between the Board and our people, has allowed us to consider views and priorities of the wider workforce. In turn we have a deeper impact on the wellbeing and culture of our people.

An ongoing and comprehensive review of our Board and Committee composition underpinned the activity of the Committee this year, focusing on skills, experience, diversity and tenure of our Directors. This review now provides the foundation of our succession and recruitment planning, ensuring the Board has the knowledge and skills essential for effective leadership and the delivery of our strategy. It is vital our leadership reflects the diversity of our people and communities and during the year the Committee prioritised ways to advance diversity at Board level. This commitment extends to monitoring and driving initiatives to enhance DE&I across the entire organisation and is reflected in the introduction of new Senior Leaders DE&I targets for gender and ethnicity, and we are proud to have achieved accreditation of the National Equality Standard during the year.

Areas of focus and activities in 2023

Succession planning

As Ocado continues to evolve and grow, particularly with significant change over the year in the Technology Solutions business, we continued to monitor management succession plans and the Committee was updated on the set of values launched across the organisation to help shape and scale the desired culture. We spent time with the People team assessing the maturity of our current people processes and discussing the future operating model, people engagement and how to achieve a high-performance culture and we support management on the key areas of focus to embed the desired culture. We also had a deep dive into our Logistics business with updates on what had been achieved in the year and actions for 2024 in areas including leadership, talent and succession; listening, culture and engagement; DE&I; and reward and recognition.

Board and Committee refresh

During the year the Committee oversaw a number of significant changes to the Board, part of the review outlined above. Firstly, I would like to thank Luke Jensen, John Martin and Michael Sherman, all of whom stepped down from the Board (and John and Michael subsequently stepped down from the Committee) during the year for their dedication, hard work and significant contributions made during their tenures. Following the financial year end Neill Abrams and Mark Richardson stepped down from the Board, while also continuing in their roles as part of the Executive Committee.

While we wished Luke and Michael well as they departed the Company, John was appointed CEO of Ocado Solutions following a thorough handover before his predecessor Luke retired at the end of September 2023. We undertook a thorough search process for a new Non-Executive Director, using an external executive search agency, resulting in the appointment of Rachel Osborne with effect from 1 September 2023. A valuable addition to the Board, Rachel brings a wealth of executive experience in large, global organisations and has both strong retail and consumer experience and business to business experience. Rachel's appointment adds to the Board's existing breadth of experience; you can read more about her appointment process on page 134 and about the skills and expertise on the Board on page 136. Finally, we spent time considering the potential overboarding or conflict of Rick Haythornthwaite's new external appointment and determined he had continued capacity to fulfil the role and no conflicts were identified.

DE&I

Ocado's ability to embrace diversity and foster an inclusive culture is pivotal to our long-term success. We remain dedicated to the ongoing development of our Board and Committees, ensuring their composition aligns with our culture and strategic priorities. This approach is central to the role of the Committee in the year ahead.

Andrew Harrison
Committee Chair

29 February 2024

How the Committee spent its time during the year

The principal matters the Committee considered during the year were as follows:

Board composition
Review of Board and Committee composition, taking into account diversity and independence.
Review of Board skills and competencies.
Committee composition and tenure review.
Appointments and resignations, overseeing: the recruitment process for a new Non-Executive Director, resulting in Rachel Osborne's appointment to the Board; the resignations of Luke Jensen and Michael Sherman from the Board as they departed the Company and the resignation of John Martin from the Board as he was appointed CEO, Ocado Solutions.
Reviewed and approved the Board Diversity Policy.

Embracing change: Refreshing our Board and Committees

Adaptability is vital in the evolving world of corporate governance and the changes to our Board and Committees during the year champion diversity and fresh leadership, enabling the Board to also evolve with the business.

The appointment of Rachel Osborne, along with John Martin's new role as CEO of Ocado Solutions and the departure of Luke Jensen and Michael Sherman followed by Neill Abrams and Mark Richardson stepping down from the Board after the end of the financial year, has contributed to the natural evolution of the Board, creating a dynamic shift in its composition. These changes have been instrumental in supporting one of the key objectives of our Board Diversity Policy, which aims to have at least 40% female Board representation. Following these changes we have now exceeded our aim with the Board now comprising 50% female representation, creating a more diverse and inclusive Board. Future succession planning will continue to foster diversity and the need for a female in one of the senior Board roles.

Further, the shift to having fewer Executive Directors on the Board provides more independent oversight of all Board matters and allows for more attention to be given to strategic direction and governance oversight.

Succession planning (Board and senior management)	Another notable development was the transition of John Martin's role, stepping down from his role on the Board and being appointed as CEO of Ocado Solutions, a strategic move which seamlessly brings Board-level experience down to the heart of a key business unit and helps to deepen further the support of our OSP Partners as well as help shape our strategic direction and performance culture given his extensive strategic, operational and financial management experience of running large international businesses. The refresh does not end at the Board level: we have also made significant changes within the leadership of our Board Committees. The Audit Committee welcomed newly appointed Rachel Osborne as its new Chair, bringing fresh direction and perspectives, and the Remuneration Committee also saw a change in leadership as Julie Southern assumed the role of Chair.
Continued to consider the framework for Board composition and immediate succession priorities for moving towards the desired framework, with regard to diversity targets skills and expertise on the Board and areas of growing strategic importance for the Group.	
Review of management succession planning to meet the needs of the Group as the organisation continues to evolve and support the development of a diverse and engaged pipeline, with a particular focus on the Technology Solutions and Logistics businesses.	
Board effectiveness	**In the spotlight: Our Chair's external appointment at NatWest Group plc** We believe it is essential to be transparent in addressing any challenges relating to the appointment of our Chair to lead another FTSE 100 company. Prior to Rick Haythornthwaite's appointment as the NatWest Group plc chairman, the Committee carefully evaluated the potential benefits and challenges of the appointment, ultimately recommending to the Board that it approves the external role. This recommendation stems from the strong belief that it will broaden his experience and that any time constraints can be managed effectively. We examined Board meeting schedules for the next two years and we are pleased to report no conflicts were identified. This will help to ensure substantial time can be devoted to both roles. We considered governance voting guidelines set out by proxy advisors around overboarding and the Board deliberated on time commitments and confirmed that our Chair's appointment adheres to those limits. We draw further strength from the evidence that Rick Haythornthwaite becomes one of eight individuals who concurrently hold two FTSE 100 chairships, joining a select group of individuals: leaders who bring additional experience and unique insights to the boardroom. Governance standards may evolve and we commit to giving careful consideration as part of the annual Board performance evaluation, ensuring our Chair can continue to discharge his responsibilities at Ocado effectively and appropriately. We remain dedicated to ensuring our commitment to high standards of governance excellence aligns with both the expectations of our shareholders and the changing landscape of corporate governance. Rick Haythornthwaite's external appointment will bolster his experience and we are confident that a strong framework is in place to maintain those high standards.
Overseeing the internally facilitated Board effectiveness review. Details of the process and actions are included in the Review of Board effectiveness section on page 137.	
Assessing the appropriateness and impact of Rick Haythornthwaite's appointment as an independent non-executive director, and subsequent appointment as chairman, of NatWest Group plc.	
Group workforce matters	
Continuing to consider the Committee's extended remit to broader people and workforce-related issues predominantly in the area of employee engagement, including standalone deep dives into engagement across the separate Technology Solutions and Logistics business areas.	
Review of the gender balance of senior management.	
Review of hiring metrics.	
Maturity assessment of DE&I completed by EY using accredited National Equality Standard framework; engaged 100 people across our UK Technology Solutions business including 50 in-depth interviews and desk review of hundreds of documents such as policies and processes.	
Update on work undertaken and planned with regard to people engagement in the UK Logistics business.	
Considering the shaping of the Group strategy for DE&I based on data insights from across the Group.	

Board appointment process

Role requirements

Evaluate the combination of skills, experience, knowledge and diversity of the Board and the strategic priorities of the business. Prepare a set of objective criteria for the role, including the capabilities, experience and personal attributes required.

Candidate search

Facilitate the search by instructing external advisors. Identify a long-list of potential candidates based on the role criteria, with consideration of the Board Diversity Policy.

Interview process

Narrow down to a short-list of candidates and undertake an interview process facilitated by a combination of the Chair, Non-Executive and Executive Directors and senior management as appropriate.

People Committee approval

The People Committee reviews potential candidates, considering whether the required criteria are met, feedback from the interview process, due diligence results and suitability for the business, culture and Board. The Committee then selects and recommends the preferred candidate choice to the Board.

Board approval

The Board approves the formal appointment of the selected candidate and an announcement is made to the market.

Board composition and succession planning

The Committee seeks to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively and lead the Group to deliver our strategic objectives. During the year, the Committee undertook a thorough review of the Board's composition. This review took into account various considerations including the tenure of Directors, independence and diversity. The Committee also reviewed a detailed skills matrix, supported by a self-assessment analysis completed by each Director, to examine current Board knowledge, experience and skills and any perceived gaps. This informed the criteria set for the recruitment of an additional Non-Executive Director, which resulted in the appointment of Rachel Osborne, with effect from 1 September 2023.

The Committee engaged executive search agency Heidrick & Struggles to assist with Rachel's appointment. The Company and the Directors have no other connection with Heidrick & Struggles. Heidrick & Struggles was requested to undertake a broad search to allow for a wider pool of potential candidates that would provide greater diversity. In line with Board effectiveness review feedback, a candidate skills matrix was created to assess potential candidates against key criteria. Experience in a complex multinational company was identified amongst other requirements as key to the role, with increasing diversity on the Board an important consideration. Following a thorough search, six candidates were interviewed by a combination of the Chair, Committee members, Executive Directors, the CEO and senior management. The Committee recommended to the Board the appointment of Rachel given that her capabilities, skills and previous experience fulfilled the role profile.

The review of the composition of the Board Committees and Director tenure resulted in several changes to refresh membership and to support the development of our Directors and the Board as a whole. Rachel Osborne joined the Audit Committee, taking over as Chair from Julie Southern, who remains on the Audit Committee. Rachel also joined the People Committee. Julie Southern took over as Chair of the Remuneration Committee from Andrew Harrison, who remains on the Remuneration Committee. These changes will bring fresh opinions and leadership. John Martin and Michael Sherman left the Audit Committee and the People Committee as they stepped down from the Board.

The Committee oversees succession planning for Directors and senior management, as well as broader consideration of the leadership needs of the business and senior management development. As the organisation continues to change, the composition of senior leadership and the succession pipeline continued to be a key focus this year. The Committee undertook a detailed review of the Executive Director and senior management succession pipeline and talent at the start of the year, with ongoing discussions on succession planning and updates from the Chief People Officer at each scheduled meeting. The Committee focused on the need to ensure that the leadership and the structure of the organisation remain appropriate to match the current needs of the business and to be able to drive the business forward. The succession plan includes monitoring internal succession candidates and their level of readiness for the role and the broader talent pool for future consideration within the Group and setting priorities for leadership development. In addition, Committee members attended talent lunches and other events to meet and get to know the talent pool and to form their own view on engagement and key issues. The importance of diversity in the succession pipeline is supported through the Group's leadership diversity initiatives – see pages 70 and 71 for more detail.

With regard to the development of the management team, the Committee receives deep dives on each business during the year and the Board has exposure to other senior managers who present or report to the Board on their business areas or particular projects. The Committee receives regular updates on initiatives to support leadership development such as the Leadership Academy and annual executive talent reviews.

Board diversity

The Committee acknowledges the significance of DE&I, not only within the boardroom but also across the entire organisation. Inclusivity remains a core value as it fosters a sense of belonging among our people, thereby empowering them to contribute effectively to our shared objectives. In its definition of diversity the Ocado Board encompasses a wide range of factors, such as skills, backgrounds, gender, race, age, knowledge, experience, sexual orientation, socio-economic background and disability.

Last year we reviewed and updated the Board Diversity Policy to reflect the new Listing Rule requirements for increased disclosure on diversity. The Policy sets out the approach to be taken to ensure there is diversity and inclusion on the Board and across the Board Committees.

Our objectives were established with the aim of enhancing diversity within the Board and Board Committees and promoting greater inclusivity across the entire Group. Striving for increased diversity will foster innovation and fresh perspectives which in turn will contribute to the achievement of our strategic goals and our purpose to tackle complex challenges.

The Committee reviewed the Board Diversity Policy this year; however, given the changes made last year, it was agreed that the Policy was fit for purpose and no amendments were necessary.

The objectives are set out in the table on the following page with details of progress in the year. Since year-end, both Neill Abrams and Mark Richardson have stepped down from the Board. As a result, the percentage of Board female representation at publication date is now 50%. The reduced size of the Board will support the increase in diversity through new appointments and the Committee continues to acknowledge and discuss this with regard to succession planning and tenure review.

You can read more about:

→ Diversity data below Board level on pages 70 and 71 in the Strategic Report

→ Gender diversity of the Board on page 135

→ Gender diversity of all employees on page 68

→ Self-identified diversity characteristics of the Board on page 136

Board Diversity Policy

Objective	Progress
Ensure that the Board composition is sufficiently diverse and reflects an appropriate balance of skills, knowledge, independence and experience to enable it to meet its responsibilities, duties and strategic objectives effectively.	The Committee undertakes an annual review of the composition of the Board and its Committees, with further discussions during the year. An assessment of the Board, including skills, knowledge, independence and experience, and the strategic objectives of the Group, informs the criteria for any new appointment to the Board. This year the criteria for a new Non-Executive Director included experience in a complex, multinational business, resulting in the appointment of Rachel Osborne.
Ensure that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and the Board aims that there should be: • at least 40% female Board representation; • at least one Board member from a minority ethnic background; and • at least one senior Board position (being the Chair, CEO, CFO and/or SID) being held by a woman.	Appointments to the Board are made on merit with an objective set of criteria based on the needs of the Board and the business, and the value and importance of increased diversity on the Board. At 3 December 2023, 42% of the Directors on the Board were women and the last three appointments to the Board have been women. Diversity will continue to be taken into account in all recruitment processes and when we consider composition of our Committees. At 3 December 2023, there was one Director who self-identified as being 'Black' and two Directors who self-identified as 'Other minority ethnic group'. Although in the year we have not met the target of having at least one senior Board position being held by a woman, we are pleased to report that the Chairs of our Audit Committee and Remuneration Committee are women. This continues to be addressed and factors into succession planning discussions, particularly when considering succession for those Directors nearing their nine-year term.
Ensure that the Board will always seek to appoint the best-qualified candidate, but between two candidates of equal merit the Board intends that, in recognition of any disproportionate under-representation of gender diversity on the Board, preference is given to a female candidate when making future appointments.	The Committee is committed to applying this principle.
Ensure that when seeking to appoint a new director, the search pool will be wide and where executive search firms are used, Ocado will only engage with those that have adopted the "Voluntary Code of Conduct for Executive Search Firms" or equivalent code.	This year the Committee engaged Heidrick & Struggles to assist in recruiting a new Non-Executive Director and specifically requested a wide search to provide a broader range of candidates. The recruitment process considered a long-list of 34 candidates, which was then reduced to a short-list of six taken forward to the interview process. Heidrick & Struggles adopts the "Voluntary Code of Conduct for Executive Search Firms".
Ensure that the Board will support workforce initiatives that promote a culture of inclusion and diversity.	The Board is closely connected to the Global Culture and Inclusion team and supports the initiatives being undertaken to promote inclusivity and diversity. This year the Committee created a nine-point plan for DE&I; the plan will form part of the Executive Directors' goals for 2024.
Ensure that the Board will support the Committee in identifying women and other under-represented groups for promotion into senior management roles.	The Committee reviewed and discussed the current talent and succession pipeline and the Group's plans and outcomes regarding learning and career development programmes designed to build a pipeline of diverse individuals in leadership and senior management positions. Committee members also met with female leaders and diverse emerging talent within the business. Finally, all new senior hires and their diversity status are reviewed on an ongoing basis.

→ For more information on diversity in respect of all the Group's employees, see pages 68 to 71

Audit Committee Report

Committee membership

The current members of the Committee are:
Rachel Osborne (Chair), Julie Southern, Andrew Harrison, Nadia Shouraboura

Committee changes in the year:
Julie Southern stepped down as Committee Chair on 2 May 2023 and has remained a member; John Martin became Committee Chair on 2 May 2023 and stepped down as Committee Chair on 31 August 2023; Michael Sherman resigned from the Board on 27 June 2023, stepping down from the Committee, and Rachel Osborne became Committee Chair on 1 September 2023.

Number of meetings during the year:
9

→ Committee membership, together with attendance at meetings is detailed on page 133

→ Biographies of the Directors are set out on pages 118 to 121

Terms of Reference: https://www.ocadogroup.com/investors/corporate-governance/

Key responsibilities

- Monitoring the integrity of the financial statements of the Company and Group.
- Reviewing the Company's risk management and internal control systems.
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function.
- Reviewing the independence and effectiveness of the external auditor, including engagement to supply non-audit services.
- Advising the Board on the appointment, reappointment and removal of the external auditor.
- Ensuring the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Reviewing any disclosures made by the Company in relation to the Task Force on Climate-Related Financial Disclosures ("TCFD") and climate-related emerging risks.

Rachel Osborne
Chair

Dear Shareholder

I am pleased to present my first Audit Committee (the "Committee") Report for the 53 weeks ended 3 December 2023, following my appointment in September 2023. I would like to take this opportunity to thank John Martin for his chairship of the Committee and wish him well in his position of CEO, Ocado Solutions, and to Julia Brown, as a previous member of the Committee.

As part of my induction, there was a particular focus on my role as Audit Chair and I met with key stakeholders and regular attendees at Committee meetings, past and present, including the CFO, Group General Counsel and Company Secretary, Finance Directors, Head of Internal Audit, Head of Risk and our external auditor, Deloitte. I have spent the last few months getting to know the business and key stakeholders, getting into the detail on key discussions that have taken place at previous meetings and understanding key judgements and estimates relating to the financial statements. You can read more about my extensive induction on page 134.

This report provides shareholders with an understanding of the Committee's role and the work that has been done during the year. The Committee has a structured agenda and met nine times during the year in order to discharge its responsibilities and to enable it to play a vital role in assisting the Board in its oversight responsibility and monitoring the integrity of the financial statements of the Group and the robustness of its risk management and internal control systems. It has been a busy start in my role as Chair – we have spent time focused on the integrity of the Group's financial reporting activities, including our areas of judgement and uncertainty, as well as on ESG and non-financial reporting, including financial internal controls.

Areas of focus and activities in 2023

Group financial reporting

This year, management continued to focus on the integrity of the Group's financial reporting activities and, following the year-end audit process, the Committee agreed that continued focus on forecasting remained a key priority to monitor and the Committee continued to support management on improved ways of working, systems, and financial and internal control processes. For 2023, the key areas of focus were the management judgements concerning the M&S joint venture contingent consideration payment, the accounting for Solutions revenue and the risk of impairment of Solutions contracts, consistent with the prior year, and the disclosures around the AutoStore settlement payments.

ESG reporting

As a Committee we have stepped up our focus on the Company's climate risk management framework, approach, rigour and relevance and we have continued to monitor and review the Group's progress towards reporting on our TCFD disclosures. A key learning from the 2022 year-end audit process highlighted some improvements that could be made to our ESG disclosures, and this year we have spent more time on ESG plans, reporting, data and the surrounding control environment. We also looked at our plans for increased assurance over ESG data and reporting.

Discussions at the Committee covered appropriateness of the Group's ESG metrics with focus on the most strategically significant and the ongoing need for business engagement and data collection. We agreed to bring in third-party expertise to speed up our physical risk assessment and scenario analysis and ensure the Group would be able to provide comprehensive TCFD recommended disclosures. Gap analysis and benchmarking provided targeted suggestions to help management achieve close to a fully compliant disclosure and in February 2024 it was pleasing to see that management had been able to close the gaps in reporting to achieve this – you can read about this on pages 82 to 102.

Regulatory horizon scanning

We have also spent time understanding the impact of the new Code, published in January 2024, and any gaps in our reporting and processes and how we will achieve compliance in the coming years. We discussed management's analysis of what is on the ESG reporting and regulatory horizon that is material to Ocado and the critical deliverables for FY24; and we also had early sight of our TCFD disclosures, including an external gap analysis and benchmarking.

With many new regulatory changes coming down the line, we have introduced a regular review of the landscape to ensure awareness and readiness. Management provided a view ahead of the corporate governance reforms, including changes to the Code and how we would need to respond to these changes. The analysis identified areas to work on for 2024 and beyond.

Internal controls

Given the increased complexity of the Group and the finance transformation focus of the past two years (the "Evolve" programme), it is pleasing to see significant progress this year in building the team, reducing risks and an improvement in the maturity of our financial control environment. This will continue to be a key focus for management and the Committee into 2024.

Internal Audit

During the year, the Committee continued to oversee the transition to the reorganised Internal Audit function, which was restructured to better align with the Group's principal risks and compliance aims. The Head of Internal Audit continued to attend the meetings and provided updates on progress against the agreed plan and on key Internal Audit findings, including in relation to ESG targets and metrics to assess the adequacy of our programme and the controls put in place by management. We undertook the annual effectiveness review of the function with feedback from the Committee, key management, Deloitte, and the Head of Internal Audit. Appropriate actions from this review will be taken forward and monitored by me throughout 2024.

Priorities for 2024

The Committee is mindful of the evolving regulatory environment and will continue to monitor guidance as it is published. Management preparedness for compliance with the Code changes and our roadmap to meet ESG planning and reporting requirements over the next few years, along with other regulatory developments, will remain a priority for the Committee.

OCADO GROUP PLC Annual Report and Accounts 2023

Committee financial experience

The Board is satisfied that Rachel Osborne and Julie Southern are suitably qualified with recent and relevant financial experience and competence in accounting or auditing or both. The Committee as a whole is deemed to have competence relevant to the sector in which the Company operates. Rachel Osborne is a chartered accountant with the Institute of Chartered Accountants in England and Wales and possesses in-depth comprehension of financial management and has extensive financial expertise allowing her to chair the Audit Committee effectively. Julie Southern is a chartered accountant with the Institute of Chartered Accountants in England and Wales and has extensive financial expertise and financial acumen.

Fair, balanced and understandable

As part of the year-end process, in February 2024, the Committee reviewed the Annual Report and Accounts, having previously had the opportunity to review and comment on earlier drafts. The Committee concluded that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Significant issues, judgements and estimates relating to the financial statements

The Annual Report seeks to provide the information necessary to enable an assessment of the Company's position and performance, business model, strategy and principal risks. The Committee assists the Board with the effective discharge of its responsibilities for financial reporting, and for ensuring that appropriate accounting policies have been adopted and that management has made appropriate estimates and judgements.

The Committee reviewed and discussed reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted. This is not a complete list of all the Group's accounting issues, judgements, estimates and policies, but highlights the most significant ones for the period in the opinion of the Committee. The accounting treatment of all significant issues and judgements was subject to audit by the external auditor.

The significant issues and judgements for the year ended 3 December 2023 are set out below and are consistent with the prior year.

Matters considered	Key accounting policies, judgements and key sources of estimation uncertainty	Factors considered and outcome	Disclosure in financial statements
Consolidation of Ocado Retail Limited ("ORL")	ORL, in which the Group holds 50% of the voting rights, requires management to exercise judgement on whether the rights granted to the Group under the ORL shareholders' agreement give the Group control under IFRS 10.	The Committee discussed the various factors and reviewed and agreed with management's assessment that the Group still retained control of ORL. Under the Group accounting policies, the dispute resolution procedures (in relation to approval of the business plan and appointment and removal of the ORL CEO) in the shareholders' agreement grants the Group determinative rights. This agreement remains unchanged and there are no indicators that control has changed. This was supported by management reports and reports from the external auditor on its audit procedures in this review area.	See Note 5.2 to the Consolidated Financial Statements – page 292.
Revenues from contracts with customers – Solutions	The accounting for Solutions contracts is complex. Key areas of management judgement include the timing of recognition of upfront and ongoing fees payable under the relevant contract.	The Committee reviewed the report outlining management's approach in revenue recognition and agreed with management's accounting treatment in line with the Group's accounting policies, reviewing each Solutions customer individually in light of IFRS 15 guidance.	See Note 2.1 to the Consolidated Financial Statements – pages 236 to 240.
Capitalisation of internal development costs	The capitalisation of internal costs of product development requires judgement in determining that the costs meet the necessary criteria for capitalisation under IAS 38 and IAS 16.	The Committee considered the management report concerning management's approach with regard to the capitalisation of internal development costs, which includes judgements, processes and controls in place. The Committee is satisfied that internal development costs are capitalised appropriately.	See Note 3.3 to the Consolidated Financial Statements – pages 254 to 255.
Provisions, contingent liabilities and contingent assets – litigation	This year we achieved a successful settlement with AutoStore and each party was taking steps to withdraw their actions against the other party. Consideration was given to the accounting treatment of the settlement value of £200m, which was to be paid in instalments to Ocado.	The Committee discussed and reviewed management's conclusion on the accounting treatment to recognise the £200m settlement value as a financial asset based on the application of IFRS 9 "Financial Instruments". The Committee also reviewed management's assessment in classifying this together with the associated costs as an adjusting item after consideration of the Group's accounting policy on adjusting items. The Committee was satisfied with the accounting treatment applied and classification as an adjusting item. This treatment was supported by the external auditor.	See Note 2.5 to the Consolidated Financial Statements – pages 244 to 246.
Adjusting items	Management believes that separate presentation of the adjusting items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in identifying and determining the classification of certain transactions as adjusting items by considering the nature, occurrence and the materiality of the amounts involved in those transactions.	The Committee reviewed management's periodic reports on items being treated as adjusting items and agreed with the treatment applied.	See Note 2.5 to the Consolidated Financial Statements – pages 244 to 246.
Fair value measurement – contingent consideration due from M&S	The payment of the remaining contingent consideration on the part disposal of ORL in August 2019, totalling £190.7m in cash, is contingent on certain contractually defined ORL performance measures being achieved for FY23. Management judgement is applied in determining the fair value which has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios. ORL's FY23 performance is below the target required for the automatic payment of contingent consideration. Management considered a range of potential outcomes that the participant would consider in valuing the contract. These include a settlement between two parties and also a litigation action between two parties. Management determined that the fair value of the contingent consideration due from M&S as at the reporting date is £28m, which is a reduction in fair value from prior periods.	The Committee reviewed management reports outlining the methodology and inputs used in the probability weighting of potential outcomes. In this context, the Committee took into account the review undertaken by the external auditor of the value of the contingent consideration. The Committee agreed that a probability-weighted approach to assessing the fair value of the contingent consideration remains appropriate. The Committee also reviewed the proposed financial statement disclosures and in particular that they sufficiently explained the estimation uncertainty, the methodology used and the potential that the ultimate consideration that will be received at the point of settlement may be materially different to the fair value recognised as at the year-end.	See Note 3.7 to the Consolidated Financial Statements – pages 262 to 265.

Matters considered	Key accounting policies, judgements and key sources of estimation uncertainty	Factors considered and outcome	Disclosure in financial statements
Impairment assessment – customer-level CGUs	The performance of the Group's impairment assessments requires management to make judgements in determining whether a cash-generating unit ("CGU") shows any indicators of impairment that would require an impairment test to be carried out as well as identifying the relevant CGUs to be assessed. Management determined that assets directly associated with individual Solutions contracts (i.e. Partner by Partner) represent the lowest-level group of assets at which impairment can be assessed. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. The sensitivity to changes in key assumptions is also considered to determine at what level any headroom is eroded.	The Committee reviewed management reports concerning the review of customer contract CGUs for indicators of impairment and impairment testing, together with the disclosures in the Notes to the financial statements. The Committee, in agreeing with management's approach and conclusions with respect to the customer contract CGUs, reviewed and discussed the underlying assumptions including the module ramp-up profile over the relevant contract life and the probability weighting of possible scenarios. The Committee agreed with management's approach in identifying indicators of impairment for Technology Solutions contract CGUs as well as the approach, assumptions, conclusions and disclosures with regard to the impairment review and considerations of changes in key assumptions.	See Note 3.4 to the Consolidated Financial Statements – pages 256 to 258.

How the Committee spent its time during the year

Principal activities

In addition to the significant issues and judgements discussed by the Committee (above), the Committee also considered the following matters during the financial year ended 3 December 2023 and following the year end.

The Committee received regular updates from management in relation to: key financial controls; treasury and tax; risk; ESG; non-financial reporting; and internal audit.

Topic	Activity	Outcome/future actions
Financial statements and narrative reporting	• Monitored and reviewed the integrity of the Group's financial statements and other formal documents relating to its financial performance, including the appropriateness of accounting policies. • Reviewed the progress of accounting matters including Ocado Solutions revenue recognition. • Reviewed the Annual Report and assessment of whether it is fair, balanced and understandable. • Reviewed the progress of the Evolve programme, including risks and challenges. • Reviewed progress of payroll improvement plan. • Reviewed the process of capitalisation of internal development costs. • Reviewed the Adjusting Items Policy.	• The Committee was satisfied that this Annual Report was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy and recommended to the Board the approval of the Annual Report, including financial statements. • The Committee was satisfied with the progress of accounting matters and the significant issues, judgements and estimates relating to the financial statements as outlined in this Committee Report. • Approved the Adjusting Items Policy.
Risk management and internal controls	• Received regular updates on actions being taken to monitor and manage risk in line with the Group's risk appetite. • Review of principal and emerging risks and the approach to monitoring risk. • Determined changes to the Enterprise Risk Management framework. • Discussed with management its programme of work to strengthen the maturity of the Group's risk management and internal control framework. • Advised the Board that the Group's risk management processes were effective and provided sufficient assurance.	• Introduction of a new Group principal risk: Liquidity and Cash Management (see page 106). • Change to the scope and definitions of two other principal risks (see page 106). • No significant failings or weaknesses in the risk management and internal control systems were identified by the Committee. • Continued focus on improving effectiveness of internal control framework, in light of impending regulatory changes.

Topic	Activity	Outcome/future actions
Going Concern and Viability Statement	• Monitored the internal control processes and reviewed and challenged the going concern and viability statements, including key underlying assumptions and scenario analysis.	• The Committee was satisfied that there was a sound basis to provide the Going Concern and Viability confirmations in this Annual Report (see page 112 to 114).
ESG and non-financial reporting	• The Committee was kept informed of the regulatory landscape, including reviewing a gap analysis and actions needed to close the gaps to be fully compliant with the changes to the Code. • Training from Deloitte on proposed corporate governance reforms and the sustainability landscape, including market trends and challenges around sustainability assurance. • Discussed the compilation of ESG metrics for the Group and focused on those most strategically significant. • ESG regulatory horizon scanning. • TCFD reporting update, including external gap analysis and benchmarking undertaken. • Financial internal controls review.	• Noted additional work required to the gathering, verification and reporting of non-financial data. • Reviewed the gaps identified in the gap analysis to achieve full compliance with the TCFD disclosures. • Approved the TCFD disclosure for inclusion in this Annual Report. • Regulatory horizon scanning oversight to remain on agendas in 2024, including a review of the Company's material controls.
Internal Audit	• Reviewed the Group audit plan for 2023 and 2024 and monitored progress against the plan and prioritisation of audit work. • Received updates at all scheduled meetings covering Internal Audit reviews, updates to the Internal Audit Charter and the Internal Audit reviews for ORL. • Received an update and early view on ESG assurance. • Received an update on IT controls. • Reviewed the effectiveness of the Internal Audit function. • The Committee met with the Head of Internal Audit.	• Approved both Audit Plans – see page 151 for detail on the Internal Audit effectiveness review. • Approved the Audit Charter which had been updated to provide a clearer outline of responsibilities of Internal Audit and management with consideration to the Institute of Internal Auditors (IIA) standards and Code changes. • The Committee requested more information in relation to specific Internal Audit reports and these were subsequently discussed by the Committee.
External audit	• Received a report from Deloitte at each meeting, including updates on the status of, and results from, the annual audit process and scope of the external audit plan. • Considered Deloitte's reports on the 2023 half-year and full-year results. • The Committee met with Deloitte separately to maintain dialogue throughout the year. • Assessed the effectiveness and independence of Deloitte and the continued oversight of non-audit services.	• Recommended the reappointment of Deloitte as the Company's external auditor to the Board to be recommended to shareholders at the 2024 AGM. • Following discussion by Committee members and management, confirmed the effectiveness and independence of the external auditor.
Tax and treasury matters	• Received an update on Tax and reviewed the Group's Tax Strategy Statement. • Reviewed treasury controls and tax risks.	• Approved the Tax Strategy Statement, for publication on the corporate website.
Governance, compliance and disclosure matters	• Received biannual ethics and compliance reports and an update on the whistleblowing policy. • Received an annual fraud update. • Reviewed and updated the Terms of Reference for the Committee. • Received an update on data governance. • Received regular updates on governance, risk and compliance. • Received reports on global data privacy compliance.	• Approved the changes to the Audit Committee Terms of Reference to reflect updates to regulation. • Established a Data Enablement Group to identify the data priorities, tooling implications and preferred governance model. • A data governance plan to be brought back to the Committee in 2024.

Ocado Retail

There is an additional layer of review and oversight that occurs in the ORL business, which has its own board and Audit Committee, comprising ORL management and representatives from the Group and M&S. That Audit Committee receives reports from Group Internal Audit on assurance reports on the ORL business and from the external auditor, as well as from ORL management and finance function. In turn, the Committee has visibility of this largely via reports from Group management and reports from Group Internal Audit and the external auditor.

Financial statements and narrative reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Committee monitored the financial reporting processes for the Group, which included reviewing reports from, and discussing these with, the external auditor. As part of the year-end reporting process, the Committee reviewed this Annual Report, various management reports on accounting estimates and judgements, the external auditor's reports on internal controls, accounting and reporting matters, and management representation letters concerning accounting and reporting matters.

In relation to the financial statements, the Committee ensures that the Company provides accurate and timely financial results, implements accounting standards and applies judgements effectively. Monitoring the integrity of the financial statements of the Company, the financial reporting process and reviewing the significant accounting issues are key roles of the Committee. The Board ensures this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and the Committee plays an important role in assisting the Board in reaching those conclusions. In addition to monitoring the statutory audit, the Committee also reviewed the Company's TCFD and ESG disclosures and gap analysis.

The form and content of the Annual Report and Accounts was reviewed and approved, and the preparation and verification process determined to be thorough and robust. Following review, the Committee advised the Board that it was satisfied that the 2023 Annual Report and Accounts, taken as a whole, met its objectives and supported the Board in making its Statement on page 212. The Committee also monitors the financial reporting processes for the Group's Half-Year Report, which is a similar role to the one it carries out for full-year reporting.

Reporting segments

For FY23, the Group changed the reporting of its business segments to better reflect the Group's three distinct business models: Technology Solutions, ORL and Ocado Logistics. The Committee discussed the move to the refreshed segmental reporting to reflect the new operating structure. The Company's full-year results announcement issued on 29 February 2024 reflected the new operating structure and the comparatives were restated on this basis.

Risk management and internal controls

The Committee, under its delegated responsibility from the Board, assessed the effectiveness of the Group's systems of risk management and internal control. The details of this review are outlined in the 'How we manage our risks' section on pages 103 to 111. In giving consideration to effectiveness, the Committee noted the improvements made during the year to the risk management and internal control environment to help meet the growing complexity of the Group. The Finance transformation focus of the past two years through the Evolve programme meant that significant progress has been made to build the necessary Finance capabilities, reduce reporting risks and mature the financial control environment. Further improvements in other key areas including payroll, treasury and business planning and forecasting processes has meant tighter oversight of spending and liquidity management for the Group. The Committee received regular updates from management on the various improvement programmes being undertaken in a range of areas. Some of the key projects were: an upgrade of Oracle to deliver more automated management reporting; a series of projects to remediate finance data and embed data governance; and improved automation and control of the purchasing and payments cycle. The Committee also reviewed reports from management on the finance risk register and finance controls environment and discussed the planned improvements in these areas. This will continue to be a key focus for management and the Committee into 2024.

The Committee recognises that further enhancements will be required to extend the control framework: into procurement processes and controls with the planned establishment of a cross-functional procurement board; across the emerging non-financial reporting aspects of the business; and in the medium term, to meet the requirements of the Code.

ESG and non-financial reporting

This year the Committee placed strong focus on emerging ESG and non-financial reporting requirements. The Committee received updates on the regulatory horizon, particularly in relation to climate-related and ESG regulatory changes and the consultation and updates on the Code. It also received regular updates on key compliance and governance matters that could impact the Company. Representatives from Risk, Compliance, ESG and Company Secretariat attended the meetings in the year to keep the Committee abreast of changes. The Committee received a detailed update on the potential impact the Code could have on the Company and what management deemed would need to be the focus areas. As part of this update, the Committee was updated on the work being undertaken on the financial controls environment and the required controls maturity needed to meet the proposed Code changes on internal control. In the year, the Committee also received an overview of the environmental regulatory changes, including the Code implications of other material controls over reporting, compliance and operational processes and discussed our current state and the priorities to be compliant in the future.

Going Concern and Viability assessments

The Committee and the Board reviewed the Group's Going Concern and Viability Statements (as set out on pages 112 to 114) and the supporting assessment reports prepared by management. The Going Concern and Viability Statements were modelled on the Group's five-year plan, as agreed by the Board in June 2023. The report on the Going Concern and Viability Statements included a downside and severe downside scenario and sensitivities provided as part of the five-year plan and potential mitigating actions that could be taken. The Committee challenged management on the scenario analysis.

The Committee gave careful consideration to the period of assessment used for the Viability Statement. It took into account a wide range of factors, including the Group's cash flows, solvency and liquidity positions and borrowing facilities (see page 112), and concluded the time period of three years remained appropriate.

Internal Audit

The Internal Audit function is responsible for providing independent and objective assurance to the Committee and is a key element of the Group's corporate governance framework. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluating the design and effectiveness of the Group's systems of risk management, internal control and governance processes through a risk-based approach. In addition to reviewing the effectiveness of these areas and reporting on aspects of the Group's compliance with them, Internal Audit makes recommendations to address any key issues and improve processes and, as such, provides an indication of the culture and behaviours exhibited by employees in the areas. The Head of Internal Audit has responsibility for the Group's Internal Audit function, attends all Committee meetings and also meets with the Committee periodically without management present. The Committee has continued to oversee the initiatives put in place to improve the effectiveness of the function.

The Committee regularly reviews progress of the Internal Audit Plan and prioritisation of audit work, including work for ORL. The Internal Audit Charter was approved in November 2023, which had been significantly updated to make it more robust, provide clearer accountabilities and to ensure it aligned to forthcoming changes to the Global Internal Audit Standards and to the Code.

Approach to setting the Internal Audit plan

Internal Audit's approach to setting the Internal Audit plan was to use a combination of stakeholder meetings, internal papers, external briefing papers from industry, regulatory and technical bodies, and results from previous audit work to update the audit universe. Internal Audit met with key stakeholders to discuss business objectives and associated risks and to get feedback on possible audit activities. Audits performed in 2023 took into account the Group's principal risks and were spread across the different business areas. Internal Audit carried out reviews across these missions to provide coverage against the principal risks. It does this in order to add value by providing risk-based and objective assurance, advice and insight.

2023 Internal Audit effectiveness

Internal Audit is usually subject to an external effectiveness review every three years, and an internal review each year. The effectiveness of the function is also continually monitored using a variety of inputs, including the ongoing audit reports received, the Committee's interaction with the Head of Internal Audit, and other key stakeholders.

An internal effectiveness assessment of the function was conducted in October 2023.

The approach consisted of an effectiveness questionnaire that assessed performance in a range of areas including the Charter and structure, planning, skills and experience, work programming, communication, reporting, performance and its value as a function. The questionnaire was completed by Committee members, including John Martin as a previous Audit Committee chair and member, members of management and operations, the audit partner at Deloitte and a self-assessment from the Head of Internal Audit. The results were reported to and discussed by the Committee at the November 2023 Committee meeting, without the Head of Internal Audit present.

Outcome: Following the discussion, the Committee concluded the Internal Audit function was an effective provider of assurance over our risks and controls and it was agreed the Committee Chair would address any key actions with the Head of Internal Audit to take forward into 2024.

External audit

The Committee is responsible for managing and overseeing the relationship with the external auditor, including assessing its performance, effectiveness and independence, recommending to the Board its reappointment or removal and agreeing terms of engagement.

- Deloitte is the external auditor to the Company.
- Deloitte was appointed in 2016 following a formal tender process for the financial year ended 3 December 2017.
- Deloitte was reappointed for FY23 at the 2023 AGM.
- The current lead audit partner is Dave Griffin, appointed at the end of the 2021 audit, with 2022 being his first year.
- The current plan is to undertake a competitive tender process no later than the 2027 year-end audit, being 10 years after the original appointment. At this time, the Committee considers this to be appropriate to ensure Deloitte continues to work effectively with management on its audit plan and longer-term actions.

Effectiveness, quality and performance

As part of the Committee's responsibilities, the Committee regularly reviews the role of the external auditor and the scope of its work and gives consideration to the effectiveness of the external auditor, including holding sessions with management and without Deloitte to determine that the right quality, challenge and output of the audit process continue to be sufficient.

In assessing the effectiveness of the external auditor the Committee:

- reviewed the quality of the audit planning process, including audit work, scope, progress and fees;
- reviewed the resources, expertise and qualifications of the auditor;
- considered the quality of the overall audit and outcome, and the independence and objectivity of the external auditor; and
- considered the approach to reviewing the Group control environment, review of IT controls, the proposed audit scope and materiality threshold, as well as the responses of the auditor to questions from the Committee.

The Committee Chair meets with the external auditor prior to every Committee meeting and the Committee meets with the external auditor at various stages throughout the period to discuss the remit and issues arising from the work of the auditor. This periodic review process provides the opportunity to check in with the auditor to assess achievement of key deliverables and ensure that the audit remains on track. To further facilitate open dialogue, the Committee also meets with the external auditor without management present.

2023 external audit effectiveness review

In assessing the effectiveness of the external auditor the Committee reviewed the resources, expertise and qualifications of the auditor, the planning and organisation of the audit process, the quality of the overall audit and outcome, and the independence and objectivity of the external auditor. The Committee also reviewed and approved the external audit plan, considering the extent to which it was tailored to the Group's business, and monitored whether the agreed plan was met. The Committee reviewed the audit plan and was content that the plan was sufficient to support a robust and quality audit of the year-end financial statements. In reviewing the audit plan the Committee considered certain significant and elevated risk areas, identified by the external auditor, which might give rise to material financial reporting errors or those perceived to be of higher risk thereby requiring further audit attention. These risk areas include those set out in the Independent Auditor's Report from page 216. Throughout the year, the external auditor also spent a significant amount of time reviewing our control environment. A review of the effectiveness of the year-end audit will take place following the publication of this Annual Report.

Outcome: The Committee discussed Deloitte's effectiveness in February 2024, without the external auditor present, and the Committee concluded that Deloitte delivered a robust and quality audit, with effective challenge and providing the appropriate resources to the Company in the period and that, therefore, Deloitte had remained effective in its role.

Independence and objectivity

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements.

The Committee considered there were no relationships between the external auditor and the Group that could adversely affect its independence and objectivity. Further, it monitors and assesses the safeguards in place, including the annual review by the Internal Audit function to assess independence. In February 2024, Deloitte confirmed to the Committee that it remained independent in relation to the Company's audit and it complies with UK regulatory and professional requirements, and that its objectivity is not compromised. When considering its independence, the Committee agreed this recommendation was free from third-party influence and restrictive contractual clauses.

Reappointment of the external auditor

The Committee is satisfied that the external auditor remains fully independent, objective and effective and that there are no contractual restrictions of the Company's choice of external auditor. Deloitte has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing Deloitte's reappointment and the determination of its remuneration by the Audit Committee will be put to shareholders at the 2024 AGM.

Statement of Compliance with the Competition and Markets Authority Order: The Company confirms that it has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Minimum Standard

The FRC's "Audit Committees and the External Audit: Minimum Standard" (the "Minimum Standard") was published in May 2023. In September 2023, the Committee noted the introduction of the Minimum Standard and approved changes to the Terms of Reference to align with the new requirements. This Committee Report describes how the Committee has met the requirements throughout the year.

Non-audit services

In line with the FRC's Ethical Standard 2019 and to maintain the external auditor's objectivity and independence, we have a policy governing Deloitte's provision of non-audit services. The Group is required to cap the level of non-audit fees paid to its external auditor at 70% of the average fees paid (not including fees for audit-related services or for services required by regulation) in the previous three consecutive financial years.

The provision of any non-audit services by the external auditor requires prior approval, as set out in the table below. These thresholds are unchanged from the previous year. During the year, the Committee conducted its annual review of the Policy on Auditor Appointment and Independence, which includes the policy on Non-Audit Services.

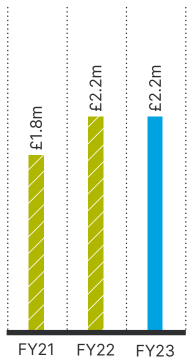
The Committee received a regular report from management regarding the extent of non-audit services performed by the external auditor to ensure that it is monitoring all non-audit services provided. Approvals in the year related to the interim audit review; audit procedures over the financial information of ORL for the FY22 audit of M&S; and a TCFD gap analysis.

Approval thresholds for non-audit work	Approver
Over £10,000 and up to £30,000 per engagement	Chief Financial Officer
Over £30,000 and up to £100,000 per engagement	Chief Financial Officer and Audit Committee Chair
Greater than £100,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	Audit Committee

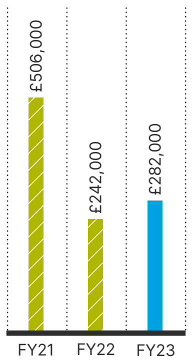
External auditor fees

The total of non-audit fees, audit fees and audit-related services fees paid to the external auditor during the period is set out in Note 2.3 to the Consolidated Financial Statements on page 243.

Audit fee (exc. non-audit fees for assurance services)



Non-audit fees



This Audit Committee Report is approved by the Board and signed on its behalf by:

Rachel Osborne
Committee Chair

29 February 2024

Directors' Remuneration Report

Committee membership

The current members of the Committee are:
Julie Southern (Chair), Andrew Harrison, Emma Lloyd, Julia M. Brown (joined 1 January 2023)

Committee changes in the year:
Andrew Harrison stepped down as Committee Chair and became a member on 2 May 2023; Julie Southern stepped up as Committee Chair on 2 May 2023.

Number of meetings during the year:
7

→ Committee membership, together with attendance at meetings, is detailed on page 133

→ Biographies of the Directors are set out on pages 118 to 121

Terms of Reference: https://www.ocadogroup.com/investors/corporate-governance/

Julie Southern
Chair

Letter from the Chair of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 3 December 2023 on behalf of the Remuneration Committee, my first as the Chair of the Committee, having taken over from Andrew Harrison in May.

As you will be aware, for the past five years we have operated a bespoke VCP, and two years ago shareholders voted to give us the option to extend participation in this plan for a further three years beyond the initial five year term. Ahead of the end-point of the original VCP in March 2024, the Committee felt it important to give careful consideration to whether this plan remains as motivational and retentive as it once was – particularly for the group of leaders who were not among the founders of the business, and also as we think about continuing to attract talent to our growing management team in the future.

To that end, over the past year, the Committee conducted a review focussed on ensuring the remuneration structure in place going forward is properly motivational and retentive in the context of a business which has matured since the VCP was first conceived, but which very much retains its entrepreneurial and growth-focussed DNA. We concluded that a structure that focuses on the actionable drivers of financial success is likely to be more effective and desirable to the management team. We therefore decided not to proceed with the extension of the VCP, and the plan will cease following the final Measurement Date in March 2024.

In place of the VCP, we are proposing to introduce a Performance Share Plan ("PSP"), with annual rolling grants and a three-year performance period, in which both Executive Directors will participate. In addition, as part of the proposed Policy, we plan to reduce opportunity levels under the AIP to tilt the balance of pay towards the long term. Furthermore, following feedback from shareholders at the 2023 AGM on the pay-for-performance link of the FY22 AIP outturns, we have reduced the overall number of metrics on our AIP scorecard for FY24, with financial metrics (including Group-wide measures) now representing the majority.

My belief, and that of the Committee, is that these new proposals preserve a focus on the level of ambition which is so important to Ocado, while continuing to ensure our remuneration structures align the interests of our senior management team directly with those of our shareholders. They offer substantial comparative reward for transformational performance while migrating to a structure that will be more motivating and retentive for executives, better suited to attracting senior new hires, and acceptable to a wider group of our shareholders.

Consultation on the 2024 Directors' Remuneration Policy

In preparing the proposed Policy, the Committee carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the proposed changes. What was clear to me from all my conversations with investors is that we had a shared understanding of Ocado's aims and its overall remuneration philosophy; there were some differences of view on detailed questions of design, but I believe we have managed to solve many of these. The resulting proposal represents a significant move towards the type of structure that many of our shareholders have indicated they would prefer, while recognising the unique circumstances of Ocado and its founder. Full details of the proposed Remuneration Policy can be found in the relevant section of this report on pages 186 to 203, and I summarise the key points below.

Enhancing alignment with our remuneration philosophy

Our overall remuneration philosophy remains to offer substantial comparative reward for transformational performance. To further enhance our alignment with this, we propose to rebalance the remuneration structure such that the fixed and short-term portions of remuneration are positioned lower against the market and a new performance-based long-term incentive plan is introduced which offers upper decile payout only for upper decile performance.

Lowering our AIP opportunities

In the third year of the proposed Policy, we propose to further align the structure to our philosophy by reducing the AIP opportunities from 275% of salary to 200% of salary for our CEO, and from 250% of salary to 175% of salary for our CFO. This further reduces the total target cash (i.e. salary plus target AIP) to median (for the CFO) or below median (for the CEO) of the market. Half of any payout under the AIP is deferred into shares for three years.

Introducing a new PSP – a leveraged plan within the conventional construct

We propose to introduce a PSP, with annual rolling grants and a three-year performance period. Under the PSP, there will be a "base" level of award with a maximum opportunity level aligned with the upper quartile of the market and achievable only for stretching performance. For the CEO this will be 400% of salary, and for the CFO 350% of salary. The first award will be based on adjusted earnings per share improvement over the period and underlying cashflow pre-growth capital expenditure in FY26; this underscores our belief in the importance of these KPIs over the long term.

In line with our philosophy and in order to retain a portion of the high leverage that the VCP offers, there will be a relative Total Shareholder Return ("TSR") multiplier of up to 1.5x the base award which is attainable only for achieving upper decile (or above) TSR performance against the FTSE 100 (excluding investment trusts) over the performance period. For TSR performance up to and including upper quartile, the relative TSR multiplier will be 1x (i.e. no enhancement to the base award outcome) with a straight line calculation in between upper quartile and upper decile. This ensures the executives receive above-market payouts only for delivering exceptional returns to our shareholders.

The Committee remains very mindful of our CEO Tim Steiner's unique position as a founder and his longer-term focus and strategic vision, as it is this which the VCP was originally intended to reinforce. Tim's circumstances and shareholding also mean his risk profile and perspective on the long term is different to the other members of the management team and the VCP is motivational for him in a way it is not for others. We are therefore keen to preserve the key features of the VCP for the individual for whom it manifestly has a positive influence and believe that shareholders should welcome Tim's undimmed aspirations for Ocado's future value. At the same time, we remain of the belief that it is essential that Tim participates in the PSP to ensure he is aligned with the metrics on which his leadership team are assessed. To do otherwise would risk setting up an unhelpful misalignment among the Executive Committee.

To that end, our initial proposal was that Tim should remain as the sole participant in the VCP while also participating in the new PSP. However, while most shareholders understood why we considered it appropriate to treat our founder CEO differently to other executives, they were not all comfortable that he should participate in two separate plans. Some shareholders, particularly those who were not supportive of the VCP extension in 2022, urged us to terminate the VCP entirely and adapt our new plan so it could accommodate a bespoke arrangement for the CEO. We listened carefully to this feedback and amended our proposal to accommodate it.

Accordingly, we have incorporated the potential upside of the VCP into the PSP, solely for the CEO and for the first cycle only. For his 2024 PSP award, there will be an enhanced multiplier that aims to deliver a similar payout as the VCP extension would have delivered on the achievement of exceptional share price growth over the period, whilst also being subject to strong underlying financial performance. Further details of the operation of this multiplier can be found on page 184.

We believe that what we have proposed represents a simpler solution to our original proposal and a significant move towards the type of structure that many of our shareholders have indicated they would prefer, while recognising the unique circumstances of Ocado and its founder.

Relationship between pay and performance in FY23

Ocado has made significant financial, operational and strategic progress during the year and I am particularly encouraged that each of our three businesses delivered positive EBITDA, alongside significantly improving Group underlying cash flow. The financial performance from Technology Solutions was a key achievement in the year with EBITDA turning positive, driven by strong growth in recurring fees from live modules. Ocado Logistics delivered significantly improved productivity and EBITDA, while Ocado Retail returned to positive volume growth and positive EBITDA in what has been a tough grocery market. You can read more about our financial performance in the year in the Financial Review on pages 41 to 59. Our incentive outcomes reflect this solid performance in the context of a challenging environment.

FY23 AIP

As I indicated above, we received shareholder feedback at the 2023 AGM regarding the proportion of the award linked to financial performance and the number or measures used. We have made changes to our FY24 measures to simplify the structure and to place a greater emphasis on financial and Group-wide measures. Although FY23 was already well underway when this feedback was received, we had already taken action to change the balance of the measures to be more directly linked to our strategic KPIs and overall long-term success of the Company, with the vast majority of measures being quantifiable. All of this is disclosed fully within this report.

Although we performed well across the majority of our KPIs, some fell short of the challenging targets we set and hence we approved bonus payments to the Executive Directors of between 48% and 61% of maximum, based on achievement against objectives under the AIP for the period. The Committee carefully considered the outcome under the AIP measures, assessing the extent to which the measures reflect the underlying performance of the business, and applying downward discretion to the CFC capital expenditure cost and the environmental roadmap outcomes. Particularly noting our strong performance against our financial metrics, we believe that the overall AIP outcomes are a fair reflection of performance in the year. Further information on the FY23 AIP outturn can be found on pages 167 to 169.

VCP

The fourth Measurement Date for the VCP was 30 March 2023. The Measurement Price (£4.86) was below the minimum hurdle/threshold TSR for tranches 1, 2 or 3 required to bank awards and therefore no nil-cost options were banked by the Executive Directors in FY23. As the TSR underpin was not met, no previously banked options were capable of vesting.

The fifth VCP Measurement Date will be in March 2024. Based on where our share price is at the time of writing, it is expected that no nil-cost options will be banked under any of Tranches 1, 2 or 3 at the fifth Measurement Date, nor will any vest. Further information on the VCP can be found on pages 169 to 170. As mentioned above, we have decided not to proceed with the extension of the VCP and the plan will cease following the final Measurement Date in March 2024.

Implementation in FY24

Changes to base salaries from April 2024

The Committee determined that the base salary increase for the Executive Directors would be 3.8%, in line with the budgeted increase provided to the UK workforce. The increases were considered holistically, as part of the wider review of the Policy while taking into account the general principles for the 2024 pay review and recommendations for wider workforce pay reviews. Changes to base salaries for the Executive Directors will take effect from 1 April 2024.

Wider workforce pay

When making decisions on executive remuneration, the Committee considers a number of factors related to the wider workforce, including policies and practices throughout the Company, as well as feedback from our Designated Non-Executive Director ("DNED") on workforce remuneration and our all-employee remuneration report.

We are committed to ensuring that our people are rewarded fairly and competitively for their contribution to our success. In Logistics, in FY23 we made significant investments in pay and saw pay settlements ranging from 5.4% to 6.5% for our warehouse and Customer Service Team Members ("CSTM"). We also continued to invest in pay for our Technology Solutions business, with average increases in employee salaries of 6.1% in FY23 (compared to increases of 4% for Executive Directors). Beyond this, it is important to us that our people feel supported in a holistic way, not just in their rate of pay. Further details on wider workforce considerations and our approach to fairness is set out on page 172.

Changes to Non-Executive Director remuneration

Changes to fees (including Non-Executive Director base fees, Committee Chair and membership fees, and fees for the Senior Independent Director) for the Non-Executive Directors were agreed by the Executive Directors and Chair of the Board in February 2023. Changes to the fees for the Chair of the Board were also agreed by the Committee. Non-Executive fees will be increased by 3.8% in line with the Executive Directors and the budgeted increase provided to the UK workforce, to take effect in April 2024.

Changes to the Board during the year

Luke Jensen retired from his position as CEO, Ocado Solutions on 30 September 2023. In recognition of his long service and the manner of his leaving, we treated him as a good leaver for parts of his remuneration; details are set out on pages 177 to 178. John Martin stepped down from the Board and his Non-Executive Director role on 31 August 2023, becoming CEO, Ocado Solutions from 1 September 2023.

Mark Richardson and Neill Abrams stepped down as Executive Directors with effect from 2 February 2024. Mark and Neill will remain members of the Executive Committee, the executive management team for Ocado Group led by the Chief Executive Officer.

I hope you find our report to be a comprehensive account of the Committee's activities and the decisions we have made over the year. I also hope you will support the proposed new policy which makes substantial change in the direction which a number of shareholders have indicated they would welcome. I shall be available at the upcoming AGM to answer any questions about the work of the Remuneration Committee, and thank you again for your continued support of Ocado.

Julie Southern
Committee Chair

29 February 2024

Description of the Remuneration Committee

This section of the Directors' Remuneration Report describes the membership of the Committee, its advisers and principal activities during the period. It forms part of the Annual Report on Remuneration section of the Directors' Remuneration Report.

Attendees at Committee meetings during the year included the Chair of the Board, the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Group General Counsel and Company Secretary, the Chief People Officer and the external advisor to the Committee. The Chair of the Board, Executive Directors and other attendees are not involved in any decisions of the Committee and are not present at any discussions regarding their own remuneration. The Deputy Company Secretary is secretary to the Committee.

External advice

During the period, the Committee and the Company retained independent external advisors to assist them on various aspects of the Company's remuneration and share schemes as set out below:

Advisor	PricewaterhouseCoopers LLP ("PwC")
Retained by	Remuneration Committee
Services provided to the Remuneration Committee	Advice on a range of remuneration issues including attendance at Remuneration Committee meetings, assistance with drafting of the new PSP plan and proposed Policy, information on market practice in relation to various aspects of remuneration, market trends and benchmarking of Executive Director and Chair of the Board remuneration.
Other services provided by PwC	Other PwC advisory teams advised the Group on a range of matters during the period including deal and litigation support, tax structuring, Environmental, Social and Governance ("ESG") matters, accounting and overseas tax advice. PwC also provide independent System and Organisation Controls ("SOC") assurance reports for the Group's Ocado Smart Platform ("OSP") services.

PwC reappointment and review

The Committee carried out its annual review of and considered the reappointment of PwC. This review took into account PwC's effectiveness, independence, period of appointment and fees. PwC was initially appointed by the Committee in 2017 following a tender process and has been reappointed each year since.

During the year the Committee reviewed the performance of PwC based on feedback from members of the Committee and senior management. The criteria for assessing PwC's effectiveness included its understanding of business issues and risks, its knowledge and expertise, and its ability to manage expectations. The Committee concluded that the performance of PwC remained effective.

The Committee considered the independence and objectivity of PwC. PwC has assured the Committee that it has effective internal processes in place to ensure that it is able to provide remuneration consultancy services independently and objectively. PwC confirmed to the Company that it remains a member of the Remuneration Consultants Group and as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. PwC has no other connection with the Company or any of its Directors. Following its annual review, the Committee remains satisfied that PwC has continued to maintain independence and objectivity.

For the period, £258,233 (FY22: £92,000) in fees were paid or payable to PwC for advisory services provided to the Committee. The basis for this is a fixed retainer fee and a time-based fee for additional work, including support with reviewing our proposed Policy this year.

Following discussion by the Committee, it was agreed that PwC should be reappointed.

Other support for the Remuneration Committee

In addition to the external advice received, the Committee consulted and received reports from the Company's CEO, the CFO, the Chair of the Board, the Chief People Officer and the Deputy Company Secretary. The Committee is mindful of the need to recognise and manage conflicts of interest when receiving views and reports from, or consulting with, the Executive Directors or members of senior management.

How the Committee spent its time in FY23

The Committee has, under its Terms of Reference, been delegated responsibility for setting remuneration for the Executive Directors, the Chair of the Board, the Group General Counsel and Company Secretary and senior management. In line with its Terms of Reference, the Committee's work during the period is set out below.

Key agenda items	Approved the Directors' Remuneration Report for FY22.
	Reviewed and approved a response statement regarding the shareholder consultation following the 2023 Annual General Meeting ("AGM").
	Commenced a review of the Directors' Remuneration Policy.
	Approved the Group's Gender Pay Gap Report for FY22.
	Reviewed a report from the CEO and Chair of the Board on performance and remuneration of the Executive Directors.
	Approved the pay increases for the Executive Directors and Chair of the Board.
	Reviewed performance under the FY22 AIP and consideration of any bonuses payable.
	Reviewed performance under the VCP as at the fourth Measurement Date.
	Approved the FY23 AIP performance targets and reviewed the design and measures for the FY24 AIP.
	Received regular reports on Group-wide remuneration for FY23 and reports from the DNED on workforce remuneration arrangements and issues.
	Received a report on the Group's share schemes and plans for FY24.
	Approved incentive payments and salary changes for senior management.
	Reviewed and approved various senior management arrangements on joining and leaving the Company.
	Received reports and advice from advisors on a range of matters including senior management pay, market themes and trends and new governance requirements.
	Reviewed the performance of advisers.
	Reviewed Committee composition, Terms of Reference and performance.

The Executive Directors and the Chair of the Board reviewed the remuneration arrangements of the Non-Executive Directors.

Remuneration summary for FY23

Executive pay at Ocado

The components of remuneration

The different components of remuneration for FY23 in this report are as follows:

Fixed			Variable		
Salary +	Benefits +	Pension +	AIP cash + deferred bonus +	VCP =	Total
Reflects the value of the individual, their role, skills, experience and contribution to the business	Aligns with all other employee arrangements	Provides an appropriate level of retirement benefits. All Executive Directors are aligned with employee pension contributions	Incentivises achievement of annual objectives and aligns Director and shareholder interests by delivering a proportion in AIP shares	Motivates key individuals to achieve long-term targets and exceptional levels of performance	Sum of the fixed and variable components of remuneration

Single figure for FY23

The table below provides a summary total single figure of remuneration for those who were Executive Directors in FY23. Further details are set out on page 166 in the Annual Report on Remuneration.

Executive Director	Total FY23 (£'000)	Total FY22 (£'000)
Tim Steiner, CEO	**1,957**	2,004
Stephen Daintith, CFO	**1,497**	1,391
Mark Richardson, CEO Ocado Intelligent Automation	**1,112**	1,151
Neill Abrams, Group General Counsel and Company Secretary	**1,273**	1,181
Luke Jensen, CEO Ocado Solutions[1]	**602**	1,161

1 Luke Jensen resigned from the Board with effect from 30 September 2023.

Outcomes for FY23

Fixed components

	Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams	Luke Jensen[1]
Salary (£'000)	784	584	479	479	412
Benefits (include car allowance, private medical and other benefits) (£'000)	1	1	1	1	7
Pension – up to 7% of salary (£'000)	62	41	41	41	33
Total (£'000)	847	626	521	521	452

1. Luke Jensen resigned from the Board with effect from 30 September 2023.

Pay for performance at a glance

FY23 Annual Incentive Plan

In respect of FY23, the CEO had a maximum bonus opportunity of 275% of salary, and the other Executive Directors had a maximum opportunity of 250% of salary. A summary of the outcomes is as follows and further details can be found on pages 167 to 169:

Performance conditions	Weightings of performance conditions: Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams	Percentage of maximum performance achieved
Financial and cost-related metrics					
Ocado Retail adjusted EBITDA	7.5%	10.25%	5.25%	5.25%	**63%**
Ocado Retail revenue	7.5%	5.25%	5.25%	5.25%	**100%**
UK OSP implementation	5.0%	3.5%	3.5%	3.5%	**0%**
Client cost per order	10.0%	7.0%	7.0%	7.0%	**66%**
CFC capital expenditure cost	10.0%	12.0%	7.0%	7.0%	**25%**
Direct operating costs	10.0%	7.0%	7.0%	7.0%	**100%**
Group operating costs	10.0%	22.0%	7.0%	12.0%	**100%**
ESG-related metrics					
Environmental roadmap	5.0%	8.5%	3.5%	8.5%	**80%**
Employee eNPS	5.0%	3.5%	3.5%	3.5%	**62.5%**
Other strategic metrics					
Total live modules	10.0%	7.0%	7.0%	7.0%	**0%**
Modules ordered	10.0%	7.0%	7.0%	7.0%	**0%**
Non-grocery deals signed	5.0%	3.5%	33.5%	8.5%	**43%**
Solutions deals signed	5.0%	3.5%	3.5%	3.5%	**0%**
Success in corporate litigation	–	–	–	15.0%	**100%**
Total (% of maximum)	**100%**	**100%**	**100%**	**100%**	**50.6%**
Actual performance achieved					
Total	**50.6%**	**58.9%**	**48.3%**	**61.6%**	
Total (£'000s)	**1,106**	**871**	**587**	**748**	

1 Luke Jensen resigned from the Board with effect from 30 September 2023. Details about his payout under the FY23 AIP can be found on page 178.

Value Creation Plan

The fourth Measurement Date under the VCP was 30 March 2023. No nil-cost options were banked by Executive Directors on the fourth Measurement Date and no awards have vested under the plan. The following table sets out the number of awards granted on the first to fourth Measurement Dates under the VCP:

Measurement Date	Hurdle price/ Threshold TSR	Measurement price	Number of nil-cost options granted: Tim Steiner	Stephen Daintith	Mark Richardson	Neill Abrams
12 March 2020	£15.16	£11.23	–	–	–	–
11 March 2021	Tranche 1: £16.68 Tranche 2: £21.06	£23.28	2,059,123	–	514,780	514,780
10 March 2022	Group 1 – Tranche 1: £23.28 Tranche 2: £23.28 Group 2 – Tranche 1: £18.34 Tranche 2: £23.16	£12.86	–	–	–	–
30 March 2023	Group 1 – Tranche 1: £23.28 Tranche 2: £25.61 Tranche 3: £8.56 Group 2 – Tranche 1: £20.28 Tranche 2: £25.61 Tranche 3: £8.56	£4.68	–	–	–	–

1 Tim Steiner, Neill Abrams and Mark Richardson are all "Group 1" participants, as they joined the VCP prior to the second Measurement Date. As Stephen Daintith joined the Board in March 2021, following the second Measurement Date, he joined the VCP as a "Group 2" participant.

Summary of policy table for Executive Directors and implementation

The table below sets out the key changes between the current Policy ("current Policy") and proposed Policy and how the proposed Policy would be implemented. Implementation is shown for individuals who are Executive Directors at the time of writing. The proposed Policy was designed taking into consideration our remuneration principles (which can be found on page 186) and shareholder feedback. Full details of the proposed Policy can be found on pages 186 to 203. The full current Policy can be found on pages 177 to 200 of the 2021 Annual Report.

Base salary

Minimum level of pay to attract and retain the right calibre of senior executives required to support the long-term interests of the business. We continue to aim to position salaries towards the lower quartile of the market.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Paid monthly in cash. Reviewed annually or when there is a change in position or responsibility. No prescribed maximum; however, normally maximum salary increases will be within the normal percentage range applied to the UK-based monthly paid employees of the Company in that year. Larger increases may be awarded in exceptional circumstances, for example if the role has increased significantly in scope or complexity or to bring a recently appointed executive in line with the market and the other executives in the Company where their salary at appointment has been positioned below the market.	No change.	As at 1 April 2023: • Tim Steiner (CEO): £794,383 • Stephen Daintith (CFO): £592,020 • Mark Richardson (CEO OIA): £485,456 • Neill Abrams (Group GC & CoSec): £485,456 • Luke Jensen (CEO Ocado Solutions): £485,456	As at 1 April 2024 salaries will increase as follows: • Tim Steiner (CEO): £824,570 • Stephen Daintith (CFO): £614,517 These reflect an increase of 3.8% which is in line with the budgeted increases for the wider UK employee workforce.

Benefits

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Benefits provided are aligned with those provided to all employees under our flexible benefits policy. Benefits are set at a level which is considered to be appropriate against market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	No change.	Includes car allowance, private medical insurance, life assurance and other discounts. Any business travel costs will be paid by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. The Company provides Directors' and Officers' liability insurance and may provide an indemnity to the fullest extent permitted by the Companies Act 2006.	No planned change.

Pension

To attract and retain the right calibre of senior executives required to support the long-term interests of the business.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or pension allowances have been met, the balance of employer contributions may be paid as a cash allowance or into a personal pension arrangement.	No change.	In order to ensure continued alignment between Executive Director and wider workforce pension contributions, the contribution rate for UK-based Executive Directors is 7% of salary, in line with the workforce. For any Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No planned change.

Annual Incentive Plan

To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward.

To incentivise the achievement of outstanding results aligned to the business strategy.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Maximum opportunity of 275% of salary. Up to 50% of any bonus will be paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred into shares. Main terms of deferred shares: • Minimum deferral period of three years from the date of grant. • Additional two-year post-vesting holding period. • Continued employment to the end of the deferral period (unless "good leaver"). Dividend equivalents may be awarded on deferred shares to the extent that they vest until the end of any relevant post-vesting holding period.	Lowering the maximum bonus level from FY26, such that the maximum bonus level will be: • FY24 and FY25: 275% of salary; and • FY26: 200% of salary. Up to 50% of any bonus earned will be paid in cash and at least 50% will be deferred into shares. Main terms of deferred shares: • Minimum deferral period of three years from the date of grant. • Continued employment to the end of the deferral period (unless deemed a "good leaver"). Cap on cash payment and additional two year post-vesting holding period removed under the new structure. Dividend equivalents may be awarded on deferred shares to the extent that they vest.	Maximum potential for FY23 (as % of salary): • CEO: 275% • Other Executive Directors: 250% The AIP was measured against the Corporate Scorecard which was measured against the following strategic pillars: • UK Client Delivery (20%); • Environmental, Social and Governance (10%); • Partner Success (30%); • Costs (30%); • New Business (10%); and • Legal (Neill Abrams only).	Maximum potential for FY24 (as % of salary): • CEO: 275% • CFO: 250% The Corporate Scorecard will be measured against the following strategic pillars: • Financial Measures (65%); • Growth (25%); and • ESG (10%). The measures are individually weighted for each Executive Director. For further information see page 183.

Performance Share Plan

To attract, retain and incentivise senior executives to deliver the Company's business strategy and sustainable value for shareholders.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Not in current Policy.	A PSP will operate under which the Committee may make an annual award of shares to each Executive Director. PSP awards will typically have a vesting period of three years followed by a holding period of two years. During the holding period, vested awards cannot be sold except for tax purposes on exercise. The Remuneration Committee may award dividend equivalents on deferred shares to Executive Directors to the extent that they vest. The PSP awards will consist of a "base" award, with a relative TSR multiplier on the vesting outcome of the base award. The maximum base award level for Executive Directors is 400% of base salary. A relative TSR multiplier will operate such that the maximum opportunity is 1.5x the base award i.e. 600% of base salary. 25% of the base award will vest for threshold performance, increasing to 100% of the base award for maximum performance. Performance measures and targets will be aligned to strategy and set on grant, with at least 70% of the base award linked to stretching financial metrics. For the CEO's FY24 PSP award only, an enhanced multiplier will operate such that the maximum opportunity is 4.5x the base award i.e. 1800% of base salary. If the enhanced multiplier is triggered, vesting of the award will be in three equal tranches (in 2027, 2028 and 2029) and holding periods will apply such that, in normal circumstances, no awards will be released prior to the fifth anniversary of the grant.	N/A – plan to be implemented from year ending 1 December 2024, subject to shareholder approval.	The maximum opportunity for each Executive Director, as a percentage of base salary, is as follows: • CEO: 400% base award (1800% with multiplier for FY24 only – 600% with relative TSR multiplier in future years); and • CFO: 350% base award (525% with relative TSR multiplier). For the FY24 grant, the base award will be based 100% on financial metrics, with adjusted earnings per share ("EPS") and underlying cash flow pre-growth capital expenditure weighted equally. The relative TSR multiplier will be assessed based on Ocado's relative TSR against the FTSE 100 (excluding investment trusts) as follows: • Up to and including upper quartile performance = 1 x base award outcome; • Upper decile performance or above = 1.5 x base award outcome; and • Straight-line vesting in between these two points. For the CEO's FY24 PSP award only, if the share price hits £29.69 in March 2027, an enhanced multiplier of 4.5x (instead of 1.5x) the base award (of 400% of salary) will apply.

Shareholding requirements

To align Executive Directors and shareholders.

Key features of current Policy	Proposed Policy changes	Operation in the year ended 3 December 2023	Proposed implementation of Policy in the year ending 1 December 2024
Shareholding requirement for Executive Directors: • CEO: 400% of salary • Other Executive Directors: 300% of salary Post-cessation shareholding requirement of 100% of pre-cessation shareholding requirement for two years from leaving the Company.	No change to minimum shareholding requirements.	See page 179 for Director shareholdings.	To enforce the post-cessation requirement, any departing Executive Director to whom this applies will sign a certificate of compliance agreeing to retain the required number of shares for two years from leaving the Company. The required number of shares will be fixed based on the share price at the date of cessation.

Other remuneration

During the period, the Executive Directors continued their participation in the all-employee Sharesave and Share Incentive Plan Schemes. It is expected that in 2024 the Executive Directors will carry on their participation in the schemes.

Chair of the Board and Non-Executive Fees

The remuneration arrangements for the Non-Executive Directors (except the Chair of the Board) were reviewed by the Executive Directors and the Chair of the Board in February 2024. From 1 April 2024, the basic fees for Non-Executive Directors, the fee for chairing a Committee, the fee for the role of Senior Independent Director and the fee for being a member of the Remuneration Committee or the Audit Committee will increase by 3.8%.

In February 2024, the Committee reviewed the Chair of the Board's fees and approved an increase of 3.8% from 1 April 2024. In addition, the Chair of the Board is entitled to receive an expense allowance each year in respect of office support costs, which will also increase by 3.8%.

Other remuneration for the Non-Executive Directors (Audited)

In addition to their fees, the Non-Executive Directors are entitled to a staff shopping discount consistent with the Group's employees.

The Company has obtained a written confirmation from each Non-Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already referred to in this report.

Annual Report on Remuneration – FY23

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of FY23. It details the payments to Directors and the link between Company performance and remuneration of the CEO. This part, together with the "Description of the Remuneration Committee" section on pages 158 and 159 and the "Proposed Implementation of Policy in FY24" section on pages 183 to 185, constitutes the Annual Report on Remuneration, and will be put to an advisory shareholder vote at the Company's AGM.

Single Total Figure of Remuneration (Audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below.

Director	Tim Steiner		Stephen Daintith		Mark Richardson		Neill Abrams		Luke Jensen[5]		Total	
	FY23 £'000	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000
Salary	**784**	755	**584**	563	**479**	462	**479**	462	**412**	462	**2,738**	2,704
Taxable benefits[1]	**1**	1	**1**	1	**1**	1	**1**	1	**7**	8	**11**	12
Pensions	**62**	53	**41**	39	**41**	32	**41**	32	**33**	32	**218**	188
Total fixed pay	**847**	809	**626**	603	**521**	495	**521**	495	**452**	502	**2,967**	2,904
Variable pay												
AIP[2]	**1,106**	1,191	**871**	788	**587**	652	**748**	682	**150**	655	**3,462**	3,968
SIP[3]	**4**	4	**–**	N/A	**4**	4	**4**	4	**–**	4	**12**	16
Sharesave	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
VCP[4]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total variable pay	**1,110**	1,195	**871**	788	**591**	656	**752**	686	**150**	659	**3,474**	3,984
Recovery of sums paid	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total remuneration	**1,957**	2,004	**1,497**	1,391	**1,112**	1,151	**1,273**	1,181	**602**	1,161	**6,441**	6,888

1. Taxable benefits includes one or more of: private healthcare; life assurance; or a car allowance.
2. Up to 50% of the AIP payment is paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred in shares for a period of three years. There are no performance conditions attached to the deferred element, only service conditions.
3. Under the SIP, awards of Free Shares and Matching Shares became unrestricted during the period. These awards are explained on page 181 of this report.
4. No figures are stated for the VCP to show that although vesting was capable of occurring during the third and fourth years of the VCP in March 2022 and March 2023 respectively, the minimum TSR underpin was not met in either year and therefore no nil-cost options vested in FY22 or FY23.
5. Luke Jensen resigned from the Board with effect from 30 September 2023.

An explanation of each element of total remuneration paid in the table above is set out in the following section.

Base salary (Audited)

During the year, the Committee reviewed the salaries of the Executive Directors. After taking into account a number of relevant factors which are discussed in more detail below, the Committee recommended that all basic salaries be increased. The following table shows the change in each Executive Director's salary.

Year	Salary 2023 (£)	Salary 2022 (£)	Effective from
Tim Steiner	794,383	763,830	1 April 2023
Stephen Daintith	592,020	569,250	1 April 2023
Mark Richardson	485,456	466,785	1 April 2023
Neill Abrams	485,456	466,785	1 April 2023
Luke Jensen[1]	485,456	466,785	1 April 2023

1. Luke Jensen resigned from the Board with effect from 30 September 2023.

The changes to base salary were made in line with the current Policy. The Executive Directors received an increase in base pay of 3.8%, which was below the overall percentage salary increases for FY23 for monthly paid employees (6.1%).

Taxable benefits (Audited)

The Executive Directors received taxable benefits during the period, notably private medical insurance. They also received other benefits which are not taxable, including income protection insurance, life assurance and Group-wide employee benefits, such as an employee discount. The taxable benefits shown in the Single Total Figure of Remuneration table on page 166 include a car allowance for Luke Jensen. These benefit arrangements were made in line with the current Policy which allows the Company to provide a broad range of employee benefits.

Pensions (Audited)

The Company made pension contributions on behalf of the Executive Directors to the defined contribution Group personal pension scheme. The employer contributions to the pension scheme in respect of each Executive Director are made in line with the Group personal pension scheme for all employees. In order to ensure continued alignment between Executive Director and wider workforce pension contributions, all Executive Directors have received a contribution rate of 7% of salary since April 2020.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director (or employee) has reached the HMRC tax free annual allowance limit for pension contributions as provided for in the current Policy. In accordance with the current Policy, Tim Steiner, Stephen Daintith, Mark Richardson, Neill Abrams and Luke Jensen elected or have elected to receive part of their pension contributions as an equivalent cash allowance.

Annual Incentive Plan (Audited)

The FY23 AIP was based on the performance targets and weightings set out on the following page. Noting shareholder feedback from last year around the pay for performance link, we aim to transparently disclose our detailed performance against targets below. All metrics are directly linked to our strategic KPIs and overall long-term success of the Company, with 12 of the 14 measures having quantifiable performance metrics. Details of the two qualitative measures ("Environmental roadmap" and "Success in corporate litigation") are fully disclosed. Note that the "Success in corporate litigation" measure applies to Neill Abrams only.

When reviewing final outcomes, the Committee has carefully considered overall business and individual performance to ensure an appropriate pay for performance link. As part of this, the Committee has taken into account that the Ocado Retail revenue target was exceeded in FY23, despite the inflation assumptions built into the targets exceeding actual inflation rates over the period, and adjusted EBITDA was broadly on target.

The CEO had a maximum bonus opportunity of 275% of salary and the other Executive Directors had a maximum opportunity of 250% of salary. Luke Jensen resigned from the Company with effect from 30 September 2023 and was paid a cash payment of £150,000 in September 2023 in lieu of his FY23 AIP vesting. See page 178 for more information.

Performance conditions	Weightings of performance condition: Tim Steiner	Stephen Dainith	Mark Richardson	Neill Abrams	Performance targets: Threshold	Maximum	Performance outcome: Actual performance	Percentage of maximum performance achieved
Financial and cost-related metrics								
Ocado Retail adjusted EBITDA	7.5%	10.25%	5.25%	5.25%	£5m	£20m	£12.7m	**63%**
Ocado Retail revenue[1]	7.5%	5.25%	5.25%	5.25%	£2,250m	£2,350m	£2,358m	**100%**
UK OSP implementation	5.0%	3.5%	3.5%	3.5%	70% of customers on OSP	100% of customers on OSP	Not expected to be delivered	**0%**
Client cost per order reduction	10.0%	7.0%	7.0%	7.0%	10%	30%	20.9%	**66%**
CFC capital expenditure cost	10.0%	12.0%	7.0%	7.0%	£11m	£9m	£8.3m (see note below)	**25%**
Direct operating costs	10.0%	7.0%	7.0%	7.0%	(1.95)%	(1.7)%	(1.7)%	**100%**
Group operating costs	10.0%	22.0%	7.0%	12.0%	(20)%	(25)%	(25)%	**100%**
ESG-related metrics								
Environmental roadmap	5.0%	8.5%	3.5%	8.5%	Delivery of Group-wide emissions roadmap		See note below	**80%**
Employee eNPS	5.0%	3.5%	3.5%	3.5%	Industry benchmark	Industry benchmark +6	Industry benchmark +3	**62.5%**
Other strategic metrics								
Total live modules	10.0%	7.0%	7.0%	7.0%	20	26	11.5	**0%**
Modules ordered	10.0%	7.0%	7.0%	7.0%	34	45	0	**0%**
Non-grocery deals signed	5.0%	3.5%	33.5%	8.5%	£50m	£70m	£54.8m	**43%**
Solutions deals signed	5.0%	3.5%	3.5%	3.5%	1	3	0	**0%**
Success in corporate litigation	–	–	–	15.0%	–	–	See note below	**100%**
Performance outcome								
Total achieved (% of maximum)	**50.6%**	**58.9%**	**48.3%**	**61.6%**				
Total payout (£'000)[2]	**1,106**	**871**	**587**	**748**				

1. The Ocado Retail Revenue targets include inflation for adjusted EBITDA.
2. The applicable salary used for calculating the bonus payment under the rules of the FY23 AIP is the applicable base salary on the date of payment.

Performance under the FY23 AIP was measured against 14 performance measures over FY23. Of the 14 measures, all except measures 8 and 14 have quantifiable performance targets with "minimum" and "maximum" conditions. 25% of an award vests for minimum performance rising on a straight-line basis to 100% for maximum performance.

Measure 2 (Ocado Retail Revenue) the Committee gave consideration to whether the achievement of this measure had been positively affected by higher UK prices but notes that the inflationary environment was known at the time targets were set and was therefore assumed in the target.

Measure 5 (CFC capital expenditure cost) required assessment of the CFC capital expenditure costs against the performance target. The Remuneration Committee considered the significant progress made in respect of reducing future CFC capital expenditure and although the stretch target was technically exceeded at £8.3m, the Committee determined to exercise downward discretion given that there had been no formal new CFC capital expenditure approval submissions during the year, and awarded the target at the threshold of 25%.

Measure 8 (Environmental roadmap) required management to produce and agree a Group-wide emissions environmental roadmap to Net Zero by 2035 for Scope 1 and 2, including options and scenarios to illustrate how we may progress from our current position to achieve the published commitments. For Scope 3, this includes producing a detailed outline of current Scope 3 emissions, setting out recommendations for reducing Scope 3 emissions, and identifying both the carbon reduction value and business impact for each one of these recommendations. The environmental roadmap as outlined on page 75 of this report was approved by the Board. Whilst the formulaic outturn was 100%, in assessing performance the Committee took into account the extent to which the Net Zero plan had been adopted by the business in FY23 and applied discretion to agree an outcome of 80% of maximum for this environmental roadmap target.

Measure 14 (Success in corporate litigation), a measure in Neill Abrams' scorecard, focused on Ocado's freedom to use OSP technology and license it to Solutions Partners without having to make any material payments to AutoStore, winning at least one significant case in our key markets and making commercial decisions accordingly. In relation to this performance measure a settlement of the AutoStore litigation was reached in July 2023, which resulted in all claims by both parties being withdrawn, a cross-license of certain patents being entered into and AutoStore agreeing to pay Ocado £200m over a two-year period. Additionally, Ocado was awarded costs by the UK High Court of £6.7m after defeating AutoStore's claims. See page 25 for more information. Given the significance of this settlement to Ocado, the Committee considers 100% achievement against this goal.

Overall this resulted in bonus payments to Executive Directors based on 48.3% – 61.6% of maximum achievement. The Committee carefully discussed the outcome of each AIP measure, assessing business factors and broader considerations outside of Ocado, and is confident that outcomes are consistent with the underlying performance of the business. Therefore, the Committee determined that no overriding discretion will be applied to the bonus outcome, except to the measures outlined above.

In agreeing to pay the bonus, the Committee applied the rules, which stipulate that 50% of the AIP achieved in the year will be deferred into shares for three years (subject to a two-year holding period on vesting).

Value Creation Plan (Audited)

The VCP will cease following the final measurement date in March 2024. No nil-cost options were banked or vested in FY23. Based on where our share price is at the time of writing, it is expected that no nil-cost options will be banked under any of Tranches 1, 2 or 3 at the fifth Measurement Date, nor will any vest

The initial price for the VCP is £13.97 for Tranche 1 (being the average price over the 30-day period prior to the 2019 annual general meeting), £19.60 for Tranche 2 (being the price at which equity was raised by the Company on 10 June 2020) and £7.95 for Tranche 3 (being the price at which equity was raised by the Company on 20 June 2022). At the end of each year of the performance period, the participating Executive Directors will receive the right to share awards with a value proportionate to the difference between the Company's Total Shareholder Return ("Measurement TSR") and the Threshold TSR at the relevant Measurement Date.

The Threshold TSR or hurdle, which has to be exceeded before share awards can be earned by the Executive Directors, is the higher of:

- the highest previous Measurement TSR at which the individual banked awards; and
- the Initial Price (£13.97 for Tranche 1; £19.60 for Tranche 2; and £7.95 for Tranche 3) compounded by 10% per annum.

If the value created at the end of a given year does not exceed the Threshold TSR, nothing will accrue in that year under the VCP.

The vesting schedule for the original five-year VCP provides that 50% of the cumulative number of share awards will vest following the third Measurement Date and 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. The VCP extension will not be utilised for any Executive Director, however, for information the revised vesting schedule for the extended VCP allowed for 50% of the cumulative number of share awards to vest following the third to seventh Measurement Dates (inclusive), with 100% of the cumulative number of share awards vesting following the eighth Measurement Date in 2027. At each vesting date, vesting of awards is subject to:

- a minimum TSR underpin of 10% Compound Annual Growth Rate ("CAGR") being maintained;
- any shares vesting cannot be sold prior to the fifth anniversary from grant;
- an annual cap on vesting of £20m for the CEO and £5m for other Executive Directors; and
- Remuneration Committee discretion (as set out in the current Policy) to adjust the formulaic vesting outcome if it is not a fair and accurate reflection of performance.

Measurement Dates

The first, second, third and fourth VCP Measurement Dates were 12 March 2020, 11 March 2021, 10 March 2022 and 30 March 2023, 30 days after the publication of the FY19, FY20, FY21 and FY22 financial results respectively.

Following the capital raise that was undertaken by the Company in June 2020, a new Tranche of award under the VCP was created. The newly issued equity (Tranche 2) was created at the date that the equity was raised and its Initial Price is the share price at which the equity was issued (£19.60). Further details on this approach are set out in the 2020 Annual Report on page 165.

A second capital raise was undertaken by the Company in June 2022 and as a result, a third Tranche of award under the VCP was created. The newly issued equity (Tranche 3) was also created at the date that the equity was raised and its Initial Price is the share price at which the equity was issued (£7.95).

Noting the price at which the Company raised equity in June 2022, when approving the creation of Tranche 3 the Committee agreed that it would review overall business performance at the point of any future banking or vesting of awards under Tranche 3. Specifically, the Committee would take into considerations factors such as (but not limited to):

- changes in Company shareholder value over the period;
- broader changes in the technology market; and
- underlying business performance as context for deciding whether any banking or vesting of awards under the new Tranche is appropriate.

For both Tranches 2 and 3, the newly issued equity must be grown at the same rates (10% per annum) at each corresponding Measurement Date as the initial equity (Tranche 1).

For all three Tranches, VCP participants will be entitled to the same share of the new equity as the initial equity, above a Threshold TSR. Performance will be tested for all Tranches at the same date. This approach ensures that any vesting under the VCP is fully attributable to management's performance in growing the value of shareholder funds provided and for delivering value to existing shareholders.

The following table sets out the number of nil-cost options ("NCOs") that were granted to Executive Directors in office at the first, second, third and fourth Measurement Dates under the VCP.

It should be noted that the nil-cost options in the table below have only been conditionally allocated to Executive Directors at this point in time. On the first vesting date under the plan in March 2022, the 10% CAGR TSR underpin was not met for either Tranches 1 or 2 and therefore no vesting occurred. Additionally, on the second vesting date in March 2023, the 10% CAGR TSR underpin was not met for any of Tranches 1, 2 or 3 and therefore no vesting occurred. For the avoidance of doubt, the Committee did not apply discretion to these outcomes. The granted nil-cost options did not lapse and will be capable of vesting on the fifth Measurement Date in March 2024, again subject to the 10% CAGR TSR underpin being met. The Committee retains discretion to vary the level of vesting where it is considered that the formulaic vesting would not be a fair and accurate reflection of performance.

	Year 1	Year 2		Year 3		Year 4			
Year		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Cumulative total
Measurement Date	12 March 2020		11 March 2021	10 March 2022	10 March 2022	30 March 2023	30 March 2023	30 March 2023	–
Threshold TSR (per share)	£10.6bn £(15.16)	£11.9bn £(16.68)	£0.71bn £(21.06)	Group 1: £16.7bn £(23.28)	Group 1: £0.78bn £(23.28)	Group 1: £16.8bn £(23.28)	Group 1: £0.86bn £(25.61)	Group 1: £0.62bn £(8.56)	–
				Group 2: £13.2bn £(18.34)	Group 2: £0.78bn £(23.16)	Group 2: £14.6bn £(20.28)	Group 2: £0.86bn £(25.61)	Group 2: £0.62bn £(8.56)	–
Measurement TSR (Measurement Price[1])	£7.9bn £(11.23)	£16.6bn £(23.28)	£0.78bn £(23.28)	£9.2bn £(12.86)	£0.43bn £(12.86)	£3.4bn £(4.68)	£0.16bn £(4.68)	£0.34bn £(4.68)	–
Aggregate number of NCOs granted to Executive Directors	–	3,547,602	55,861	–	–	–	–	–	**3,603,463**
Tim Steiner (NCOs granted)	–	2,027,202	31,921	–	–	–	–	–	**2,059,123**
Stephen Daintith (NCOs granted)	–	–	–	–	–	–	–	–	**–**
Mark Richardson (NCOs granted)	–	506,800	7,980	–	–	–	–	–	**514,780**
Neill Abrams (NCOs granted)	–	506,800	7,980	–	–	–	–	–	**514,780**

1. The Measurement Price is the 30-day average closing share price for the 30 days following the announcement of the results for the relevant financial year. This is £11.23, £23.28, £12.86 and £4.68 for the first, second, third and fourth Measurement Dates respectively.
2. For Tranche 1 the Threshold TSR is the higher of the highest previous Measurement Price at which the individual banked awards under this Tranche and the Initial Price compounded by 10% per annum between 1 May 2019 and 30 March 2023, being the start of the VCP performance period and the fourth Measurement Date. For Tranche 2 the Threshold TSR is the higher of the highest previous Measurement Price at which the individual banked awards under this Tranche and the Placing Price (£19.60) compounded by 10% per annum between 10 June 2020 and 30 March 2023, being the date of the capital raise and the fourth Measurement Date. For Tranche 3 the Threshold TSR is the higher of the highest previous Measurement Price at which the individual banked awards under this Tranche and the Placing Price (£7.95) compounded by 10% per annum between 20 June 2022 and 30 March 2023, being the date of the capital raise and the fourth Measurement Date.
3. Tim Steiner, Neill Abrams and Mark Richardson are all Group 1 participants, as they joined the VCP prior to the second Measurement Date. As Stephen Daintith joined the Board in March 2021, following the second Measurement Date, he joined the VCP as a Group 2 participant. The threshold TSR for Group 1 participants is the second Measurement Price of £23.28 at which they banked awards in March 2021. Group 2 participants are not subject to the threshold of £23.28 at which Group 1 participants banked awards in the second year of the VCP.

Share Incentive Plan ("SIP") (Audited)
The 2020 award of Free Shares made under the SIP became unrestricted during the period on 23 September 2023. Certain Matching Shares also became unrestricted during the period. Free Shares and Matching Shares awarded under the SIP are subject to a three-year forfeiture period starting from the date of grant. This means that if an Executive Director ceases to be employed by the Group during the three-year period, the Free Shares and Matching Shares will be forfeited. Partnership Shares purchased under the SIP are not included in the total remuneration table as these are purchased by the Executive Directors from their salary, rather than granted by the Company as an element of remuneration. Only the value of Free Shares and Matching Shares that became unrestricted during the period are shown in the total remuneration table. The value shown is the value of the shares on the date that they became unrestricted. Unrestricted shares can be held in trust under the SIP for as long as the Executive Director remains an employee of the Company.

Recovery of sums paid (Audited)
No sums paid or payable to the Executive Directors were sought to be recovered by the Group.

Non-Executive Directors

Total fees (Audited)
The fees paid to the Non-Executive Directors and the Chair of the Board during the period ended 3 December 2023 and the period ended 27 November 2022 are set out in the table below.

	Fees		Taxable benefits		Pension entitlements		Annual bonus		Long-term incentives		Recovery of sums paid		Total remuneration	
Non-Executive Director	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000	**FY23 £'000**	FY22 £'000
Rick Haythornthwaite	**398**	384	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**398**	384
Jörn Rausing	**79**	76	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**79**	76
Andrew Harrison	**143**	132	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**143**	132
Emma Lloyd	**87**	88	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**87**	88
Julie Southern	**108**	104	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**108**	104
Nadia Shouraboura	**87**	79	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**87**	79
Julia M. Brown	**85**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	–
Rachel Osborne	**25**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25**	–
John Martin	**65**	83	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	83
Michael Sherman	**50**	79	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	79
Total	**1,126**	1,025	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,126**	1,025

1. Julia M. Brown joined the Board with effect from 1 January 2023.
2. Rachel Osborne joined the Board with effect from 1 September 2023.
3. John Martin resigned from the Board with effect from 1 September 2023.
4. Michael Sherman resigned from the Board with effect from 27 June 2023.

Non-Executive Directors receive a basic fee and additional fees for chairing the People Committee, Remuneration Committee or Audit Committee, for being a member of the Remuneration Committee or Audit Committee, or holding the position of Senior Independent Director. There is currently no additional fee payable to the DNED. The Chair of the Board also receives an expense allowance.

The remuneration arrangements for the Non-Executive Directors (except the Chair of the Board) were reviewed by the Executive Directors and the Chair of the Board during the period and the basic fees for Non-Executive Directors were increased in FY23 to £79,664 (FY22: £76,600), whilst the fee for chairing a Committee was increased to £21,528 (FY22: £20,700). The fee for the role of Senior Independent Director was also increased to £21,528 (FY22: £20,700) and the fee for being a member of the Remuneration Committee or the Audit Committee was increased to £8,112 (FY22: £7,800).

The Remuneration Committee reviewed the Chair of the Board's fees during the period, increasing the annual fee to £403,650 (FY22: £388,125). In addition, he is entitled to receive an expense allowance of £53,820 (FY22: £51,750) per annum in respect of office support costs.

Additional context on Executive Director pay

Overall link to remuneration and equity of the Executive Directors
The table below sets out, for each Executive Director, the single figure for FY23, the number of shares held by the Director at the beginning and end of the financial year and the impact on the value of these shares taking the opening price and closing price for the year. It is the Committee's view that the total exposure of the Executive Directors to the Company is more relevant to their focus on the long-term sustainable performance of the Company than the single figure of remuneration for a particular year.

	FY23 single figure (£'000)	Shares held at start of year	Shares held at end of year	Value of shares at start of year (£'000)	Value of shares at end of year (£'000)	Difference (£'000)
Tim Steiner	1,957	19,795,014	19,833,326	128,628	117,850	(10,778)
Stephen Daintith	1,497	13,427	14,536	87	86	(1)
Mark Richardson	1,112	1,451,108	1,469,521	9,429	8,732	(697)
Neill Abrams	1,273	3,683,642	3,700,830	23,936	21,990	(1,946)

1. Stephen Daintith joined the Board with effect from 22 March 2021 and hence has had less time than the other Executive Directors to build up his shareholding.
2. Luke Jensen resigned from the Board with effect from 30 September 2023 and therefore is excluded from the table.

The closing market price of the Company's shares as of 1 December 2023, being the last trading day in the period ended 3 December 2023, was 594.2 pence per ordinary share (FY22: 649.8 pence), and the share price range applicable during the period was 343.4 pence to 976.4 pence per ordinary share.

Wider workforce considerations and our approach to fairness
We are committed to ensuring our people are rewarded fairly and competitively for their contribution to our success and that they feel supported in a holistic way, not just in their rate of pay.

- In Logistics, in FY23 we made significant investments in pay and saw pay settlements ranging from 5.4% to 6.5% for our warehouse and CSTM employees. While Ocado is not seeking accreditation by the Living Wage Foundation, 9,458 employees earned at a level above the 2023 real Living Wage rates; all employees working in Logistics have the ability to earn above this rate. We also continued to invest in pay for our Technology Solutions business, with average increases in employee salaries of 6.1% in FY23 (compared with increases of 4% for Executive Directors).
- From a benefits perspective, Ocado Group has invested in a comprehensive benefits programme, which employees value as part of their overall package.
- An advanced salary product is offered which allows all eligible employees in the UK to withdraw 50% of their earned basic pay up to three times over the course of one payroll period. This gives employees greater autonomy over finances. 4,352 people visited salary finance in October 2023 and we had 17,839 advances between January and September 2023.
- In FY23 we introduced specialist menopause support for employees and their families, giving all employees in the UK free access to a menopause nurse, specialist doctor and tailored advice. In addition we launched Care Concierge through Legal & General, a free support and information service for our employees who care for elders. We continue to promote our wide suite of financial wellbeing tools including a free service that puts an employee's previous pensions into one place, making understanding pensions easier.
- In FY23 we launched Charitable Giving, enabling employees to donate to charities directly from their pay.
- We introduced Dashly, a free financial wellbeing solution that helps our employees save money on their mortgages by checking thousands of products to help them find a better deal.
- Our Company Shop Group is the UK's leading redistributor of surplus food and household products. Employees can shop products from well-known brands at amazing prices, helping stretched budgets go further. Membership is available to all employees and stores are located across the UK.
- Our Mental Wellbeing Champions provide an added layer of support for our employees – as well as a voice that can help to cascade the messaging and focus we have centrally. Over 85 Champions have been trained to support our employees by providing a safe, unbiased and confidential space. This is in addition to our existing wellbeing support package which includes access to digital support to help people self-manage their mental health, access to our Employee Assistance phone line and training for all managers on how to support mental health in the workplace.
- We continue to develop our employee benefits globally, with the objective of offering our diverse population choice and flexibility so employees can access benefits that are valuable and relevant to their individual lifestyles. Our core benefits include life and sickness protection, retirement advice, and a mental health support service. Our benefits platform, Benefits+, is now available in 80% of our countries and allows employees to select benefits that matter most to them. Discounts+ offers retail savings and is live in 65% of our countries which enables our employees to save money on everything from bills to household necessities and lifestyle products. We continue to promote our retail discount in the UK on Ocado.com.

Group-wide remuneration report
A regular report from management on Group-wide remuneration is reviewed by the Committee. This review covers changes to pay, benefits, pensions and share schemes for all employees in the Group, including the percentage increases in base pay for monthly- and hourly-paid employees. The DNED is Andrew Harrison. He advocates and directly represents the employee voice during Board and Committee discussions. The DNED reports to the Committee on insights from activities undertaken across the year with regard to DNED responsibilities. For more details of what Andrew Harrison has done in FY23, see page 128. The Committee carefully considers the relevant parts of these reports when making decisions on executive remuneration.

Share Schemes
A key remuneration principle for the Group is that share awards be used to recognise and reward good performance and attract and retain employees.

To help support alignment across the Group with the interests of shareholders and reward for Company performance, all employees in the Group receive share incentives. All UK employees are eligible to participate in the Group's SIP and Sharesave Scheme and employees located outside the UK are eligible to participate in the international equivalent share schemes.

Cascade of remuneration through the Company
All UK staff in the Company are eligible to participate in the Company's all-employee share schemes, pension scheme and life assurance arrangements. In line with the UK Corporate Governance Code, the current Policy ensures that pension contributions for existing and any future Executive Directors are fully aligned with the level currently offered to all employees to ensure greater fairness across the Company.

The remuneration arrangements for employees below Board level reflect the seniority of the role and individual performance. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees.

The all-employee remuneration report produced by the Company is considered by the Committee when making decisions on pay for both Executive Directors and the wider workforce population.

Employment at Ocado
Ocado Group believes a diverse and inclusive workforce is a key factor in being a successful business. Our Equal Opportunities Policy is dedicated to creating an environment for our employees that is free from discrimination, harassment and victimisation, which reflects our commitment to create a diverse workforce, environment and pay strategy that support all individuals irrespective of their gender, age, race, disability, sexual orientation or religion.

Gender pay gap
Ocado is committed to pay parity and aims to ensure we provide equal opportunity for all. We are proud of the work we have done around diversity and inclusion during the year and want to continue to improve retention and attract the best female talent as well as other under-represented groups.

The Company reports specific information about the difference in average pay for its male and female employees as required by gender pay gap legislation. The Company's gender pay gap metrics are submitted by the Group's main employing entity, Ocado Central Services Limited, and the headline gender pay metric is the difference in the median hourly pay received by men and women. Our FY23 results continue to show a balanced position between the genders, with the headline metric (median pay gap) slightly favouring men by 0.6%, having slightly favoured women in FY22. The mean gender pay gap continues to favour female employees, with a pay gap of 4.1%.

We are committed to paying fairly and we are focused on providing an equal opportunity for all employees. For more information and to view the full metrics see the Government gender pay gap service portal or our corporate website, www.ocadogroup.com.

Chief Executive Officer pay ratio
The tables below set out the total pay of the Group Chief Executive Officer and UK employee population as a whole at median, lower quartile and upper quartile using the methodology applied to the single figure of remuneration at the end of the period. We set this out on the following bases:

- The 2022, 2021, 2020, and 2019 pay ratio.
- This year's 2023 pay ratio.

The CEO pay ratio, when calculated in line with the Regulations, has fallen versus the figures for 2022 (72:1 versus 80:1 last year). This is due to the fact that, as was the case in FY2022, there were no long-term incentive awards vesting during FY22; at the fourth VCP Measurement Date the 10% CAGR TSR underpin was not met hence no banked nil-cost options vested.

Executive Director pay is more at risk than wider employee pay due to the use of variable pay, resulting in a total pay ratio that can change significantly from year-to-year. Details on the differences between the remuneration of Executive Directors and the wider workforce can be found on page 176. The Committee is satisfied that its policies on reward drive the right behaviours at Ocado and ensure that our employees are rewarded fairly and competitively for their contribution to our success. Therefore, the Committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies.

Year	Method	CEO remuneration (£'000)	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23 – reported figures	**Option B**	**1,957**	**75:1**	**72:1**	**60:1**
2021/22 – reported figures	Option B	2,004	85:1	80:1	68:1
2020/21 – reported figures	Option B	1,968	88:1	82:1	67:1
2019/20 – reported figures – restated	Option B	6,211	283:1	278:1	217:1
2018/19 – reported figures – restated	Option B	59,038	2,834:1	2,619:1	2,349:1
2018/19 – without GIP payment – restated	Option B	4,918	236:1	218:1	196:1

1. Option B was selected to calculate CEO pay ratios as a proportionate, sustainable and repeatable approach given the size and structure of the Ocado workforce.
2. From the information used to calculate the most recent gender pay gap at each of the 25th, 50th and 75th percentiles, 20 employees were identified as comparators and their remuneration calculated (the remuneration figures for each employee were determined with reference to the financial year ended 3 December 2023). The median remuneration for each group of 20 employees is reported as the comparator value for CEO pay ratio calculations. Using the median value from groups of employees at each of the 25th, 50th and 75th percentiles provides a more representative estimate than if based on an individual employee, reducing the influence of an outlier value.
3. No components of pay have been omitted and no estimates or adjustments were made.

			UK employees (full-time equivalents)					
	Chief Executive Officer		Total pay and benefits (£'000)			Salary (£'000)		
Year	Total pay and benefits (£'000)	Salary (£'000)	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2022/23	£1,957	£794.4	£26.0	£27.3	£32.5	£24.3	£25.8	£30.8

Chief Executive Officer historical remuneration

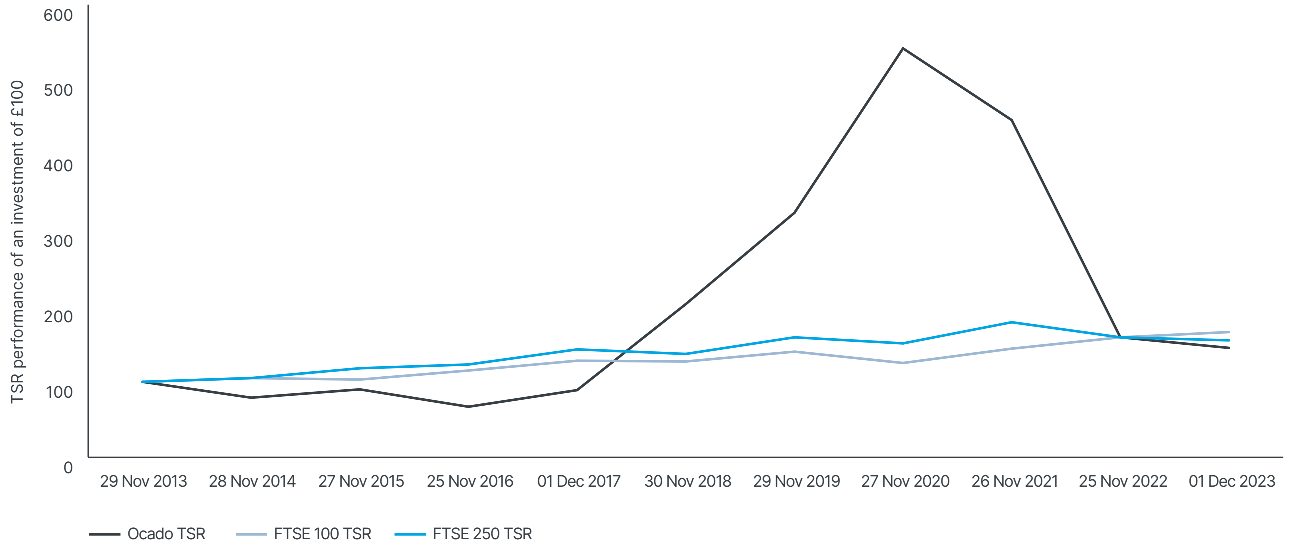
The table below summarises, in respect of the Chief Executive Officer, the single figure of total remuneration, the AIP or bonus plan payment as a percentage of maximum opportunity, and the long-term incentive payout as a percentage of maximum opportunity for the current period and the previous 10 financial years.

Year	Chief Executive Officer total remuneration (£'000)	AIP or bonus payment as a percentage of maximum target achievement (% of maximum)	Long-term incentives as a percentage of maximum opportunity (% of maximum)
2023	1,957	50.6	–
2022	2,004	56.7	–
2021	1,968	57.9	–
2020	6,211	94.2	79.9
2019	59,038	57.0	94.5
2018	3,996	70.5	50
2017	1,337	41.8	33.4
2016	1,141	43.6	43.2
2015	5,098	65.0	90.8
2014	6,483	56.0	100

1. From 2010, the Company had the Joint Share Ownership Scheme ("JSOS") as the main form of long-term incentive plan. For the 2013 financial year, the JSOS interests did not have any value at the vesting date. In 2014, the final Tranche of JSOS shares vested in that period (the value of such remuneration is noted in the single total figure of remuneration above). The LTIP was implemented in 2013 and the first award had a performance period ending in 2015 and a vesting date in 2016. The Growth Incentive Plan ("GIP") and SIP were both implemented in 2014, but had vesting dates in 2019 and 2017 respectively. Since 2019 the VCP has been the main form of long-term incentive plan.
2. The 2017 LTIP vested at 46.1% of maximum and the GIP vested at 100% of maximum. The 2019 long-term Incentive value is a weighted average of the 2017 LTIP and the GIP.
3. The 2018 LTIP vested at 79.9% of maximum. There was no vesting in the first year of the VCP, therefore, the 2020 long-term incentive value is the same as the 2018 LTIP vesting percentage.
4. There was no vesting capable of occurring in the second year of the VCP in March 2021 and the 2018 LTIP was the last award under this scheme, therefore the 2021 long-term incentive value is N/A.
5. Vesting was capable of occurring during the third and fourth years of the VCP in March 2022 and March 2023 respectively. However, the minimum TSR underpin was not met in either year and therefore no nil-cost options vested in 2022 or 2023.

Total Shareholder Return

The following graph shows the TSR performance of an investment of £100 in Ocado shares compared with an equivalent investment in the FTSE 100 and FTSE 250 Indices over the past 10 years. These indices were chosen as Ocado has historically been a constituent of the FTSE 250 Index, and entered the FTSE 100 in 2018. Both represent a broad equity market index against which the Company can be compared historically. The Company has not paid a dividend since its Admission so the Company's TSR does not factor in dividends reinvested in shares.



Director salary/fee percentage change versus employees of Group

The table below shows how the percentage change in each Director's salary/fees, taxable benefits and annual incentive plan between FY22 and FY23 compares with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole on a full-time equivalent basis. For the fourth year, disclosure for all Directors in addition to the CEO has been included; over time a five-year comparison will be built up. Ocado Group plc has no employees and therefore a subset of the Group's employees, UK employees, has been used.

Year-on-year increase in pay for Directors compared with the average employee increase:

	2022/23			2021/22			2020/21			2019/20		
Director	**Salary/ Fees**	**Taxable benefits**	**AIP**	Salary/ Fees	Taxable benefits	AIP	Salary/ Fees	Taxable benefits	AIP	Salary/ Fees	Taxable benefits	AIP
Tim Steiner	**4%**	**–**	**(7)%**	3.5%	(35.6)%	1%	2.5%	(83)%	(37)%	7%	(33)%	74%
Stephen Daintith	**4%**	**–**	**10%**	3.5%	(20.1)%	69%	N/A	N/A	N/A	N/A	N/A	N/A
Mark Richardson	**4%**	**–**	**(10)%**	3.5%	(20.1)%	17%	2.5%	–	(38)%	7%	–	82%
Neill Abrams	**4%**	**–**	**10%**	3.5%	(20.1)%	20%	2.5%	–	(28)%	12%	–	72%
Rick Haythornthwaite	**4%**	**–**	**–**	2.3%	–	–	N/A	N/A	N/A	N/A	N/A	N/A
Jörn Rausing	**3%**	**–**	**–**	5.2%	–	–	7%	–	–	10%	–	–
Andrew Harrison	**8%**	**–**	**–**	12.6%	–	–	12.5%	–	–	21%	–	–
Emma Lloyd	**(2)%**	**–**	**–**	4.6%	–	–	21%	–	–	15%	–	–
Julie Southern	**4%**	**–**	**–**	6%	–	–	30%	–	–	6%	–	–
Nadia Shouraboura	**10%**	**–**	**–**	9%	–	–	N/A	N/A	N/A	N/A	N/A	N/A
Julia M. Brown	**–**	**–**	**–**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rachel Osborne	**–**	**–**	**–**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average percentage increase for UK employees[1]	**6.1%**	**(0.3)%**	**(3.7)%**	5.7%	(3.1)%	–	2.5%	(2.1)%	(27.8)%	3%	5%	100%

1 The change in salary data for the Group's employees is on a per capita basis. The increase of 6.1% is the change in average percentage increase for UK employees as at 1 April 2023 to allow a direct comparison with the Executive Directors at a single point in time. It is not the year-on-year change in base pay.
2 The change in salary for the Executive Directors is based on the base salary review set out on page 166.
3 The change in taxable benefits for the Executive Directors is as set out on pages 166 and 167.
4 The change in fees for the Non-Executive Directors is based on the change in total fees during the period, as set out on page 171; where a Director has not served a full prior year, the comparison is based on an annualised monthly fee.
5 UK employees have been chosen as the majority of our workforce is UK based.
6 Julia M. Brown and Rachel Osborne were appointed to the Board on 1 January 2023 and 1 September 2023 respectively.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase, shown in the table. For FY23, salary increases for the Executive Directors were below those received by the wider workforce. See page 176 for further details.

Relative importance of spend on pay

The following table shows the Company's loss and total Group-wide expenditure on pay for all employees for the period and last financial year. The Company has not paid a dividend or carried out a share buyback in the current year or previous year. The information shown in this table is:

- Loss – Group loss before tax as set out in the Consolidated Income Statement on page 228.
- Total gross employee pay – total gross employment costs for the Group (including pension, variable pay, share-based payments and social security) as set out in Note 2.4 to the Consolidated Financial Statements on page 245.

Year ending	**3 December 2023 (£m)**	27 November 2022 (£m)
Loss before tax	(403.2)	(500.8)
Total gross employee pay	967.2	872.0

Director retirement arrangements and payments for loss of office (Audited)

It was determined in accordance with the current Policy that the arrangements set out below should apply in relation to the remuneration on retirement of Luke Jensen, John Martin and Michael Sherman.

Luke Jensen and Michael Sherman retired from the Board with effect from 30 September 2023 and 26 June 2023 respectively.

John Martin retired from the Board with effect from 31 August 2023, remaining as an employee of the Group and becoming CEO of Ocado Solutions from 1 September 2023.

Mark Richardson and Neill Abrams stepped down from their positions as Executive Directors on 2 February 2024. Their remuneration will be reported in next year's Annual Report for the portion of the year that they served as Executive Directors. They remain employees of the Group.

Element of remuneration	**Treatment**	
Luke Jensen		
Remuneration payments	All outstanding salary, benefits and pension entitlements were paid to Luke Jensen up to 30 September 2023, in accordance with the terms of his Service Agreement. No payments are expected after the date of retirement for Luke Jensen.	
Payment for loss of office	No payment for loss of office or other remuneration payment was made or is expected to be made to Luke Jensen.	
Incentive Schemes	In line with Ocado's policy for loss of office in force at that time, and the rules of the AIP, the VCP and the Executive Share Option Scheme, the Remuneration Committee determined that Luke Jensen is a good leaver. Therefore, the following arrangements should apply in relation to Luke Jensen's outstanding incentive awards:	
	2020 AIP	Mr Jensen was awarded a payout of £440,000 pursuant to the 2020 AIP. 50% of the AIP achieved was deferred into shares for three years with a further two-year holding period on vesting. Mr Jensen retains his 21,671 deferred 2020 AIP shares.
	2021 AIP	Mr Jensen was awarded a payout of £273,732 pursuant to the 2021 AIP. 50% of the AIP achieved was deferred into shares for three years with a further two-year holding period on vesting. Mr Jensen retains his 22,896 deferred 2021 AIP shares.
	2022 AIP	Mr Jensen was awarded a payout of £326,683 pursuant to the 2022 AIP. 50% of the AIP achieved was deferred into shares for three years with a further two-year holding period on vesting. Mr Jensen retains his 73,988 deferred 2022 AIP shares.
	2023 AIP	As a good leaver, Mr Jensen was eligible for a cash payment which was pro-rated to his retirement date. This was based on an interim assessment of the measures of the AIP taking into account his personal contribution towards the outcome of the targets. See below for more information.
	VCP	Mr Jensen's VCP awards lapsed on retirement from the Company.
	SIP Free Shares	Free Share awards are subject to a three-year forfeiture period from date of grant and therefore those that are yet to meet that three-year forfeiture period lapsed on retirement from the Company.

Element of remuneration	Treatment	
	SIP Partnership and Matching Shares	Matching Shares are subject to a three-year forfeiture period from date of grant and therefore those that are yet to meet that three-year forfeiture period lapsed on retirement from the Company. Partnership Shares are purchased from salary rather than granted as an element of remuneration and are not subject to forfeiture.
Post-cessation shareholding requirement	Luke Jensen has a post-cessation shareholding requirement of 300% of his final salary for 24 months from leaving the Company.	

Luke Jensen was treated as a good leaver and was eligible for a cash payment which was pro-rated to his retirement date. An interim assessment of the measures of the FY23 AIP which took into account his personal contribution was carried out, which was determined to be 30% of maximum. Pro-rated by time, this would result in a payout of £300,000. The Committee determined that, particularly in light of the payment being in cash only, that Luke Jensen would receive a total payout of £150,000.

John Martin	
Remuneration payments	All outstanding fees up to 31 August 2023 were paid to John Martin in accordance with the terms of his letter of appointment. No payments are expected after the date of retirement from the Board for John Martin.
Payment for loss of office	No payment for loss of office or other remuneration payment was made or is expected to be made to John Martin.
Share Schemes	At the time of his retirement from the Board, John Martin did not participate in a Company share scheme.

Michael Sherman	
Remuneration payments	All outstanding fees up to 26 June 2023 were paid to Michael Sherman in accordance with the terms of his letter of appointment. No payments are expected after the date of retirement for Michael Sherman.
Payment for loss of office	No payment for loss of office or other remuneration payment was made or is expected to be made to Michael Sherman.
Share Schemes	At the time of his retirement, Michael Sherman did not participate in a Company share scheme.

Director appointment arrangements (Audited)

As announced on 27 June 2023, Rachel Osborne was appointed to the Board as a Non-Executive Director with effect from 1 September 2023. Rachel Osborne's remuneration was agreed by the Board in line with the current Policy. On appointment, the Board approved an annual fee for Rachel Osborne of £87,776 which was in line with the other Non-Executive Directors. Rachel Osborne was appointed Chair of the Audit Committee on assumption of her role, and is therefore additionally paid the fee to chair that committee. Rachel Osborne will not receive any other benefits or payments, in line with the current Policy.

Payments to past Directors (Audited)

None.

External Appointments for Executive Directors

As at 3 December 2023:

- In addition to his role as Executive Director of the Company, Neill Abrams is an alternate non-executive director of Mr Price Group Limited, a company listed on the Johannesburg Stock Exchange.
- In addition to his role as Executive Director of the Company, Mark Richardson is a non-executive director of Paneltex Limited.
- In addition to his role as Executive Director of the Company, Stephen Daintith is a non-executive director of 3i Group plc, listed on the Main Market of the London Stock Exchange.

Director shareholdings (Audited)

The table below shows the beneficial interests in the Company's shares of Directors serving during the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts. The table also shows compliance with the Director shareholding requirements in the current Policy as at 3 December 2023.

	Shares held at 3 December 2023		Shares held at 27 November 2022			
Name	**Direct holding**	**Indirect holding**	Direct holding	Indirect holding	**Minimum shareholding requirement (% of Base Salary or Fee)**	**Met minimum shareholding requirement?**
Executive Directors						
Tim Steiner[1]	**19,822,993**	**10,289**	19,785,745	9,269	400	Yes
Stephen Daintith[2]	**12,579**	**1,957**	12,579	848	300	N/A
Mark Richardson	**1,445,797**	**23,724**	1,427,774	23,334	300	Yes
Neill Abrams	**2,130,928**	**1,569,902**	2,114,848	1,568,794	300	Yes
Non-Executive Directors						
Rick Haythornthwaite	**31,575**	**–**	22,075	–	100	Yes
Jörn Rausing[3]	**–**	**83,879,642**	–	83,879,642	100	Yes
Andrew Harrison	**25,000**	**–**	18,166	–	100	Yes
Emma Lloyd	**17,300**	**–**	17,300	–	100	Yes
Julie Southern[4]	**6,493**	**–**	5,493	–	100	No
Nadia Shouraboura[5]	**–**	**–**	–	–	100	N/A
Julia M. Brown[5]	**–**	**–**	–	–	100	N/A
Rachel Osborne[5]	**–**	**–**	–	–	100	N/A

1. Tim Steiner entered into various contracts for the transfer of shares on 21 June 2010, as described on page 238 of the Prospectus issued by the Company on 6 July 2010. As previously reported on 24 July 2023, the parties agreed again to extend the date for completion for the third and fourth contracts to 24 July 2024, or other such date as the parties may agree.
2. Stephen Daintith was appointed on 22 March 2021. Executive Directors (excluding the CEO) are expected to hold shares equivalent to 300% of salary. This holding can be built up over five years from appointment. Therefore, while Stephen Daintith does not hold the requisite number of shares to comply with the shareholding requirement currently, he is compliant with the current Policy.
3. Jörn Rausing is a beneficiary of the Apple III Trust, which owns Apple III Limited (together, "Apple"), a significant (approximately 10%) shareholder of the Company. Jörn is not a representative of Apple, nor does Apple have any right to appoint a Director to the Board of the Company.
4. Although Julie Southern held shares during the year in excess of the guidelines, the fall in the Company share price meant that, at the end of the financial year, her shareholding was below the guideline.
5. Nadia Shouraboura, Julia M. Brown and Rachel Osborne were appointed on 1 September 2021, 1 January 2023 and 1 September 2023 respectively. Non-Executive Directors are expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment. Therefore, while Nadia Shouraboura, Julia M. Brown and Rachel Osborne do not hold the requisite number of shares to comply with the shareholding requirement currently, they are compliant with the current Policy.
6. Michael Sherman, John Martin and Luke Jensen resigned from the Board with effect from 27 June 2023, 1 September 2023 and 30 September 2023 respectively. Michael Sherman, John Martin and Luke Jensen were compliant with the minimum shareholding requirement throughout the period.
7. The assessment for shareholding compliance is based on the current annualised salary or fee (as set out on pages 166 and 171) which applied on 3 December 2023 and the higher of the original purchase price(s) or the current market price (being 594 pence per share on 3 December 2023) of the relevant shareholdings.
8. Where applicable, the above indirect holdings include SIP Partnership and Free Shares held under the SIP, which are held in trust.
9. No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.
10. There have been no changes in the Directors' interests in the shares issued or options granted by the Company and its subsidiaries between the end of the period and the date of this Annual Report, except shares held pursuant to the SIP, as set out on page 181.

Director interests in share schemes (Audited)

Annual Incentive Plan (Audited)

At least 50% of the AIP payout is deferred into shares (up to a maximum of 100% of salary). At the end of the period, interests in shares held by the Executive Directors under the AIP were as follows:

Director	Type of interest	Date of grant	Number of share options	Face value (£'000)	Date of vest	Share price used for grant calculations
Tim Steiner	Deferred bonus	20/03/20	37,107	590	20/03/23	£15.89
		19/03/21	55,711	1,145	19/03/24	£20.56
		17/03/22	49,128	587	17/03/25	£11.96
		29/03/23	134,507	596	29/03/26	£4.43
Stephen Daintith	Deferred bonus	17/03/22	19,512	233	17/03/25	£11.96
		29/03/23	88,954	394	29/03/26	£4.43
Mark Richardson	Deferred bonus	20/03/20	17,163	274	20/03/23	£15.89
		19/03/21	22,591	464	19/03/24	£20.56
		17/03/22	23,245	278	17/03/25	£11.96
		29/03/23	73,646	326	29/03/26	£4.43
Neill Abrams	Deferred bonus	20/03/20	15,940	253	20/03/23	£15.89
		19/03/21	19,237	395	19/03/24	£20.56
		17/03/22	23,699	283	17/03/25	£11.96
		29/03/23	76,939	341	29/03/26	£4.43

Value Creation Plan (Audited)

The VCP was approved by shareholders on 1 May 2019. The scheme aligns the remuneration of Executive Directors with the value generated for shareholders. As mentioned, we have decided not to proceed with the extension of the VCP will cease following the final Measurement Date in March 2024. Based on where our share price is at the time of writing, it is expected that no nil-cost options will be banked under any of Tranches 1, 2 or 3 at the fifth Measurement Date, nor will any vest.

No nil-cost options were awarded to Executive Directors in respect of the first VCP Measurement Date on 12 March 2020. This is because the Measurement Price (£11.23) was below the Threshold TSR (£15.16). The Measurement Price at the second Measurement Date (£23.28) was higher than the Threshold TSR for both Tranches 1 and 2 (£16.68 and £21.06 respectively). As such, Executive Directors (excluding Stephen Daintith who joined the Company after the second Measurement Date) were eligible to bank awards at the second VCP Measurement Date. The number of nil-cost options that were awarded to Executive Directors in respect of the second VCP Measurement Date on 11 March 2021 is set out below. No nil-cost options were awarded to the Executive Directors in respect of the third Measurement Date on 10 March 2022. This is because the Measurement Price at the third Measurement Date (£12.86) was below the Threshold TSR for both Tranche 1 and 2 for all participants. The VCP vesting schedule provides that the first point at which banked awards could have vested was following the third Measurement Date on 10 March 2022. Given that the minimum TSR underpin of 10% CAGR was £18.34 and £23.16 for Tranches 1 and 2 respectively and the Measurement Price was £12.86, no awards banked under Tranche 1 or Tranche 2 were capable of vesting on 10 March 2022.

No nil-cost options were awarded to the Executive Directors in respect of the fourth Measurement Date on 30 March 2023. This is because the Measurement Price at the fourth Measurement Date (£4.68) was below the Threshold TSR for each of Tranches 1, 2 and 3 for all participants.

The VCP vesting schedule provides that the second point at which banked awards could have vested was following the fourth Measurement Date on 30 March 2023. Given that the minimum TSR underpin of 10% CAGR was £20.28 and £25.61 and £8.56 for Tranches 1, 2 and 3 respectively and the Measurement Price was £4.68, no awards banked under Tranche 1 or Tranche 2 were capable of vesting on 30 March 2023 (noting that no awards had yet been banked under Tranche 3).

	Total number of nil-cost options awarded (banked) to date			
Individual	Tranche 1	Tranche 2	Tranche 3	Total
Tim Steiner	2,027,202	31,921	–	2,059,123
Stephen Daintith[2]	–	–	–	–
Mark Richardson	506,800	7,980	–	514,780
Neill Abrams	506,800	7,980	–	514,780

1 Stephen Daintith joined the Board with effect from 22 March 2021. He was not eligible to participate in the VCP at the second Measurement Date.
2 No nil-cost options have vested to date.

Share Incentive Plan (Audited)

At the end of the period, interests in shares held by the Executive Directors under the SIP were as follows:

Director	Partnership Shares acquired in the year	Matching Shares awarded in the year	Free Shares awarded in the year	Total face value of Free Shares and Matching Shares awarded in the year (£)	Total SIP shares held 3/12/2023	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 3/12/2023
Tim Steiner	318	45	746	3,597	10,724	141	9,045
Stephen Daintith	318	46	745	3,598	1,957	–	598
Mark Richardson	318	46	744	3,598	10,525	142	9,038
Neill Abrams	318	46	744	3,598	9,744	141	8,257

1. Unrestricted shares are those which have been held beyond the three-year forfeiture period.
2. The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

The Directors continued their SIP participation during the period. The SIP scheme is made available to all employees. The SIP allows for the grant of a number of different forms of awards. An award of Free Shares was made to the Executive Directors in April and October 2023 under the terms of the SIP and the current Policy. Free Shares of up to £3,600 of ordinary shares may be allocated to any employee in any year. Free Shares are allocated to employees equally on the basis of salary, as permitted by the relevant legislation.

An award of Matching Shares was made to those Executive Directors who purchased Partnership Shares (using deductions taken from their gross basic pay) under the terms of the SIP and in accordance with the current Policy.

The Executive Directors continued their membership in the SIP after the end of the period and were, therefore, awarded further Matching Shares pursuant to the SIP rules. Between the end of the period and 14 February 2024, being the last practicable date prior to the publication of this Annual Report, the Executive Directors acquired or were awarded further shares under the SIP as set out in the table below:

Director	Partnership Shares acquired	Matching Shares awarded	Free Shares awarded	Total face value of Free Shares and Matching Shares (£)	Total SIP shares held at 14/02/2023
Tim Steiner	44	7	–	48	10,775
Stephen Daintith	44	6	–	41	2,007
Mark Richardson	44	6	–	41	10,575
Neill Abrams	44	6	–	41	9,794

1. The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Vested: For details of Free Shares and Matching Shares that became unrestricted in the period, see page 170.

Sharesave Scheme (Audited)

At the end of the period, the Executive Directors' option interests in the Sharesave, Scheme were as follows:

Director	Type of interest	Date of grant	Number of share options	Exercise price (£)	Face value (£)	Exercise period
Tim Steiner	Options	29/03/23	4,043	4.45	17,991	01/05/26 – 01/10/26
Stephen Daintith	Options	29/03/23	4,043	4.45	17,991	01/05/26 – 01/10/26
Neill Abrams	Options	29/03/23	4,043	4.45	17,991	01/05/26 – 01/10/26

Dilution

Dilution limits

Awards granted under the Company's Sharesave and SIP schemes are met by the issue of new shares when the options are exercised or shares granted. Awards granted under the VCP may be met by the issue of new shares, the transfer of shares from treasury, or the purchase or transfer of existing shares by the Employee Benefit Trust (where available).

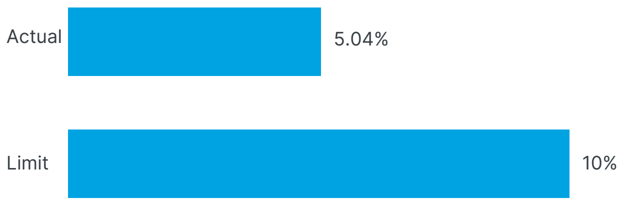
There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

The dilution limits restrict the commitment to issue new ordinary shares or reissue treasury shares under all share schemes of the Group to 10% of the nominal amount of the Company's issued share capital and under the LTIP and the VCP (and any other selective share scheme) to 5% of the nominal amount of the issued share capital of the Company in any rolling 10-year period. These limits are consistent with the guidelines of institutional shareholders.

Impact on dilution

The Company monitors the number of shares issued under these schemes and their impact on dilution. The charts below show the Company's commitment, as at the last practicable date prior to the publication date of this Annual Report being 14 February 2024, to issue new shares in respect of its share schemes assuming all performance conditions are met, all award holders remain in employment to the vesting date and all awards are settled in newly issued shares. For these purposes, no account is taken of ordinary shares allocated prior to the Company's Admission.

All share plans



Executive share plans

Proposed implementation of Policy in FY24

Base salary

As at 1 April 2024 salaries for Executive Directors will increase as follows:

- Tim Steiner (CEO): £824,570
- Stephen Daintith (CFO): £614,517

These reflect an increase of 3.8% which is aligned to the budgeted increase for the wider UK employee population.

Pension

The Executive Directors will continue to receive a pension contribution rate of 7% of salary, in line with the wider workforce.

Annual Incentive Plan

The maximum AIP opportunity for FY24 will be 275% (as a percentage of salary) for the CEO and 250% for the CFO.

The Corporate Scorecard will be measured against the following strategic pillars:

- Financial measures (65%)
- Growth (25%)
- Environmental, Social and Governance (10%)

The objectives for the FY24 AIP are contained in a single Corporate Scorecard model, applicable to both participants. The CEO and CFO's performance is measured against the same set of metrics, but the weightings differ to reflect their roles. In response to shareholder feedback received at the 2023 AGM, we have reduced the overall number of metrics, with financial metrics, including Group metrics, making up the majority of the FY24 scorecard. Our response to shareholder feedback is further detailed on pages 188 to 189. The below table outlines the FY24 AIP measures and the individual weighting for each Executive Director.

The specific performance targets for the AIP are not disclosed for FY24 on the basis the Committee considers that these targets are commercially sensitive to the Company and if disclosed could damage the Company's commercial interests at this stage. These targets will be disclosed in greater detail at the end of FY24.

		Weighting	
	Corporate measure	**Tim Steiner**	**Stephen Daintith**
Financial metrics	Direct operating costs as % of sales capacity	20%	19%
	Improvement in underlying cash flow	20%	24%
	Technology Solutions adjusted EBITDA	15%	15.5%
	ORL adjusted EBITDA	10%	12%
Growth	International site utilisation	15%	10.5%
	ORL OPW growth	5%	3.5%
	Value of new ASRS deals signed	5%	3.5%
ESG	eNPS	2.5%	1.75%
	People – diversity	2.5%	1.75%
	Environment	5%	8.5%
Total		**100%**	**100%**

1 Neill Abrams and Mark Richardson stepped down from the Board on 2 February 2024 and so we have not detailed their AIP measures for FY24.

Performance Share Plan
The FY24 award levels for each Executive Director, as a percentage of base salary, is as follows:

- CEO: 400% base award (600% with relative TSR multiplier, 1800% with enhanced multiplier for the FY24 award only)
- CFO: 350% base award (525% with relative TSR multiplier)

When determining the appropriate measures and targets for the FY24 PSP, the Committee was cognisant of the need to set performance targets which are sufficiently stretching, meet shareholders' expectations and are aligned with the Company's strategy and five-year plan.

Various potential measures were considered by the Committee and discussed in the shareholder consultation exercise; the Committee agreed that the most appropriate performance conditions to use for the FY24 PSP base award are:

- Absolute improvement in adjusted EPS (pence per share) when comparing the FY26 outcome vs the baseline of reported adjusted EPS in FY23; and
- Underlying cash flow pre-growth capital expenditure in FY26

Our targets have been carefully set in line with our long-term plan and in particular our aim to become cash flow positive by FY26, such that we are generating sufficient cash flow to finance future growth capital expenditure.

These are set out in the table below.

Measure	Weighting	Threshold (25% of maximum vesting)	Maximum (100% of maximum vesting)
Absolute improvement in adjusted EPS, FY26 vs FY23 (pence per share)	50%	7 pence per share improvement	21 pence per share improvement
Underlying cash flow pre-growth capital expenditure in FY26 (£m)	50%	£65m	£240m

1. Targets are based on Ocado Retail being equity accounted for as a joint venture.
2. Adjusted EPS is defined as the adjusted earnings after tax attributable to owners divided by the weighted average number of shares in issue during the year.
3. Underlying cash flow pre-growth capital expenditure is defined as the movement in cash and cash equivalents before any investment in growth capital expenditure. This includes capital expenditure in relation to installing MHE for a new CFC, installing incremental MHE to increase the number of live modules in a CFC or for new products, replacement, advance purchases for future CFC construction and any preparatory material for new CFCs, revisits and retrofits. Underlying cash flow excludes the impact of any adjusting (exceptional) items, transaction costs of any refinancing activities, any mergers and acquisitions activity and any foreign exchange movements.

Relative TSR multiplier
The relative TSR multiplier will be assessed based on Ocado's relative Total Shareholder Return ("TSR") against the FTSE 100 (excluding Investment trusts) over the three-year performance period, as follows:

- Up to and including upper quartile performance = 1 x base award outcome
- Upper decile performance or above = 1.5 x base award outcome
- Straight-line vesting in between these points.

The FTSE 100 was considered the most appropriate peer group, being the index in which Ocado sits. Further details are set out on page 189.

Enhanced multiplier (FY24 award for CEO only)
Additionally, for the CEO's FY24 PSP award only, an "enhanced multiplier" will operate which delivers a similar payout to what the VCP would have delivered on the achievement of the same exceptional share price growth hurdle that tranche 1 would have required in 2027. Specifically, if the share price hits £29.69 (which is the 2027 hurdle under tranche 1 of the VCP) in March 2027, an enhanced multiplier of 4.5x of the base award (of up to 400% of salary, tested against the base performance conditions) will apply. For the avoidance of doubt, if upper decile relative TSR is achieved but the share price at the end of the performance period is below £29.69 then only the 1.5x relative TSR multiplier will apply – the enhanced multiplier only comes into effect if the target share price is hit.

If the enhanced multiplier is triggered, vesting of the award will be in three equal tranches (in 2027, 2028 and 2029) and holding periods will apply such that, in normal circumstances, no awards will be released prior to the fifth anniversary of the grant.

The Committee will have overriding discretion to change formulaic outcomes of PSP awards if it does not believe that these are reflective of overall performance. When assessing performance outcomes, the Committee will take into account holistic performance across the period, noting Company and individual performance, wider economic conditions and shareholder experience. Notably, taking into account shareholder feedback, we will assess whether the Company has achieved positive underlying cashflow pre-growth capital expenditure by the end of FY26, whether measures have been achieved in a manner compatible with the long-term sustainability of the business, as well as reviewing absolute and relative TSR performance, as well as reviewing absolute and relative TSR, particularly where the outcome is below the upper quartile of the peer group. The EPS and cash flow targets have been set on the basis of the current 5 year plan. Higher than planned growth rates may cause either or both of these targets to be missed. In the event that such a circumstance combines with growth-driven share price appreciation sufficient to trigger the application of the enhanced modifier, the Remuneration Committee may exercise pragmatic discretion to ensure that perverse investment disincentives are avoided during the life of the schemes.
If such a situation arose, we would intend to consult on any such decision.

Chair of the Board and Non-Executive fees
The remuneration arrangements for the Non-Executive Directors (except the Chair of the Board) were reviewed by the Executive Directors and the Chair of the Board in February 2024. From 1 April 2024, the basic fees for Non-Executive Directors, the fee for chairing a Committee, the fee for the role of Senior Independent Director and the fee for being a member of the Remuneration Committee or the Audit Committee will increase by 3.8%.

In February 2024, the Remuneration Committee reviewed the Chair of the Board's fees and approved an increase of 3.8% from 1 April 2024. In addition, the Chair of the Board is entitled to receive an expense allowance each year in respect of office support costs, which will also increase by 3.8%.

Shareholder approval and votes at the AGM

The 2023 Directors' Remuneration Report will be subject to a shareholder vote at the AGM on 29 April 2024.

The table below sets out the actual voting in respect of the resolutions regarding the Remuneration Report at the 2023 annual general meeting and Remuneration Report and Policy at the 2022 annual general meeting.

	Votes for	% for	Votes against	% against	Total votes	Votes withheld
2023 Annual General Meeting						
Approve the 2022 Directors' Remuneration Report	492,647,838	69.86	212,534,897	30.14	705,182,735	2,537,710
2022 Annual General Meeting						
Approve the 2022 Directors' Remuneration Policy	446,931,547	70.73	184,973,188	29.27	631,904,735	20,983

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Directors' Remuneration Policy

Introduction
Ocado is seeking shareholder approval for a new Directors' Remuneration Policy (the "2024 Policy") at the AGM. If approved, it will apply to payments made from this date. The 2024 Policy is intended to apply for a period of three years from the AGM. This section, from pages 186 to 203, forms the 2024 Directors' Remuneration Policy to be voted on at the AGM.

The current Policy was approved by shareholders at the 2022 Annual General Meeting. The Remuneration Committee has listened to the feedback received from shareholders both in previous years on matters related to remuneration and governance, and also in respect of the extensive shareholder consultation carried out in advance of putting this 2024 Policy to shareholders for approval.

Our remuneration principles, which we also aim to cascade throughout the business, underpin our 2024 Policy. These principles are that our remuneration should:

- support the long-term success of the business and sustainable long-term shareholder value;
- be relevant and aligned to the business strategy and achievement of planned business goals;
- reflect and support the entrepreneurial and high-performance culture of the business;
- be compatible with the Group's risk policies and systems;
- link above-market payouts only to outstanding results;
- ensure that performance-related pay constitutes a proportion of the overall package appropriate to each level of the organisation;
- provide a balance between attracting, retaining and motivating the right calibre of candidates and supporting equal opportunity and diversity of talent; and
- be clear and explainable to appropriate stakeholders.

Development of the 2024 Directors' Remuneration Policy

Background and rationale for change
As we approach the end of the original VCP, for which the last measurement date is in March 2024, we have given very careful consideration to whether the VCP remains motivational and retentive as it once was. The VCP aimed to focus management on generating substantial and sustained total shareholder return over the period, and has been an effective tool at retaining and motivating the senior management team to drive long-term sustainable growth in the business. However, the unprecedented volatility we have seen in Ocado's share price in recent history has served to undermine the impact of the VCP scheme to the extent that it is no longer motivating or retentive to many of its participants.

Link with strategy and remuneration philosophy
Ocado has a long-standing remuneration philosophy that aims to align the interests of our senior management team directly with those of our shareholders, and offer substantial comparative reward for transformational performance. This philosophy has served us well for many years, as we have grown from a pioneering online grocery retailer to a global leader in technology and ecommerce solutions. Our overall remuneration philosophy remains to offer substantial comparative reward for transformational performance. To further enhance our alignment with this, we propose to rebalance the remuneration structure such that the fixed and short-term portions of remuneration are reduced further below median, with the CEO salary in particular towards market lower quartile and a new performance-based long-term incentive plan, the PSP, is introduced which offers upper decile payout only for upper decile performance. The Committee carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the proposed changes.

Lowering our AIP opportunities
It is currently the case that the fixed pay (salary, benefits and pension) for our Executive Directors is towards the lower quartile of the market for the CEO and around median for the CFO. By the end of the three-year period covered by the 2024 Policy, we propose to further align the structure to our philosophy by reducing the AIP opportunities from 275% of salary for our CEO and 250% of salary for our CFO to 200% of salary and 175% of salary respectively in FY26. This reduces the total target cash (i.e. salary plus target AIP) of our Executive Directors to median (for the CFO) or below median (for the CEO) of the market.

Introducing a new PSP – a leveraged plan within the conventional construct
In addition to the AIP, we propose to introduce a PSP, with annual rolling grants and a three-year performance period, in which all Executive Directors will participate. Under the PSP, there will be a "base" level of award with a maximum opportunity level aligned with the upper quartile of the market and achievable only for stretching performance. For the CEO, this will be 400% of salary and for the CFO 350% of salary.

In line with our philosophy and in order to retain a portion of the high leverage that the VCP offers, there will be a relative Total Shareholder Return ("TSR") multiplier operated of up to 1.5x the base award which is only attainable for achieving upper decile TSR performance against the FTSE 100 (excluding investment trusts) over the performance period. For TSR performance up to and including upper quartile, the relative TSR multiplier will be 1x (with straight-line calculations in between upper quartile and upper decile). This ensures the Executives receive only above-market payouts for delivering exceptional returns to our shareholders.

Enhanced multiplier – for the CEO's FY24 award only
As explained in the Chair's letter, the Committee remains very mindful of our CEO Tim Steiner's unique position as a founder and his longer-term focus and strategic vision, as it is this which the VCP was originally intended to reinforce. Whilst our initial proposal was that Tim should remain as the sole participant in the VCP while also participating in the new PSP, we listened carefully to shareholder feedback during the consultation and amended our proposal to accommodate it. Accordingly, no Executive Director will partake in the VCP extension that was approved by shareholders in 2022, and we have incorporated the potential upside of the VCP into the PSP, solely for the CEO and for the first cycle only.

We are proposing that, for the CEO's FY24 PSP award only, there will be an enhanced multiplier that aims to deliver a similar payout to what the VCP extension, which was approved by shareholders at our 2022 AGM, would have delivered on the achievement of exceptional share price growth over the period. If the share price hits £29.69 in March 2027 (which is the 2027 hurdle under tranche 1 of the VCP), an enhanced multiplier of 4.5x (instead of 1.5x) the base award (of 400% of salary) will apply. For the avoidance of doubt, if upper decile relative TSR is achieved but the share price at the end of the performance period is below £29.69 then only the 1.5x relative TSR multiplier will apply – the enhanced multiplier only comes into effect if the target share price is hit.

If the enhanced multiplier is triggered, vesting of the award will be in three equal tranches (in 2027, 2028 and 2029) and holding periods will apply such that, in normal circumstances, no awards will be released prior to the fifth anniversary of the grant.

Whilst continuing to drive truly exceptional share price growth in line with the VCP tranche 1 2027 hurdle, the new proposal has a number of features which we believe are positive for shareholders:

- It proposes a single plan for all executives rather than two operating in parallel
- The amount that can be earned under the enhanced multiplier is contingent on achievement under the base award (just as it is for the relative TSR multiplier) – this ensures strong underlying financial performance is required over the performance period before any award can pay out.
- Beyond the point at which the share price target for the enhanced multiplier is achieved (£29.69), this new proposal delivers a lower payout. The ability to "bank" awards in years 2025 and 2026 and any additional payout for achieving the tranche 2 or 3 hurdles are removed and, unlike the VCP, the number of shares vesting overall is capped by the award size.

We believe that what we have proposed represents a significant move towards the type of structure that many of our shareholders have indicated they would prefer, while recognising the unique circumstances of Ocado and its founder.

Approach during interim transition period
We propose to grant the first award under the new PSP in FY24, meaning this will vest subject to performance conditions in FY27. The Committee does not wish to penalise management by reducing their overall payout opportunity during this interim period as a result of the policy change prior to the PSP vesting and therefore we propose to maintain the current AIP opportunities for our Executive Directors for FY24 and FY25. For the year prior to the first PSP award being due to vest (FY26), the AIP opportunities will be lowered as described above.

Other views obtained during the consultation

As part of the consultation, in addition to the feedback described above and in the Chair's letter, the following feedback was received:

Key proposed change	Rationale, shareholder feedback and Committee response
Overall approach to move to a PSP	The significant majority of shareholders consulted understood the rationale for the proposals and the introduction of a scheme that is properly motivational and retentive in the context of a business which has matured since the VCP was first conceived, but which very much retains its entrepreneurial and growth-focused DNA. A small number of shareholders raised questions with regard to the remuneration philosophy – some stated a preference for a different philosophy with a move towards higher base pay, with one shareholder stating that the proposed structure in general was too much of a deviation from the VCP. The Committee considered this feedback carefully, in particular the appropriateness of the philosophy at this time. The VCP was well suited to the business as it stood in 2019 – led mostly by a team who were founders and with the business seeking to open up international markets. At that stage, the range of options as to how the business might scale up was so broad that share price was the only reliable measure of long-term success. Now, in 2024, the business has moved forward significantly and the challenges are different. We are now better able to define the longer-term metrics of success; moreover, experience over the last five years is that tying rewards to a volatile share price is not motivating for the team. Our challenge was therefore to develop a proposal which reflects the business's long-term priorities, maintains a clear link to share price growth (but not as the exclusive driver of success), retains Ocado's philosophy of low fixed pay balanced with higher upside from variable pay, and allows a flexible approach which is more suited to a growing team. We believe that improving performance under the measures we have selected to drive the plan – underlying cash flow pre-growth capital expenditure and adjusted earnings per share – are key to our success, and the addition of a stretching TSR multiplier reinforces the focus on the end outcome of value growth. The Committee therefore maintains that the proposal of implementing a PSP remains appropriate.

Key proposed change	Rationale, shareholder feedback and Committee response
Peer group for assessing relative TSR	In our original proposal, the peer group for the relative TSR multiplier on the PSP award, where up to 1.5x the base award is attainable for achieving between upper quartile and upper decile TSR performance was proposed as the FTSE 100 (excluding investment trusts) ("FTSE 100xIT"). Some shareholders raised questions with regard to the choice of peer group under this measure, with some asking us to consider whether a sector peer group might be more appropriate. We originally selected the FTSE 100xIT since we believed that any TSR test should contain a hurdle, reflecting the opportunity cost of invested capital, before rewards are generated (the current VCP has a simple 10% per annum hurdle) and the FTSE 100xIT provides a reliable benchmark and is the index of which we are part. In response to shareholder feedback, we have carried out a detailed analysis to establish whether there is a robust alternative to a general market index. The Company is cognisant that Ocado has relatively few close peers globally, and where they exist they are mostly traded on foreign exchanges, which brings its own challenges. That said, one shareholder proposed a list of nine companies for this purpose, which was used as a starting point for further analysis. We also looked for possible global peers in sectors that were directly or partly related to our business (including grocers and online non-grocers, retail automation companies, other technology companies, food delivery companies and logistics companies). We analysed the extent to which their share price behaved similarly to ours (looking at historical volatility and correlation analysis) to test whether they would be suitable as peers for Ocado in order to get to a peer group that would isolate true outperformance of the market. Whilst we found some 10 – 12 companies that would serve as good peers, we concluded that such a group would be too small to provide a robust basis for comparison (especially given our focus on upper decile measurement for the maximum relative TSR multiplier), particularly if there were any consolidation over the three-year period. Ultimately the Committee determined that there was unlikely to be a perfect group against which to measure Ocado's TSR performance, and therefore that the FTSE 100 remains the best option, and is a fair and stable "evergreen" benchmark to use, reflecting the index in which Ocado sits. That said, it was agreed that the peer group will remain under review for future awards.
Definition of PSP measures and approach to target setting	Some shareholders sought clarity on the exact definition of the measures that would determine outcomes under the PSP and how they would be treated under various scenarios. It was also mentioned by some shareholders the need to ensure that targets are appropriate and meaningful. Full details of targets and measures are on page 184. In response to shareholder feedback, we have specified some of the factors that the Committee will consider when determining the appropriateness of vesting outcomes. For the FY24 awards, these include consideration with regard to whether the Company has achieved positive underlying cash flow (pre-growth capex) by the end of FY26 and TSR performance, both absolute and relative, particularly where the outcome is below the upper quartile of the group.

Alignment of proposed 2024 Policy with the requirements under the UK Corporate Governance Code 2018

Our remuneration principles are wholly aligned with the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture (Provision 40 of the 2018 Code), as set out in the table below. The Remuneration Committee ensured that it took all of these elements into account when establishing the 2024 Policy, as well as its application to Executive Directors during the period.

2018 Code provision	Commentary
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• Under the AIP, the Company is able to set meaningful and robust one-year annual performance targets, which can be fully disclosed retrospectively. • Performance conditions under both the AIP and PSP are based on the core strategic objectives, ensuring a clear link to all stakeholders between delivery of strategy and reward provided to management.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Structures are market aligned and designed to be easily understood by internal and external stakeholders. The performance conditions for the AIP and PSP are based on the Company's strategic objectives.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The 2024 Policy includes defined limits on the maximum awards which can be earned under newly granted awards. • There is an ability to override formulaic outcomes produced by the performance conditions where in the Remuneration Committee's opinion they do not reflect the true performance of the business over the period, individual performance or where the outcome will not deliver the intentions of the 2024 Policy. • At least 50% of bonus earned under the AIP must be deferred into shares for at least three years; and vested PSP awards must be held for at least two years. • In addition, malus and clawback provisions are contained in all variable incentive plans.
Predictability: the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	• The 2024 Policy sets out clearly the range of values, limits and discretions in respect of management remuneration. • Incentives are linked to clearly defined performance measures and targets, which are aligned with Company strategy and KPIs.
Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	• Incentives are clearly linked to performance measures. • Significant proportions of incentives are delivered in shares, with long-term vesting and holding periods ensuring payouts are inherently linked to long-term Company performance. • The Remuneration Committee has the ability to override formulaic outcomes if it believes that they do not reflect true performance of the business over the period, individual performance or where the outcome will not deliver the intentions of the 2024 Policy.
Alignment to culture: incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The AIP and PSP are linked to performance conditions that are intended to drive behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business. • The Remuneration Committee will consider individual performance and behaviours, as well as Company performance and achievement of strategy, when determining final outcomes under the incentive plans.

2024 Directors' Remuneration Policy table: elements of Executive Director remuneration

The following table sets out the core elements of remuneration for the Executive Directors.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Fixed pay **Base salary** Minimum level of pay to attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Paid monthly in cash. Reviewed annually, or when there is a change in position or responsibility, by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: • the Group's annual review process; • business performance; • total remuneration; • appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company; and • an individual's contribution to the Group.	Not performance linked.	To avoid setting the expectations of Executive Directors and other employees, no maximum salary is set under the Policy. Normally, maximum salary increases for Executive Directors will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if a role has increased significantly in scope or complexity. Larger increases may also be considered appropriate and necessary to bring a recently appointed executive in line with the market and the other executives in the Company where their salary at appointment has been positioned below the market.	No contractual provisions for malus or clawback.

Changes from current Policy
None.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Benefits To attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Any benefits allowances will be paid in cash monthly and will not form part of pensionable salary. The Company provides a range of benefits which are aligned with those provided to monthly paid employees under the Company's flexible benefits policy. Benefits include private medical insurance and health assessments, life assurance, travel insurance, income protection, travel/car allowance, free parking, access to financial and legal advice, staff product discount, subsidised staff restaurants and other discounts. Any business travel costs will be paid by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. The Company provides Directors' and officers' liability insurance and may provide an indemnity to the fullest extent permitted by the Companies Act 2006.	Not performance linked.	Benefits for Executive Directors are set at a level which the Remuneration Committee considers to be appropriate against market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company. The maximum value of the Directors' and officers' liability insurance and the Company's indemnity is the cost at the relevant time.	No contractual provisions for malus or clawback.
Changes from current Policy None.				
Pension To attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Contributions, allowances and pension choices for the Executive Directors are on the same terms as for other employees. Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or annual pension allowances have been met, the balance of employer contributions may be paid as a cash allowance or into a personal pension arrangement.	Not performance linked.	Contributions to the defined contribution pension scheme for the Executive Directors will normally be in line with the other scheme participants. Pension contributions for UK-based Executive Directors will not exceed 7% of annual base salary, in line with the other scheme participants. For Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No contractual provisions for malus or clawback.
Changes from current Policy None.				

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Variable pay **Annual Incentive Plan ("AIP")** To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward. To incentivise the achievement of outstanding results aligned to the business strategy. To support long-term shareholder alignment through deferral into shares and holding periods.	Measures and targets are set annually and bonus payments are determined by the Remuneration Committee following the year end based on performance against the targets. Up to 50% of any bonus earned will be paid in cash and at least 50% will be deferred into shares. The main terms of the deferred shares are: • minimum deferral period of three years from the date of grant; and • the Executive Director's continued employment to the end of the deferral period unless they are a "good leaver" (see section titled Loss of Service or Termination Policy below). Read more on pages 199 to 200. The Remuneration Committee may award dividend equivalents on deferred shares to Executive Directors to the extent that they vest.	The Remuneration Committee sets annual targets that are closely aligned to the delivery of the Group's strategic objectives for that year. Targets are set taking into account a range of factors, including internal forecasts and plans and external reference points. These will be a mix of financial targets, and operational and strategic objectives. For threshold performance, no more than 25% of the maximum opportunity will be earned. For stretch performance, the maximum opportunity will be earned. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Company will set out the nature of the targets and their weighting in the section titled Implementation of Policy for the upcoming year.	The maximum bonus level will be: • FY24 and FY25: 275% of salary • FY26: 200% of salary The maximum bonus payable for the relevant financial year for each Executive Director is described in the Annual Report on Remuneration.	Malus and clawback provisions will apply to the AIP. Malus will apply to the cash payments up to the date of payment of a cash bonus. Malus will apply to the deferred share award for three years (or longer, if the Remuneration Committee determines) from the date of grant of a deferred award. Clawback will apply to cash payments for three years (or longer, if the Remuneration Committee determines) from the date of payment. Clawback will apply to the deferred share award for two years from the date of vesting. Read more on page 198.

Changes from current Policy
By the end of the three-year period covered by the 2024 Policy, we propose to further align the structure to our philosophy by reducing the AIP opportunities, therefore the maximum bonus level will be 275% of salary for FY24 and FY25 and will reduce to 200% of salary for FY26.
It will remain the case that up to 50% of any bonus earned will be paid in cash and at least 50% will be deferred into shares. We have removed the clause that states up to a maximum of 100% of salary will be paid in cash. The two-year holding period will no longer apply to the AIP but will apply to the PSP (see below), in line with the market-standard approach.

Performance Share Plan ("PSP") To attract, retain and incentivise senior executives to deliver the Company's business strategy and sustainable value for shareholders.	A PSP will operate under which the Committee may make an annual award of shares to each Executive Director in the form of nil-cost options. PSP awards will have a vesting period of three years followed by a holding period of two years. During the holding period, vested awards cannot be sold except for tax purposes on exercise. The Remuneration Committee may award dividend equivalents on deferred shares to Executive Directors to the extent that they vest. The PSP awards will consist of a "base" award, with a relative TSR multiplier on the vesting outcome of the base award.	The performance measures, weightings and targets will be set on an annual basis considering the Company's long-term business strategy. All targets will be measured over a three-year performance period. Where possible, the performance measures, weightings and targets for the following year's LTIP award will be disclosed prospectively in the Implementation of Policy section of the annual report on remuneration. The base award will be assessed based on stretching metrics. Performance measures and targets will be aligned to strategy and set on grant, with at least 70% of the base award linked to stretching financial metrics.	The maximum base award level for Executive Directors is 400% of base salary. A relative TSR multiplier will operate such that the maximum opportunity is 1.5x the base award, i.e. 600% of base salary. For the CEO's FY24 PSP award only, if the share price hits £29.69 in March 2027, an enhanced multiplier of 4.5x the base award (of 400% of salary) will apply, meaning a maximum of 1800% of salary. 25% of the base award will vest for threshold performance, increasing to 100% of the base award for maximum performance. The relative TSR multiplier will be based on relative TSR, with maximum payout linked to upper decile performance against the peer group. If the enhanced multiplier is triggered, vesting of the award will be in three equal tranches (in 2027, 2028 and 2029) and holding periods will apply such that, in normal circumstances, no awards will be released prior to the fifth anniversary of the grant. The Committee will have overriding discretion to change formulaic outcomes of PSP awards (both downwards and upwards) if they are out of line with the underlying performance of the Company.	Malus and clawback provisions will apply to the PSP. Malus will apply up to the vesting date. Clawback will apply during the two-year holding period.
Changes from current Policy New Performance Share Plan will be introduced from FY24.				

All-Employee Share Plans

The table below summarises the all-employee share plans operated by the Group, and which the Executive Directors are able to participate in.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Sharesave To provide all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares and be aligned with the interests of shareholders.	All employees, including Executive Directors, are eligible to participate in this all-employee tax advantaged share scheme. The Company grants options over shares in the Company to employees. To obtain an option an eligible individual must agree to save a fixed monthly amount for three or five years up to the maximum monthly amount under HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options may be exercised in a six-month period at the maturity of a three- or five-year savings period, subject to continued service.	Not performance linked.	Options are usually granted at a discount to the market price at the time of grant up to the maximum discount under HMRC limits. Employees are limited to saving a maximum amount under HMRC limits.	The scheme rules do not provide for malus or clawback provisions in line with the Regulations governing the operation of these schemes.
Changes from current Policy None.				
Share Incentive Plan ("SIP") To provide all employees, including Executive Directors, the opportunity to receive and invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this all employee share scheme. The SIP allows: • the Company to grant free shares to all employees allocated on an equal basis; • all employees to buy partnership shares monthly from their gross salary; and • that the Company may offer matching shares to employees who purchase partnership shares. Dividend shares are also covered by the SIP arrangements.	Not performance linked.	Maximum opportunities for awards and purchases are kept in line with HMRC limits.	The scheme rules do not provide for malus or clawback provisions in line with the Regulations governing the operation of these schemes.
Changes from current Policy None.				

Non-Executive Directors

The following table sets out the key elements of remuneration for the Non-Executive Directors.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Chair fee To attract and retain an individual with the appropriate degree of expertise and experience.	The fee is paid monthly in cash, shares or a mix of cash and shares, as determined by the Remuneration Committee. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process; business performance ;and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the £1m limit set in the Company's Articles of Association. Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year.	No contractual provisions for malus or clawback.
Changes from current Policy None.				
Non-Executive Director fee To attract and retain expert people with the appropriate degree of expertise and experience.	The fee is paid monthly in cash, shares or a mix of cash and shares, as determined by the Remuneration Committee. Fee structure includes an annual base fee for a Non-Executive Director and may include additional fees for being the Senior Independent Director, a Board Committee Chair, a Board Committee member or other additional responsibility. Reviewed annually by the Executive Directors and the Chair of the Board, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process; business performance; and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the £1m limit set in the Company's Articles of Association. Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year.	No contractual provisions for malus or clawback.
Changes from current Policy None.				

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Travel and expenses To support the Directors in the fulfilment of their duties.	The Company may reimburse expenses and travel costs reasonably incurred by the Chair of the Board and the Non-Executive Directors in fulfilment of the Company's business, together with any taxes thereon.	Not performance linked.	The maximum reimbursement is expenses reasonably incurred, together with any taxes thereon.	No contractual provisions for malus or clawback.
Changes from current Policy None.				
Other arrangements	The Chair of the Board and the Non-Executive Directors are not usually eligible for annual bonus, share incentive schemes, pensions or other benefits, with the exception of the staff product discount and free delivery offered to all employees. The Company provides the Chair of the Board and the Non-Executive Directors with Directors' and officers' liability insurance and may provide an indemnity to the fullest extent permitted by the Companies Act 2006.	Not applicable.	The maximum staff product discount is that offered to any Group employees. The maximum value of the Directors' and officers' liability insurance and the Company's indemnity is the cost at the relevant time.	Not applicable.
Changes from current Policy None.				

Notes to the Policy tables

Other than as described in the 2024 Policy table, there are no components of the Executive Directors' remuneration that are not subject to performance conditions.

While the Group has a policy of remunerating its employees through share scheme participation, it does not have formal remuneration arrangements for all employees akin to all of the components of Directors' remuneration.

The Company may make any remuneration payment or payment for loss of office (including exercising any discretion in connection with such payments) notwithstanding that they are not in line with the Policy table set out above if the terms of that payment were agreed (i) before the Company's first shareholder-approved directors' remuneration policy came into effect; (ii) before the 2024 Policy came into effect provided that those terms were in line with the directors' remuneration policy in force at the time; or (iii) at a time when the individual was not a Director of the Company and the Remuneration Committee determines that the payment was not in consideration for the individual becoming a Director. For these purposes, payments include awards of variable remuneration and the terms of such a payment are "agreed" when the award is granted.

Malus and clawback provisions

The AIP and PSP scheme rules contain malus and/or clawback provisions that allow the Remuneration Committee to reduce or retrieve a payment or an award.

Malus is the adjustment of the AIP payments, unvested AIP deferred shares or unvested PSP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil. Clawback is the recovery of cash payments made under the AIP, deferred AIP and PSP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of an Executive Director's payment under the AIP and PSP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The Remuneration Committee may apply malus/clawback when there are exceptional circumstances. Such exceptional circumstances include (without limitation):

- a material mis-statement in the published results of the Group or one of its members;
- an error in assessing any applicable performance condition or target and/or the number of shares subject to an award;
- the assessment of any applicable performance condition or target and/or the number of shares subject to an award being based on inaccurate or misleading information;
- misconduct on the part of the Executive Director concerned;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions or (ii) inappropriate values or behaviour;
- the Company or entities representing a material proportion of the Group become insolvent or otherwise suffer a corporate failure; and
- a Group member being censured by a regulatory body or suffering, in the Remuneration Committee's opinion, a significant detrimental impact on its reputation.

All seven triggers are applicable to the AIP and PSP. The following table summarises the application of malus and clawback in respect of the incentive plans.

	Annual Incentive Plan (Cash)	Annual Incentive Plan (Deferred shares)	Performance Share Plan
Malus	Up to the date of payment of a cash bonus.	Three years from the grant of a deferred award.	Up to the vesting date.
Clawback	Three years from the date of payment of a bonus.	Two years following the vesting of an award.	During the two-year holding period.

Loss of Service or Termination Policy

When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Company while applying the following philosophy:

Remuneration element	Treatment on cessation of employment		
General	Each of the Executive Directors is employed pursuant to a service contract with Ocado Central Services Limited. An Executive Directors' employment may be terminated by the Company giving to the Executive Director not less than 12 months' notice or by the Executive Director giving to the Company not less than six or 12 months' notice, dependent on the Director's service contract. If an Executive Director's service contract is terminated without cause, Ocado Central Services Limited can request that the Executive Director work their notice period, take a period of garden leave or pay an amount in lieu of notice equal to 1x their basic salary, benefits and pension for the remainder of their notice period. The Company's remuneration principles provide that any payments should be reduced in certain circumstances where the Executive Director's loss has been mitigated, for example where they move to other employment. If employment is terminated by the Company, the Remuneration Committee retains a discretion to settle any other amounts reasonably payable to the Executive Director including but not limited to: • legal fees incurred by the Executive Director in connection with the termination of employment and obtaining independent legal advice on a settlement or compromise agreement; and • outplacement and relocation costs for returning the departing Executive Director and his family. Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Executive Director service contract that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the 2024 Policy. The Remuneration Committee generally has discretion to determine the treatment of a leaver, but will be conscious of the remuneration principle that it should not reward poor performance or behaviour. In addition to the discretion listed below, in each case the Remuneration Committee has the discretion to determine that an Executive Director is a good leaver (see Note at the bottom of the table). It is the Remuneration Committee's intention to use this discretion only in circumstances where appropriate, which will be explained to shareholders.		
	Good leaver	**Bad leaver**	**Discretion**
AIP – Cash awards	The Executive Director service contracts do not oblige the Company to pay a bonus if the Executive Director is under notice of termination. However, under the rules of the AIP, the Executive Director may receive a bonus that the Remuneration Committee determines would otherwise have been payable or granted to them under the rules reduced pro-rata reflecting the proportion of the year that has elapsed to the date of cessation. The award will normally be paid at the usual payment date and may be made in such proportions of cash and shares as the Remuneration Committee may determine. In the event of death, the award will be determined as soon as reasonably practicable after the date of death and will, unless the Remuneration Committee determines otherwise, be satisfied as a cash payment as soon as reasonably practicable.	No payment of cash bonus for that year.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that an award be made. • Determine whether the awards should be reduced pro-rata. • Determine the timing of the payment.
AIP – Deferred share awards	The Executive Director will normally receive the award at the usual vesting date on the same timetable as if they had not left, subject to Remuneration Committee discretion. In the event of death, any outstanding deferred shares will vest and be released from any holding periods as soon as reasonably practicable after the date of death.	Lapse of any unvested deferred share awards on the date the Executive Director ceases to be an employee.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that the individual is a good leaver. • Determine the timing of the payment.

Remuneration element	Treatment on cessation of employment		
PSP	Pro-rated to time and performance for each award. Pro-rating will normally be based on the number of whole months served up to the date of cessation over the vesting period Awards vest at the original vesting date.	Lapse of any unvested awards.	The Remuneration Committee has the following elements of discretion for a good leaver: • Not pro-rate awards. • Measure performance to the end of performance period or at the date of cessation. • Allow awards to vest at date of cessation or at original vesting date. • Determine whether the holding period should apply.
All-employee share plans	Leavers will be treated as set out within the scheme rules.		

A good leaver reason is defined as cessation in the following circumstances:
1. a transfer of the undertaking, or part of the undertaking, in which the Executive Director works to a person which is neither under the control of the sale of the Executive Director's employing company or business out of the Group.
2. death, ill health, injury or disability.
3. the employing company ceasing to be a Group company.
4. any other reason determined at the discretion of the Remuneration Committee.

Cessation of employment in circumstances other than those set out above is normally deemed a bad leaver reason, unless the Remuneration Committee determines otherwise.

Change of control

The incentive schemes contain change of control provisions, as set out in the relevant scheme rules. These are summarised in the table below. Executive Director service contracts do not contain any specific provisions relating to a change of control of the business.

If other corporate events occur such as a winding-up of the Company, demerger, special dividend or other event which, in the Remuneration Committee's opinion, may materially affect the value of shares, and the Remuneration Committee determines it would not be appropriate or practicable to adjust awards, the Remuneration Committee may determine that awards will vest (and be released from any holding periods) on the same basis as for a change of control.

Name of incentive plan	Change of control	Discretion
AIP – Cash awards	Pro-rated for time and performance to the date of the change of control.	The Remuneration Committee has discretion to determine otherwise.
AIP – Deferred share awards	Subsisting deferred share awards will vest early on a change of control, and any awards subject to a holding period will be released.	The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.
PSP	Pro-rated for time and performance to the date of the change of control.	The Remuneration Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award including for time served as an employee. In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.

Recruitment Policy

The Remuneration Committee will seek to align the remuneration package of a newly appointed Executive Director with the Directors' Remuneration Policy that is in force at the time of appointment. However, the Committee retains the discretion to include any other remuneration component or award in the remuneration package which it considers to be appropriate.

In determining the remuneration arrangements for a new Executive Director, the Remuneration Committee will take into account all relevant factors including (but not limited to) the specific circumstances, the calibre of the individual, the market practice for the candidate's location, the nature of the role they are being recruited to fulfil and any relevant market factors, including any competing offers the candidate may be considering. The Remuneration Committee is at all times conscious of the need to pay no more than is necessary.

Where promotion to an Executive Director role is from within the Company, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned, provided such element (if not otherwise within the terms of this 2024 Policy) was not made in contemplation of such person becoming an Executive Director.

The Company's detailed policy when setting remuneration for the appointment of new Executive Directors is summarised in the table below:

Remuneration element	Recruitment Policy
Salary, benefits and pension	Salary, benefits and pension will be set in line with the proposed Policy for existing Executive Directors.
AIP	Maximum annual participation will be set in line with the proposed Policy.
PSP	Maximum annual participation will be set in line with the proposed Policy at 400% of salary, with an additional relative TSR multiplier such that the maximum opportunity is 1.5x the base award i.e. 600% of base salary.
"Buyout" of incentives forfeited on cessation of employment	To facilitate recruitment, the Remuneration Committee may, to the extent permitted by relevant plan rules or Listing Rules, make a one-off award to "buy out" incentives or any other compensation arrangements forfeited by the appointee on leaving a previous employer. In doing so the Remuneration Committee will ensure that any such awards offered should be on a comparable basis, taking into account all relevant factors including: • any performance conditions; • the likelihood of those conditions being met; • the proportion of the vesting or performance period remaining; and • the form of the award. In determining whether it is appropriate to use such judgement, the Remuneration Committee will ensure that any awards made are in the best interests of both the Company and its shareholders.
Relocation Policy	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. However, these payments must reflect actual financial loss or cost of moving the Executive Director, their family or assets, and the market practice in the geographical location to which the Executive Director is moving to or from. The Company may provide relocation costs by funding services or a cash payment or a combination of both. It should be noted that the maximum period during which relocation payments shall be made will not exceed two years from appointment.

Recruitment of Non-Executive Directors

The remuneration package for newly appointed Non-Executive Directors will be in line with the structure set out in the Remuneration Policy table for Non-Executive Directors.

Service contracts

Executive Directors' service contracts

Each of the Executive Directors has a service contract with the Group. The principal terms of these contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
Tim Steiner	Chief Executive Officer	23 June 2010	12 months	6 months
Stephen Daintith	Chief Financial Officer	22 March 2021	12 months	12 months

The service contracts for Executive Directors have no fixed duration. The contracts provide for payment in lieu of notice of 1x basic salary only (and do not include other fixed elements of pay, which are permitted by the current Policy). There are no further obligations which give rise to a remuneration or loss of office payment other than those set out in the current Policy.

Non-Executive Directors' letters of appointment

The Chair of the Board and the Non-Executive Directors were appointed by letter of appointment for an initial period of three years, subject to annual reappointment at the Annual General Meeting and usually for a maximum of nine years. Copies of the letters of appointment and the service contracts of the Directors are available for inspection at the Company's registered office.

Director	Date of original appointment	Date of reappointment	Notice period	Expiry of nine-year term
Rick Haythornthwaite	1 January 2021	2 May 2023	6 months	January 2030
Andrew Harrison	1 March 2016	2 May 2023	1 month	March 2025
Emma Lloyd	1 December 2016	2 May 2023	1 month	December 2025
Jörn Rausing	13 March 2003	2 May 2023	1 month	N/A
Julie Southern	1 September 2018	2 May 2023	1 month	September 2027
Nadia Shouraboura	1 September 2021	2 May 2023	1 month	September 2030
Julia M. Brown	1 January 2023	2 May 2023	1 month	January 2032
Rachel Osborne	1 September 2023	N/A	1 month	September 2032

Remuneration Committee discretion and judgement

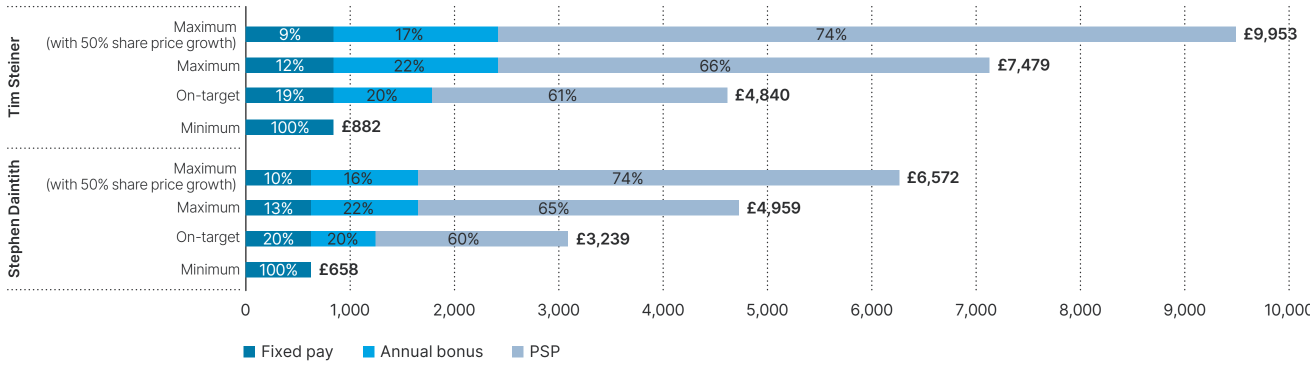
The Remuneration Committee has formulated the proposed Policy to provide operational flexibility over Director remuneration for the next three years over which the proposed Policy is intended to operate. While the proposed Policy sets the boundaries for the remuneration arrangements, it also allows the Remuneration Committee to exercise some discretion in specific circumstances relating to particular components of remuneration. The Committee may not use any discretion outside the 2024 Policy without separate shareholder approval.

The Remuneration Committee operates the share schemes according to their respective rules and in accordance with the Listing Rules and other rules and regulations, where relevant. The Committee retains discretion in several areas regarding the operation and administration of these plans, including those listed in the table below.

Area of discretion	AIP	PSP
The participants	Y	Y
The size of an award (up to a predetermined maximum)	Y	Y
The determination of vesting, holding periods or payment	Y	Y
Discretion required when dealing with a change of control or restructuring of the Group including whether awards should be time pro-rated	Y	Y
Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen including whether awards should be time pro-rated	Y	Y
Adjustments to terms of awards required in certain corporate circumstances (for example capital raising, rights issues, corporate restructuring events and dividends)	Y	Y
Adjust or change the performance conditions if anything happens which reasonably causes the Remuneration Committee to consider it appropriate (for example Board-approved strategic initiative or transaction) provided that any amended performance condition will be equally difficult to satisfy as the original condition would have been, had such circumstances not arisen	Y	Y
The annual review of performance measures and weighting, and targets from year to year	Y	Y
Adjustment to the level of payments or formulaic scheme outcomes, both upwards and downwards, including to ensure the scheme outcomes reflect individual or Company performance over the performance period, or to take account of unforeseen circumstances outside the Company's control	Y	Y
Application of malus and clawback	Y	Y

Illustration of the proposed Directors' Remuneration Policy

The charts below provide estimates of the potential future reward opportunity for each of the Executive Directors based on the proposed Policy.



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	On-target	Maximum	Maximum with LTIP share price growth of 50% over three years
Fixed element	Base salary as at 1 April 2024 Pension of 7% of salary Benefits in line with value in year to 3 December 2023			
AIP	Nil	60% of maximum	100% of maximum	100% of maximum
PSP	Nil	60% vesting of Base award (relative TSR multiplier of 1x)	100% vesting of base award, maximum relative TSR multiplier achieved (1.5x)	100% vesting of base award, maximum relative TSR multiplier achieved (1.5x), with 50% share price growth

The charts are intended to demonstrate normal implementation of our proposed Policy i.e. using the intended future AIP levels, and excluding the one-off enhanced multiplier for the CEO in respect of the FY24 PSP grant. It is also noted that the share price appreciation of 50% would not be sufficient to trigger this enhanced multiplier.

Basis of preparation and audit

This report is a Directors' Remuneration Report for the 53 weeks ended 3 December 2023, prepared for the purposes of satisfying Section 420(1) and Section 421(2A) of the Companies Act 2006. It has been drawn up in accordance with the Companies Act 2006 and the Code, the Regulations and the Listing Rules.

In accordance with Section 497 of the Companies Act 2006 and the Regulations, certain parts of this Directors' Remuneration Report (where indicated) have been audited by the Company's auditor, Deloitte LLP.

A copy of this Directors' Remuneration Report will be available on the corporate website, www.ocadogroup.com. This Directors' Remuneration Report is approved by the Board and signed on its behalf by:

Julie Southern
Remuneration Committee Chair
Ocado Group plc

29 February 2024

Directors' Report

Introduction

This Directors' Report should be read in conjunction with the Strategic Report (pages 1 to 115), which includes the Responsible Business Report (pages 67 to 81) and the Corporate Governance Statement (page 122), which are incorporated by reference into this Directors' Report.

Directors' Report disclosures

The Company has chosen in accordance with Section 414C(11) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, are cross-referenced in the table below.

Topic	Section of the Report	Page
Fair review of the Company's business	• Management Report, as defined in the Directors' Report	205
Principal risks and uncertainties	• Management Report, as defined in the Directors' Report	205
Strategy	• Strategic Report	21
Business model	• Strategic Report	18
Diversity statistics (gender and ethnicity)	• Responsible Business Report • Corporate Governance Report	70 135 & 136
Important events impacting the business	• Strategic Report	1 to 115
Likely future developments	• Strategic Report	1 to 115
Financial key performance indicators	• Key Performance Indicators	8 to 11
Non-financial key performance indicators	• Key Performance Indicators	8 to 11
Financial instruments	• Note 4.4 to the Consolidated Financial Statements	274
Environmental matters	• Responsible Business Report	73
Employees with disabilities	• Directors' Report	211
Employee engagement	• Responsible Business Report • Stakeholder Engagement • Section 172(1) Statement • Corporate Governance Report	67 60 64 126
Engagement with suppliers, customers and other stakeholders in a business relationship with the Company	• Corporate Governance Report • Stakeholder Engagement • Section 172(1) Statement	129 62 & 63 64
Social, community and human rights issues	• Responsible Business Report	72
Natural resources	• Responsible Business Report	73
Board activity and culture	• Corporate Governance Report	123
Board diversity	• Corporate Governance Report • People Committee Report	135 142
Directors' induction and training	• Corporate Governance Report	134

Information required by Listing Rules

Listing Rule requirement	Topic	Section of the Report	Page
9.8.4R	• Directors' interests in shares	• Directors' Remuneration Report	179
	• Going Concern and Viability Statements	• Strategic Report	112
	• Long-term incentive schemes	• Directors' Remuneration Report	154 to 203
9.8.6R (8)	• Climate-related financial disclosures	• Strategic Report	82 to 102
9.8.6R (9)	• Provisions on diversity and inclusion	• Strategic Report • Corporate Governance Report	70, 116, 143
9.8.6R (10)	• Diversity numerical data	• Strategic Report	70
9.8.6R (11)	• Statement on approach to collecting data	• Strategic Report	71

Information required by Disclosure Guidance and Transparency Rule 7.2

Topic	Section of the Report	Page
Corporate Governance Statement	• Corporate Governance Report	122

Other disclosures

Topic	Section of the Report	Page
In accordance with Provision 31 of the UK Corporate Governance Code 2018 – Long-term viability	• Strategic Report	112

Information required by the Disclosure Guidance and Transparency Rule 4.1.8

The Strategic Report and the Directors' Report (or parts thereof), together with sections of this Annual Report incorporated by reference, are the "Management Report" for the purposes of DTR 4.1.8.

This Annual Report

The Directors are required under the Companies Act 2006 to prepare a Strategic Report for the Company and Group. The Strategic Report contains the Directors' explanation of the basis on which the Group preserves and creates value over the longer term and the strategy for delivering the objectives of the Group. The Companies Act 2006 requires that the Strategic Report must:

- contain a fair review of the Group's business and contain a description of the principal risks and uncertainties facing the Group; and
- be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year, consistent with the size and complexity of the business.

The information that fulfils the Strategic Report requirements is set out in the Strategic Report on pages 1 to 115.
The Strategic Report and the Directors' Report, together with the sections of this Annual Report incorporated by reference, have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Board of Directors

Details of the Directors of the Company who held office during the year, and up to the date of the signing of the financial statements, are set out on pages 118 to 121. During the period, the following changes took place:

- Michael Sherman resigned from his position as Non-Executive Director with effect from 26 June 2023.
- John Martin resigned from his position as Non-Executive Director with effect from 31 August 2023 in order to take up the role of CEO of Ocado Solutions.
- Rachel Osborne was appointed as Non-Executive Director with effect from 1 September 2023.
- Luke Jensen resigned from his position as CEO of Ocado Solutions and from his position as Executive Director with effect from 30 September 2023.
- Mark Richardson resigned from his position as Executive Director with effect from 2 February 2024.
- Neill Abrams resigned from his position as Executive Director with effect from 2 February 2024.

Details of Directors' direct and indirect interests in the shares of the Company are shown on page 179.

Powers of the Directors

Subject to the Company's Articles of Association (the "Articles"), the Companies Act 2006 and any special resolution of the Company, the business of the Company is managed by the Board, which may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Articles, the UK Corporate Governance Code 2018 (the "Code"), the Companies Act 2006 and related legislation.

Appointment of Directors: A Director may be appointed by the Company by ordinary resolution of the shareholders or by the Board. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next annual general meeting of the Company and is then eligible for reappointment.

Retirement of Directors: At every annual general meeting of the Company, each Director shall retire from office and may offer themselves for reappointment by the members.

Removal of Directors by special resolution: The Company may, by special resolution, remove any Director before the expiration of their period of office.

Vacation of office: The office of a Director shall be vacated if: (i) they resign; (ii) their resignation is requested by all of the other Directors (not fewer than three in number); (iii) they have been suffering from mental or physical ill health and the Board resolves that their office be vacated; (iv) they are absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by them attends) for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Companies Act 2006; or (viii) they are removed from office pursuant to the Articles.

Directors' insurance and indemnities

The Company maintains Directors' and officers' liability insurance cover for its Directors and officers as permitted under the Articles and the Companies Act 2006. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. The Company also agrees to indemnify the Directors under an indemnity deed with each Director, which contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Articles. An indemnity deed is usually entered into by a Director at the time of their appointment to the Board. There were no qualifying pension scheme indemnity provisions in force during the year for the benefit of Directors of the Company or directors of associated companies.

Share capital

The Company's authorised and issued ordinary share capital as at 3 December 2023 comprised a single class of ordinary shares. The shares have a nominal value of 2 pence each. The ISIN of the shares is GB00B3MBS747. The LEI of the Company is 213800LO8F61YB8MBC74.

As at 14 February 2024, being the last practicable date prior to publication of this report, the Company's issued share capital consisted of 828,648,533 issued ordinary shares, compared with 826,029,395 issued ordinary shares per the 2022 Annual Report. Details of movements in the Company's issued share capital can be found in Note 4.6 to the Consolidated Financial Statements.

During the period, shares in the Company were issued to satisfy options and awards under the Company's share and incentive schemes, as set out in Note 4.7 to the Consolidated Financial Statements.

Rights attached to shares

The Company's shares when issued are credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below.

Except in relation to dividends that may have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Company's shares are not redeemable. However, the Company may purchase or contract to purchase any of the shares on or off-market, subject to the Companies Act 2006 and the requirements of the Listing Rules, as described below.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Joint Share Ownership Scheme ("JSOS"), where share interests can be transferred to a spouse, civil partner or lineal descendant of a participant in the JSOS or certain trusts under the rules of the JSOS (as noted below).

Voting rights

Each ordinary share carries one right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of no less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

No shareholder shall be entitled to vote in respect of a share held by themselves if any call or sum then payable by themselves in respect of such share remains unpaid or if a member has been served a restriction notice, described on the following page.

JSOS voting rights: Of the issued ordinary shares, as at 3 December 2023, 563,738 (FY22: 564,988) were held by Wealth Nominees Limited and 9,917,035 (FY22: 9,873,087) were held by Numis Nominees (Client) Ltd, both on behalf of Ocorian Limited, the independent company which is the trustee of Ocado's Employee Benefit Trust (the "EBT Trustee"). The EBT Trustee has waived its right to exercise its voting rights in respect of 9,917,035 of these ordinary shares, although it may at the request of a participant vote in respect of 563,738 ordinary shares which have vested under the JSOS and remain in the trust at period end. The total of 10,480,773 ordinary shares held by the EBT Trustee are treated as treasury shares in the Group's Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation." As such, calculations of earnings per share for Ocado exclude the ordinary shares held by the EBT Trustee. Note 4.6 to the Consolidated Financial Statements provides more information on the Group's accounting treatment of treasury shares.

Restrictions on transfer of securities

The Company's shares are freely transferable, save as set out below. The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share that is not a fully paid share. The Company does not currently have any partially paid shares.

The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (ii) is in respect of only one class of share; and (iii) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Restriction on transfer of JSOS interests: Participants' interests under the JSOS are generally non-transferable during the period beginning on acquisition of the interest and ending at the expiry of the relevant restricted period as set out in the JSOS rules. However, interests can be transferred to a spouse, civil partner or lineal descendant of a participant; a trust under which no person other than the participant or their spouse, civil partner or lineal descendant has a vested beneficial interest; or any other person approved by the EBT Trustee. If a participant purports to transfer, assign or charge their interest other than as set out above, the EBT Trustee may acquire the participant's interest for a total price of £1.

Other than as described above and on page 179 with respect to agreements concerning the Directors' shareholdings, the Company is not aware of any agreements existing at the end of the period between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Powers for the Company to buy back its shares

The Company was authorised by shareholders at the 2023 AGM to purchase in the market up to 10% of its issued ordinary shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. This standard authority is renewable annually; the Directors will seek to renew this authority at the 2024 AGM. The Directors did not exercise their authority to buy back any shares during the period.

Powers for the Company to issue its shares

The Directors were granted authority at the 2023 AGM to allot shares in the Company under two separate resolutions: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a pre-emptive offer only. These authorities apply until the end of the 2024 AGM (or, if earlier, until 2 August 2024).

The Directors were also granted authority at the 2023 AGM to disapply pre-emption rights. This resolution sought the authority to disapply pre-emption rights over 10% of the Company's issued ordinary share capital, plus a further authority of up to an aggregate nominal amount equal to 20% of any allotments or sales made under this authority to disapply pre-emption rights.

A further authority was granted to the Directors to disapply pre-emption rights for an additional 10% for certain acquisitions or specified capital investments, plus a further authority of up to an aggregate nominal amount equal to 20% of any allotments or sales made under this authority to disapply pre-emption rights, as allowed in accordance with the guidance issued by the Pre-Emption Group. The Company sought similar authorities at the 2022 AGM.

The Company will, at the 2024 AGM, seek authority to allot shares on the basis of the new guidance issued by the Pre-Emption Group to disapply pre-emption rights over 10% of the Company's issued ordinary share capital and a further 2% follow-on offer. A further authority will be sought to disapply pre-emption rights for an additional 10% for certain acquisitions or specified capital investments and a further 2% follow-on offer. The Company believes such an approach is appropriate given that it follows the guidance set by the Pre-Emption Group and Investment Association on the allotment of shares.

Significant shareholders

During the period, the Company has received notifications, in accordance with DTR 5.1.2R, of interests in 3% or more of the voting rights attaching to the Company's issued share capital, as set out in the table below:

Topic	Number of ordinary shares/ voting rights	Percentage of issued share capital	Date of notification of interest
Generation Investment Management LLP indirect holding	40,573,097	4.909%	11 April 2023
Citigroup* direct holding	Below 5%	Below 5%	21 April 2023
BlackRock, Inc indirect holding	Below 5%	Below 5%	8 June 2023
Lingotto Investment Management LLP indirect holding	42,091,631	5.08%	5 October 2023
The Capital Group Companies indirect holding	91,064,254	10.99%	1 December 2023

These figures represent the number of shares and percentage held as at the date of notification to the Company.

* Citigroup had a previous holding of 5.18%; there was then a disposal of below 5% during the period

Changes have been disclosed in accordance with DTR 5.1.2R in the period between 3 December 2023 and 14 February 2024 and are outlined in the table below.

Topic	Number of ordinary shares/ voting rights	Percentage of issued share capital	Date of notification of interest
The Capital Group Companies indirect holding	76,443,336	9.23%	17 January 2024
Baillie Gifford & Co indirect holding	99,273,107	11.98%	5 February 2024

American Depositary Receipt programme

The Company has a sponsored level 1 American Depositary Receipt ("ADR") programme with The Bank of New York Mellon as depositary bank. Each ADR represents two ordinary shares of the Company. The ADRs trade on the over-the-counter ("OTC") market in the US. The CUSIP number for the ADRs is 674488101, the ISIN is US6744881011 and the symbol is OCDDY. An ADR is a security that has been created to permit US investors to hold shares in non-US companies and, in a level 1 programme, to trade them on the OTC market in the US. In contrast to underlying ordinary shares, ADRs permit US investors to trade securities denominated in US dollars in the US OTC market with US securities dealers. Were the Company to pay a dividend on its ordinary shares, ADR holders would receive dividend payments in respect of their ADRs in US dollars.

Convertible bonds due 2025 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £600m of guaranteed senior unsecured convertible bonds due 2025 (the "2025 Bonds") on 9 December 2019. The net proceeds of the 2025 Bonds will be used by the Company to fund capital expenditure in relation to Ocado Solutions' commitments and general corporate purposes. The 2025 Bonds are currently guaranteed by certain members of Ocado Group.

The 2025 Bonds were issued at par and carry a coupon of 0.875% per annum payable semi-annually in arrears in equal instalments on 9 June and 9 December, with the first payment on 9 June 2020. The 2025 Bonds will be convertible into ordinary shares of the Company (the "Ordinary Shares"). The initial conversion price shall be £17.9308, representing a premium of 45.0% above the reference price of £12.3661, being the volume weighted average price of an Ordinary Share on the London Stock Exchange between the opening and pricing of the offering on 2 December 2019. The conversion price will be subject to adjustment in certain circumstances in line with market practice.

The conversion period commenced on 19 January 2020 and shall end on the 10th calendar day prior to the maturity date or, if earlier, on the 10th calendar day prior to any earlier date fixed for redemption of the 2025 Bonds. Unless previously redeemed, or purchased and cancelled, the 2025 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2025 Bonds on or after 30 December 2023, at par plus accrued but unpaid interest, if the parity value (as described in the Terms and Conditions relating to the 2025 Bonds) on each of at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2025 Bonds, at par plus any accrued but unpaid interest, at any time if 85% or more of the principal amount of the 2025 Bonds shall have been previously converted or repurchased and cancelled.

Senior unsecured notes due 2026 listed on the Irish Stock Exchange

On 8 October 2021, the Company issued £500m of senior unsecured notes due 2026 (the "Notes") listed on the Irish Stock Exchange and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes under Reg. S is XS2393761692 and under 144A is XS2393969170. Interest on the notes is payable semi-annually in arrears. The Notes will mature on 8 October 2026. In addition to funding the redemption of the 2024 senior secured notes, the net proceeds of the 2026 Notes will be used by the Company to fund capital expenditure in relation to Ocado Solutions' commitments and general corporate purposes. The 2026 Notes are currently guaranteed by certain members of Ocado Group.

The Company has been able to redeem the Notes in whole or in part at any time since 8 October 2023, in each case, at the redemption prices set out as part of the offering.

Convertible bonds due 2027 listed on the unregulated open market of the Frankfurt Stock Exchange (Freiverkehr)

The Company issued £350m of guaranteed senior unsecured convertible bonds due 2027 (the "2027 Bonds") on 18 June 2020. The net proceeds of the 2027 Bonds will be used by the Company to give it the financial flexibility to capitalise on opportunities arising from the significant acceleration in online adoption and grow faster over the medium term. The 2027 Bonds are currently guaranteed by certain members of Ocado Group.

The 2027 Bonds were issued at par and carry a coupon of 0.75% per annum payable semi-annually in arrears in equal instalments on 18 January and 18 July, with the first payment on 18 January 2021. The 2027 Bonds will be convertible into Ordinary Shares of the Company. The initial conversion price shall be £26.46, representing a premium of 35% above the reference price of £19.60, being the placing price determined in the concurrent placing bookbuild. The conversion price will be subject to adjustment in certain circumstances in line with market practice. The conversion period commenced on 29 July 2020 and shall end on the 10th calendar day prior to the maturity date or, if earlier, on the 10th calendar day prior to any earlier date fixed for the redemption of the 2027 Bonds. Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2027 Bonds on or after 8 February 2025, at par plus accrued interest, if the parity value (as described in the Terms and Conditions relating to the 2027 Bonds) on each of the at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2027 Bonds, at par plus accrued interest, at any time if 85% or more of the principal amount of the 2027 Bonds shall have been previously converted or repurchased and cancelled.

Revolving credit facility

On 20 June 2022, the Company entered into a £300m committed, multi-currency revolving credit facility, provided by a syndicate of leading international banks (the "RCF"). Interest is payable on loans made pursuant to the RCF at a rate of SONIA (or EURIBOR or SOFR, for EUR or USD) plus a margin. The RCF expires in June 2025, with an option to extend, subject to bank agreement, up to June 2027. The RCF is currently guaranteed by certain members of Ocado Group. As at 3 December 2023, the RCF was undrawn.

Significant related party agreements

There were no contracts of significance during the period between the Company or any Group company and: (i) a Director of the Company; (ii) a close member of a Director's family; or (iii) a controlling shareholder of the Company.

Change of control

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid except that it should be noted that: (i) provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover; and (ii) certain members of senior management (not including the Directors) who were employed prior to 2010 are entitled to a payment contingent on a change of control of the Company or merger of the Company (irrespective of loss of employment) as set out in their respective employment contracts.

Significant agreements

There are a number of key agreements to which the Group is a party that contain certain rights triggered on the change of control of the Company. Details of the change of control provisions of these agreements are summarised below.

Solutions agreements: The Group has a number of agreements to provide retailers with access to the Ocado Smart Platform ("OSP") (comprising the Ocado Group's proprietary material handling equipment ("MHE") and end-to-end software platform). The key Solutions agreements are those with Aeon, Alcampo, Auchan Retail Poland, Bon Preu, Coles, Groupe Casino, ICA, Kroger, Lotte Shopping, Ocado Retail and Sobeys.

Under those agreements (save for those with Ocado Retail and Kroger), the retailer is generally entitled to terminate for convenience at any time following the commencement date of the relevant services. On termination in these circumstances the client would be obliged to pay Ocado termination fees calculated relative to the length of time for which the service has been live. However, such termination fees are not payable should the client terminate within a certain period following the Company coming under the control of certain of the retailer's competitors (or certain controllers with whom the client has a strategic conflict) or if there is a marked deterioration in service levels following the Company coming under the control of any person.

Morrisons agreements: The Group has a number of commercial arrangements with Morrisons, including for access to certain elements of OSP. If certain competitors of Morrisons acquire more than 50% of the voting rights in the Company's shares or take control of the composition of the Board, or acquire all or substantially all of the Group's business and undertakings, then Morrisons would be entitled to give notice to terminate the agreements by giving not less than four (but not more than four and a half) years' notice. Following Morrisons giving such a notice, Morrisons would be entitled to procure equivalent services from third parties, the Company losing its remaining exclusivity rights to be Morrisons' supplier of online grocery fulfilment services. Similarly, all restrictions within those agreements on the UK retail grocers to whom the Company is entitled to provide certain services would cease to apply. At the end of the four to four and a half years' notice period, the Company would be required to purchase Morrisons' shares in MHE JVCo Limited (the owner of the mechanical handling equipment in the Dordon CFC).

Ocado Intelligent Automation ("OIA") agreements: OIA and certain Ocado Group entities have signed the first agreement to provide warehouse automation products and services to non-grocery customers. This OIA agreement is with McKesson Canada Corporation (the "customer"). Under this agreement, neither party is able to terminate for convenience The agreement includes the supply of certain equipment (including MHE) to the customer and will largely expire following successful acceptance testing and handover of that equipment. Subject to payment by the customer, we will continue to provide a licence to our software and provide Software as a Service ("SaaS") services and maintenance and support services unless the customer chooses to terminate on expiry of the natural term of each service. We have the ability to buy back the equipment in the event of termination or expiry (subject to certain conditions). Ocado can also terminate the agreements for a change of control of the customer to an Ocado competitor.

Convertible bonds due 2025: Following a change of control of the Company, the holder of each 2025 Bond will have the right to require the Company to redeem that 2025 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2025 Bonds.

Senior unsecured notes due 2026: Following a change of control of the Company, holders of the Notes may require the Company to repurchase all or part of their holding at a purchase price in cash equal to 101% of the aggregate principal amount of their holding, plus accrued and unpaid interest.

Convertible bonds due 2027: Following a change of control of the Company, the holder of each 2027 Bond will have the right to require the Company to redeem that 2027 Bond at its principal amount, together with accrued and unpaid interest or the bondholders may exercise their conversion right using the formula as described in the Terms and Conditions relating to the 2027 Bonds.

Revolving credit facility: Following a change of control of the Company, no lender under the RCF is obliged to fund further utilisations of the facility. Each lender will have the right to cancel its commitment and declare its participation in all loans and accrued interest pursuant to the facility immediately due and repayable.

Shareholders' agreement relating to Ocado Retail Limited ("ORL"): If there is a change of control of Ocado Holdings and/or the Company where the person having control following the change of control is a competitor of M&S, this would amount to an event of default and M&S could elect to purchase all shares held in ORL at a price prescribed in the agreement.

Solutions and third-party logistics agreement with ORL: If there is a competitor change of control of Ocado Operating Limited, ORL may terminate the third-party logistics agreement by giving six months' written notice within three months of the competitor change of control becoming effective. In addition, if there is a change of control (whether or not a competitor change of control) and there is a marked deterioration in the service levels thereafter, ORL may terminate the third-party logistics agreement and the Solutions agreement.

Research and development activities

The Group has dedicated in-house software, logistics and engineering design and development teams with primary focus on IT and improvements to the customer interfaces, the CFCs and the automation equipment used in them. Costs relating to the development of computer software are capitalised if it is probable that the future economic benefits that are attributable to the asset will accrue to the entity and the costs can be measured reliably. The Company is carrying out a number of IT and engineering design and build projects with the intention of developing new and improved automation equipment and processes for its warehouses.

Greenhouse gas emissions methodology

Our approach to calculating greenhouse gas emissions is set out in the TCFD Report on pages 82 to 102. To calculate our greenhouse gas ("GHG") emissions, we use an operational control approach, in accordance with selected aspects of the GHG Protocol by the World Business Council for Sustainable Development and World Resources Institute ("WBCSD/WRI"). The following sources of information have been considered: government GHG conversion factors for company reporting, published by the Department for Business, Energy & Industrial Strategy (2022 and 2023); IPCC fourth assessment report: climate change 2007; IPCC guidelines for national greenhouse gas inventories: reference manual (2006); US Environmental Protection Agency emissions and generation resource integrated database ("eGRID") (2023); Environment Canada National Inventory Report, Greenhouse Gas Sources and Sinks in Canada: 1990-2021 (2023); European Commission (2021) Integrating renewable and waste heat and cold sources into district heating and cooling systems; United Nations (2023) UN Statistics Division; Energy Balance Visualizations and EPA (2023) GHG Emission Factors Hub; Centre for Corporate Climate Leadership.

We also include more information on our carbon emission calculations in our Basis of Reporting document, which can be found on our corporate website, www.ocadogroup.com.

Future developments of the business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 1 to 115.

Statement of engagement with employees

Details on engagement with employees by the Board and the Group and the mechanisms employed to consult and communicate with employees can be found in the Stakeholder Engagement section on page 60 and the Responsible Business section on pages 67 to 81.

Employees with disabilities

Applications for employment by people with disabilities are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment within the Group continues. Training, career development and promotion of a disabled person are, as far as possible, identical to that of a non-disabled person.

Statement of engagement with suppliers, customers and other stakeholders

Details on the methods used to build strong business relationships with the Group's suppliers, customers and partners and the effect of those interests on decision-making can be found in the Stakeholder Engagement section on page 60, the Section 172(1) Statement on page 64 and the Key Board focus areas table on pages 123 and 124.

Profit/loss and dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 226. The Group's loss before tax for the period amounted to £403.2m (FY22: £500.8m). The Group did not declare a dividend (FY22: £nil).

Branches

There are no branches of the Company.

Post-Balance Sheet events

See Note 5.5 on page 294 for details of post-Balance Sheet events.

Political donations

No donations were made by the Group to any political party, organisation or candidate during the period (FY22: nil).

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, each Director who held office at the date of the approval of this Directors' Report (included in the biographies of the Directors on pages 118 to 121) confirms that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the relevant steps that they ought to have taken as a Director to ascertain any relevant audit information and ensure the auditor is aware of such information.

How the Directors formally report to shareholders and take responsibility for this Annual Report

Communication and shareholder engagement are important to the Board. Therefore, the Group follows a regular reporting and announcement agenda, including the formal regulatory news service announcements, in accordance with the Group's reporting obligations. The Group reports trading performance, including information on the growth of the Retail revenue and average order numbers and size, on a quarterly basis; recognising that it is important to regularly update the market due to the emphasis shareholders place on receiving regular communications about sales and the current competitive pressures in the market.

Other announcements include the Half-Year Report, the preliminary announcement of annual results, the Annual Report, and investor presentation slides and videos. These documents are available on the Group's corporate website. Shareholders can choose to receive the Annual Report in paper or electronic form.

The Directors take responsibility for preparing this Annual Report and make a statement to shareholders to this effect. The Statement of Directors' Responsibilities below is made at the conclusion of a robust and effective process undertaken by the Group for the preparation and review of this Annual Report.

The Directors believe that these well-established arrangements enable them to ensure that the information presented in this Annual Report complies with regulatory requirements, including those in the Companies Act 2006, and is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In addition to this Annual Report, the Group's internal processes cover (to the extent necessary) the preliminary announcement, the Half-Year Report, Trading Statements and other financial reporting.

Report preparation

The Group's internal processes in the preparation and review of this Annual Report (and other financial reporting) include:

- review of and feedback on iterations of this Annual Report by the Executive Directors and the full Board;
- in-depth review of specific sections of this Annual Report by the relevant Board Committees;
- Audit Committee review of a management report on accounting estimates and judgements, auditor and management reports on internal controls and risk management, accounting and reporting matters and a management representation letter concerning accounting and reporting matters;
- Board and Audit Committee review of a supporting paper specifically highlighting the parts of this Annual Report that best evidenced how this Annual Report was fair, balanced and understandable;
- paper from management highlighting how reporting, regulatory and governance issues had been addressed in this Annual Report; the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- Board and Audit Committee review of management reports on assessments of going concern and viability; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- the Audit Committee regularly reporting to the Board on the discharge of its responsibilities;
- input from both internal and external legal advisors and other advisors to cover relevant regulatory, governance and disclosure obligations;
- discussions between contributors and management to identify relevant and material information;
- detailed debates and discussions concerning the principal risks and uncertainties;
- checking of factual statements and financial information against source materials;
- checking of report electronic tagging;
- specific Board review of Directors' belief statements and key statements; and
- separate approval by the Group General Counsel and Company Secretary, the Board Committees and the Board.

The statement by the external auditor on its reporting responsibilities is set out in the Independent Auditor's Report from page 214.

The Group receives reporting and information from the Ocado Retail joint venture. The Ocado Retail board and Audit Committee review and approve financial information and reporting regarding Ocado Retail, which is then consolidated into the Group.

In addition to this Annual Report, the Group provides other statements to its shareholders regarding the Group and its operations, including the Modern Slavery Act Statement, Tax Strategy Statement, Gender Pay Gap Statement and supplier payments.

Statement of Directors' Responsibilities

The Directors are responsible for preparing this Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted International Financial Reporting Standards ("UK-adopted IFRSs"). The Directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the result of the Company and the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the UK-adopted IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted IFRSs. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As is required under the Code, the Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors who held office at the date of the approval of this Annual Report (included in the biographies of the Directors on pages 118 to 121) confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

The Company's Annual General Meeting 2024

The Company's 2024 AGM will be held on 29 April 2024 at 1.30 pm at Deutsche Numis, 45 Gresham Street, London, EC2V 7BF. This will be an in-person meeting. Shareholders will have the opportunity to ask questions and to submit questions in advance of the meeting.

A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Meeting. Shareholders who are unable to attend the AGM are encouraged to vote in advance of the meeting, either online at www.ocadoshares.com or by using the proxy card which is sent with the Notice of Meeting (if sent by post) or can be downloaded from the corporate website, www.ocadogroup.com.

The outcome of the resolutions put to the AGM will be published on the London Stock Exchange and our corporate website once the AGM has concluded.

The Directors' Report is approved by the Board and signed on its behalf by:

Neill Abrams
Group General Counsel and Company Secretary
29 February 2024

Ocado Group plc

Registered Number: 07098618

Registered Office Address: Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom

Country of Incorporation:
England and Wales

Type: Public Limited Company

Independent Auditor's Report to the members of Ocado Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ocado Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 3 December 2023 and of the group's loss for the 53-week period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statements of cash flows; and
- the related notes 1.1 to 5.5 of the consolidated financial statements and 1.1 to 5.2 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC"'s) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 2.3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Capitalisation of labour costs; • Valuation of contingent consideration receivable from Marks and Spencer Group plc ("M&S") • Ocado Retail: accounting for promotional allowances Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £27.0m (FY22: £25.0m) which was determined on the basis of an asset metric equating to 0.6% (FY22: 0.5%) of total assets excluding goodwill. We also applied a lower materiality threshold of £8.1m when auditing revenue from the Technology Solutions business, at 1.9% of its amount.
Scoping	Components subject to full-scope audit contribute 99% (FY22: 99%) of the group's revenue and 99% (FY22: 98%) of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill. We performed analytical procedures on residual balances.
Significant changes in our approach	In the current period, in addition to applying a lower materiality threshold to our audit of Technology Solutions revenue, we also determined components based on common IT and control environments, rather than by legal entity.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the detailed steps of the forecasting process through enquiries with management and inspection of the underlying models, including obtaining a detailed understanding of key controls over the budget and forecast;
- assessing the arithmetic accuracy of the models used to prepare the group's base case forecast and related scenarios;
- challenging the reasonableness of the detailed assumptions underpinning the group's forecasts including considering the current economic environment;
- comparing and assessing the historical accuracy of forecasts against previous performance;
- assessing management's considerations of reasonably possible scenarios and their impact on the group's forecasts and performing additional sensitivity scenario analysis;
- considering the timing of repayments for existing bonds;
- considering the impact of mitigating actions available, such as reducing capital expenditure; and
- assessing the appropriateness of the group's disclosure concerning going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the members of Ocado Group plc continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Capitalisation of labour costs

Key audit matter description	The group continues to invest in the development of the Ocado Smart Platform and associated software, as well as in establishing Customer Fulfilment Centres ("CFCs") for Technology Solutions customers. In doing so, significant internal labour costs are incurred which are capitalised as internally-generated intangible assets or as a component of property, plant and equipment as directly attributable costs. As described in note 3.3 and 3.4 of the financial statements, £167.8m (FY22: £117.5m) and £32.7m (FY22: £63.9m) of internal labour costs were capitalised in the period as intangible assets and property, plant and equipment, respectively. Determining whether a particular project or activity meets capitalisation criteria involves judgement based on the requirements of IAS 38 *Intangible Assets* and IAS 16 *Property, Plant and Equipment*. The amount being capitalised is largely due to the development of new technologies and the continued construction of CFCs for customers. In addition, Adjusted EBITDA is an alternative performance measure of interest to the users of the financial statements. There is therefore a potential incentive for management to exhibit bias in considering whether to capitalise internal labour costs given that the amortisation and depreciation of such costs are excluded from its calculation, whereas items which are not capital in nature must be expensed as costs are incurred. We therefore consider the inappropriate capitalisation of labour costs to be a potential fraud risk as well as a key audit matter. Further information related to this area is set out in the Audit Committee report on page 147, and in notes 3.3 and 3.4 to the group financial statements.
How the scope of our audit responded to the key audit matter	To address the risk of inappropriate capitalisation of labour costs, our audit procedures included: • obtaining a detailed understanding of relevant controls, such as those which are designed to ensure that only projects and associated labour costs that meet capitalisation criteria under IAS 38 or IAS 16 are approved as capital in nature; • selecting a sample of internal projects with capitalised labour costs and challenging whether these projects meet the requirements of IAS 38 or IAS 16, including obtaining a detailed understanding of the nature of the sampled projects, their purpose and future economic benefit; • for each selected project, sampling labour costs incurred on the project and assessing whether the corresponding amount capitalised in respect of the associated effort was both attributable to the project and capitalised appropriately and according to the applicable accounting standards; and • challenging and corroborating the methods and calculations adopted in determining the labour costs to be capitalised as directly attributable costs as defined in IAS 38 or IAS 16.
Key observations	We are satisfied that the capitalisation of labour costs during the period is appropriate.

5.2. Valuation of contingent consideration receivable from M&S

Key audit matter description	As described in note 3.7 to the financial statements, the sale of 50% of Ocado Retail Limited ("ORL") to M&S in August 2019 included deferred consideration equal to £156.3m, plus interest, that is contingent on ORL achieving certain performance targets ("the Target") in the financial year to November 2023. This is based on the contractual terms and the outcome is binary: if the measure is not met or exceeded, no amount is payable by M&S to the group. The measurement period has ended with the Target not met and management has commenced negotiations, as permitted under the contract, to agree adjustments to the Target based on decisions and actions taken by ORL subsequent to the agreement of the performance conditions in 2019 (see page 262). The receivable represents a financial asset and is accounted for in accordance with IFRS 9 Financial Instruments and measured at fair value under IFRS 13 Fair Value Measurement. The group has valued the receivable at £28.0m (FY22: £95.0m). As described on page 263, management has estimated the fair value using the expected present value technique that is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract. These include a settlement between the two parties and the potential outcomes associated with litigation action between the two parties. There is significant complexity and judgement in determining the fair value due to: • the absence of an active market for such financial assets; • the inherent uncertainty regarding the agreement of adjustments between the two parties including the likelihood and value of any settlement; • the subjectivity involved in determining the likelihood of success from an arbitration or litigation process; and • the unusual nature and circumstances of this financial asset. In addition, there is a potential incentive for management to overstate the value of the asset to influence ongoing negotiations with M&S regarding the settlement of this contingent consideration. Further information related to this area is set out in the Audit Committee report on page 144, and in notes 1.4 and 3.7 to the group financial statements.

Independent Auditor's Report to the members of Ocado Group plc continued

5.2. Valuation of contingent consideration receivable from M&S

How the scope of our audit responded to the key audit matter	To address the risk that the contingent consideration receivable is materially overstated, our procedures included: • inspecting the terms of the share purchase agreement and shareholders' agreement to identify and consider clauses that are relevant to determining a fair value of the contingent consideration receivable; • holding partner-led enquiries with senior management and the group's external advisors to enhance our understanding and interpretation of the contracts, to challenge and to search for contradictory evidence for the estimates and judgements adopted by management in their assessment, and to obtain relevant views and opinions on how the ongoing negotiations might progress; • assessing the competence, capabilities and objectivity of management's advisors; • inspecting evidence for the estimates and judgements adopted by management in their qualitative and quantitative assessment of the fair value of the receivable, for example analysis prepared by management's advisors, relevant accounting breakdowns and records, and correspondence between the group and M&S; • involving internal technical, valuations, retail industry and disputes specialists to enable us to challenge management's methodology and assumptions and to search for potential contradictory evidence to the judgements adopted by management. This included critically assessing changes to the group's valuation when key assumptions were revised; • developing an independent range using probability-weighted scenario-based models and comparing this with the group's valuation. The assumptions and inputs we applied reflected a balanced consideration of several sources including analysis from internal valuations specialists, relevant third party data and research, and the views of management's advisors and internal legal specialists; • assessing whether the estimates and judgements adopted by management in the current year cast doubt on the valuation and conclusions reached in prior years; and • assessing the group's disclosures, with reference to the requirements relating to estimation uncertainty in IAS 1 Presentation of Financial Statements and the fair value disclosures required under IFRS 13.
Key observations	The valuation of £28.0m is within our independent range and we concluded that the receivable was not materially overstated. We consider the corresponding disclosures made around the requirements and application of IFRS 13 to be appropriate.

5.3. Ocado Retail: accounting for promotional allowances

Key audit matter description	As described in note 2.3 of the financial statements, the group has agreements with suppliers whereby promotional allowances are received in connection with the purchase of goods for resale from those suppliers. The group received £124.9m (FY22: £113.7m) of commercial income from promotional allowances during the period, which is recorded as a deduction to operating costs. Determining when to recognise income from such agreements requires judgement in estimating the satisfaction of related performance obligations, which is complex due to the variety of terms and volume of transactions. As these attributes create an opportunity for bias and manipulation, we have identified a key audit matter related to the potential risk of fraud.
How the scope of our audit responded to the key audit matter	To address the risk that promotional allowances have not been appropriately and accurately recorded, our procedures included: • obtaining an understanding of controls relevant to the accounting for promotional allowances; • requesting a sample of supplier confirmations to validate the amounts recorded throughout the period and on the balance sheet at period end. Where responses were not received, we performed alternative audit procedures including inspecting management's correspondence with the supplier, recalculating the amount of commercial income from the arrangement, and assessing the volume and value of credit notes raised post-period end; • testing a sample of amounts transferred from accounts receivables to accounts payable during the netting process to assess whether the group has obtained the rights to settlement; • assessing the recoverability of a sample of unsettled balances included on the balance sheet for valuation and allocation; and • conducting enquiries with senior personnel outside the finance function, for example legal counsel, on matters relating to compliance with the Groceries Supply Code of Practice ("GSCOP") and controls in the commercial income process, in order to identify any areas where further investigation may be required.
Key observations	We are satisfied that the accounting for promotional allowances during the period is appropriate.

Independent Auditor's Report to the members of Ocado Group plc continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£27.0m (FY22: £25.0m)	£24.3m (FY22: £22.5m)
Basis for determining materiality	We determined materiality primarily based on an asset metric equating to 0.6% (FY22: 0.5%) of total assets excluding goodwill. We also considered revenue as a supporting benchmark (FY23: 1.0%, FY22: 1.0%).	Parent company materiality is determined as a percentage of net assets, capped at 90% (FY22: 90%) of group materiality.
Rationale for the benchmark applied	We consider an asset metric to be the most relevant proxy for the expansion and rollout of the Technology Solutions business. Revenue was also considered as a supporting benchmark as this measure reflects current group performance, particularly that of ORL.	The principal activities of the parent company include holding investments in other group companies and incurring costs and liabilities on behalf of the group, including borrowings. As a result, we considered net assets to be the most relevant benchmark on which to base materiality.

Since it is an area of investor focus, we exercised professional judgement in applying a lower level of materiality of £8.1m to revenue from the Technology Solutions business, which represented 1.9% of the reported amount. We adopted this approach for the first time in FY23.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (FY22: 65%) of group materiality.	70% (FY22: 65%) of parent company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the ongoing finance transformation programmes implemented by management to enhance the quality, consistency and timeliness of the financial reporting and closing processes; • the continuity of key management personnel; • our risk assessment, built on our understanding of the group and its environment; and • management's continued willingness to investigate and correct misstatements identified in the audit.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.35m (FY22: £1.25m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components and working with other auditors

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group and at ORL, which is controlled and consolidated by the group.

In the current period we identified components based on common IT and control environments, rather than by legal entity as in previous years. Two significant components were identified: the group component on a single common IT environment; and ORL. Both components were subject to full-scope audit procedures performed by the group and ORL audit teams respectively based in London using a performance materiality of £16.0m (85% of group performance materiality). To ensure appropriate direction and supervision of the component audit work, there was extensive interaction between the group and component audit team. The group audit team issued the ORL component audit team with detailed instructions and reviewed their audit file and related reporting.

Components subject to full-scope audit contribute 99% (FY22: 99%) of the group's revenue and 99% (FY22: 98%) of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill. At the group level, we tested the consolidation and performed analytical procedures over residual balances.

The parent company was audited by the group engagement team.

7.2. Our consideration of the control environment

The group has continued its plan to evolve and improve the financial control environment through the Evolve programme, which we have considered in our audit plan. Further details are included in the Audit Committee Report on page 144. The group's implementation of Oracle Fusion in prior years and continued centralisation of control processes has facilitated the change in how we identify components this year. ORL implemented a separate instance of Oracle Fusion during the year.

We involved IT specialists to obtain an understanding of relevant general IT controls across the group and ORL audits, which included Oracle Fusion, Oracle R12, Webshop and key warehouse management systems. Members of the ORL component audit team visited three CFCs and one General Merchandise Distribution Centre ("GMDC") to test controls relevant to the existence of grocery inventory. Our IT specialists assisted in evaluating controls over the key warehouse IT systems as well as relevant automated controls. Members of the group audit team also visited CFCs in the UK during the period.

We tested the operating effectiveness of controls in certain business processes, for example Solutions revenue, and obtained an understanding of certain IT systems, applications and databases, to provide feedback to management with a view to relying on these controls in future periods.

7.3. Our consideration of climate-related risks

As set out in management's TCFD report on pages 82 to 102 and the principal risks on pages 103 to 111, the group is exposed to the impacts of climate change. As part of our audit planning procedures, we obtained management's climate-related risk assessment and, together with our climate change specialists, held discussions with management to understand the process of identifying climate-related risks and determining their potential impact on the operations of the group and its financial statements. We also read the related disclosures in note 1.4 to the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the group financial statements, this included performing an audit team climate risk brainstorming session. We did not identify a risk of material misstatement.

We have further involved climate change specialists in reading the climate-related disclosures within the Annual Report to consider whether they are materially consistent with the financial statements and our knowledge from our audit.

Our responsibility over other information is further described in the "Other information" section of our report. We have not been engaged to provide assurance over the accuracy of these disclosures.

Independent Auditor's Report to the members of Ocado Group plc continued

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 1 February 2024;
- results of our enquiries of management, internal audit, the legal function including the group's General Counsel and Chief Compliance Officer, the Chief Executive Officer and Chief Financial Officer of the group and ORL, the directors and the Audit Committees of the group and ORL about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and component audit team and relevant internal specialists, including tax, valuations, IT, impairment and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: inappropriate capitalisation of labour costs; valuation of contingent consideration receivable from M&S; and the accounting for promotional allowances. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Groceries Supply Code of Practice.

Independent Auditor's Report to the members of Ocado Group plc continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the capitalisation of labour costs; the valuation of contingent consideration receivable from M&S; and the accounting for promotional allowances as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 114;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 112 to 114;
- the directors' statement on fair, balanced and understandable set out on page 212;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 103 to 111;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 103 to 111; and
- the section describing the work of the Audit Committee set out on pages 144 to 153.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in this regard.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in this regard.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 3 May 2017 to audit the financial statements for the 52-week period ending 3 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the 52-week period ending 3 December 2017 to the 53-week period ending 3 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

David Griffin FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 February 2024

Consolidated Income Statement
for the 53 weeks ended 3 December 2023

	Notes	53 weeks ended 3 December 2023 Results before adjusting items* £m	Adjusting items* (Note 2.5) £m	Total £m	52 weeks ended 27 November 2022 (restated[1]) Results before adjusting items* £m	Adjusting items* (Note 2.5) £m	Total £m
Revenue	2.1	**2,825.0**	**–**	**2,825.0**	2,516.8	–	2,516.8
Insurance and legal settlement proceeds	2.5	**–**	**180.4**	**180.4**	–	73.8	73.8
Operating costs		**(3,175.1)**	**(162.6)**	**(3,337.7)**	(2,938.1)	(103.7)	(3,041.8)
Operating (loss)/profit before results of joint ventures and associate		**(350.1)**	**17.8**	**(332.3)**	(421.3)	(29.9)	(451.2)
Share of results of joint venture and associate	3.6	**(0.9)**	**–**	**(0.9)**	(1.4)	–	(1.4)
Operating (loss)/profit		**(351.0)**	**17.8**	**(333.2)**	(422.7)	(29.9)	(452.6)
Finance income	2.6	**40.7**	**6.1**	**46.8**	13.5	–	13.5
Finance costs	2.6	**(97.0)**	**–**	**(97.0)**	(90.0)	–	(90.0)
Other finance gains and losses	2.6	**(19.8)**	–	**(19.8)**	28.3	–	28.3
(Loss)/profit before tax		**(427.1)**	**23.9**	**(403.2)**	(470.9)	(29.9)	(500.8)
Income tax credit	2.7	**16.2**	**–**	**16.2**	18.7	0.8	19.5
(Loss)/profit for the period		**(410.9)**	**23.9**	**(387.0)**	(452.2)	(29.1)	(481.3)
Attributable to:							
Owners of Ocado Group plc				**(314.0)**			(455.5)
Non-controlling interests	5.2			**(73.0)**			(25.8)
				(387.0)			(481.3)

1. During the period, the Group changed the presentation of its expenses and other income. Consequently, the prior year comparatives have been restated. See Note 1.2 for the details.

Loss per share		**pence**	pence
Basic and diluted loss per share	2.8	**(38.44)**	(58.93)

Adjusted earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items (Adjusted EBITDA)Ⓐ

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Operating loss		**(333.2)**	(452.6)
Adjustments for:			
Adjusting itemsⒶ	2.5	**(17.8)**	29.9
Amortisation of intangible assets	3.3	**125.0**	114.7
Impairment of intangible assets	3.3	**0.2**	3.6
Depreciation of property, plant and equipment	3.4	**187.9**	154.4
Impairment of property, plant and equipment	3.4	**21.7**	9.3
Depreciation of right-of-use assets	3.5	**70.4**	66.0
Impairment of right-of-use assets	3.5	**–**	0.6
Adjusted EBITDAⒶ		**54.2**	(74.1)

Ⓐ See Alternative Performance Measures on pages 302 and 303. Adjusting items include impairment charges in respect of other intangible assets of £0.3m (FY22: £nil), property, plant and equipment of £19.5m (FY22: £nil) and right-of-use assets of £27.7m (FY22: £nil).

Consolidated Statement of Comprehensive Income
for the 53 weeks ended 3 December 2023

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Loss for the period		**(387.0)**	(481.3)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value movements in cash flow hedges	4.3	**(0.4)**	7.7
Items reclassified from cash flow hedge reserve	4.3	**1.1**	(8.8)
Foreign exchange (loss)/gain on translation of foreign subsidiaries	4.6	**(53.0)**	69.1
Share of change in net assets of associate through other comprehensive income	3.6	**–**	0.4
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods		**(52.3)**	68.4
Items that will not be reclassified to profit or loss in subsequent periods:			
(Loss)/gain on equity investments designated as at fair value through other comprehensive income	4.4	**(16.5)**	33.3
Income tax relating to items that will not be reclassified subsequently to profit or loss	2.7	**(4.6)**	(7.2)
Net other comprehensive (expense)/income that will not be reclassified to profit and loss in subsequent periods		**(21.1)**	26.1
Other comprehensive (expense)/income for the period, net of income tax		**(73.4)**	94.5
Total comprehensive expense for the period		**(460.4)**	(386.8)
Attributable to:			
Owners of Ocado Group plc		**(387.4)**	(361.0)
Non-controlling interests	5.2	**(73.0)**	(25.8)
		(460.4)	(386.8)

Consolidated Balance Sheet
as at 3 December 2023

	Notes	3 December 2023 £m	27 November 2022 £m
Non-current assets			
Goodwill	3.2	**158.6**	164.7
Other intangible assets	3.3	**461.3**	377.2
Property, plant and equipment	3.4	**1,794.9**	1,777.8
Right-of-use assets	3.5	**428.1**	493.9
Investment in joint venture and associate	3.6	**9.5**	15.6
Other financial assets	3.7	**84.0**	181.6
Trade and other receivables	3.10	**50.9**	–
Deferred tax assets	2.7	**0.9**	1.9
Derivative financial assets	4.3	**3.3**	27.4
		2,991.5	3,040.1
Current assets			
Other financial assets	3.7	**43.7**	3.8
Inventories	3.9	**127.1**	106.8
Trade and other receivables	3.10	**375.4**	329.3
Current tax assets	2.7	**1.5**	–
Cash and cash equivalents	3.11	**884.8**	1,328.0
Derivative financial assets	4.3	**0.1**	0.8
		1,432.6	1,768.7
Asset held for sale	3.8	**4.9**	4.4
		1,437.5	1,773.1
Total assets		**4,429.0**	4,813.2
Current liabilities			
Contract liabilities	2.1	**(38.6)**	(29.1)
Trade and other payables	3.12	**(468.4)**	(506.3)
Current tax liabilities	2.7	**(0.9)**	–
Borrowings	4.1	**(2.6)**	(10.2)
Provisions	3.13	**(13.2)**	(1.0)
Lease liabilities	3.5	**(52.9)**	(58.6)
Derivative financial liabilities	4.3	**(0.2)**	(1.6)
		(576.8)	(606.8)

Consolidated Balance Sheet continued
as at 3 December 2023

	Notes	3 December 2023 £m	27 November 2022 £m
Net current assets		**860.7**	1,166.3
Non-current liabilities			
Contract liabilities	2.1	**(408.1)**	(393.8)
Provisions	3.13	**(27.6)**	(25.4)
Borrowings	4.1	**(1,459.5)**	(1,362.6)
Lease liabilities	3.5	**(444.9)**	(473.7)
Trade and other payables	3.12	**(1.1)**	(1.9)
Deferred tax liabilities	2.7	**–**	(14.7)
		(2,341.2)	(2,272.1)
Net assets		**1,511.0**	1,934.3
Equity			
Share capital	4.6	**16.6**	16.5
Share premium	4.6	**1,942.9**	1,939.3
Treasury shares reserve	4.6	**(112.9)**	(112.9)
Other reserves	4.6	**90.6**	164.0
Retained earnings		**(449.8)**	(169.0)
Equity attributable to owners of Ocado Group plc		**1,487.4**	1,837.9
Non-controlling interests	5.2	**23.6**	96.4
Total equity		**1,511.0**	1,934.3

The consolidated financial statements on pages 226 to 294 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer
29 February 2024

Stephen Daintith
Chief Financial Officer

Consolidated Statement of Changes in Equity
for the 53 weeks ended 3 December 2023

		Equity attributable to owners of Ocado Group plc							
	Notes	Share capital £m	Share premium £m	Treasury shares reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 28 November 2021		15.0	1,372.0	(113.0)	69.9	244.3	1,588.2	121.2	1,709.4
Loss for the period		–	–	–	–	(455.5)	(455.5)	(25.8)	(481.3)
Other comprehensive income		–	–	–	94.1	0.4	94.5	–	94.5
Total comprehensive income/(expense) for the period		–	–	–	94.1	(455.1)	(361.0)	(25.8)	(386.8)
Transactions with owners									
Issue of ordinary shares	4.6	1.5	565.0	–	–	–	566.5	–	566.5
Allotted in respect of share option schemes	4.6	–	2.3	–	–	–	2.3	–	2.3
Disposal of unallocated treasury shares	4.6	–	–	0.1	–	(0.1)	–	–	–
Share-based payments charge	4.7	–	–	–	–	42.0	42.0	–	42.0
Tax on share-based payments charge	2.7	–	–	–	–	0.9	0.9	–	0.9
Reduction in investment in Jones Food Company Limited	5.2	–	–	–	–	(1.0)	(1.0)	1.0	–
Total transactions with owners		1.5	567.3	0.1	–	41.8	610.7	1.0	611.7
Balance at 27 November 2022		16.5	1,939.3	(112.9)	164.0	(169.0)	1,837.9	96.4	1,934.3
Loss for the period		**–**	**–**	**–**	**–**	**(314.0)**	**(314.0)**	**(73.0)**	**(387.0)**
Other comprehensive expense		**–**	**–**	**–**	**(73.4)**	**–**	**(73.4)**	**–**	**(73.4)**
Total comprehensive expense for the period		**–**	**–**	**–**	**(73.4)**	**(314.0)**	**(387.4)**	**(73.0)**	**(460.4)**
Transactions with owners									
Issue of ordinary shares	4.6	**0.1**	**2.1**	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Allotted in respect of share option schemes	4.6	**–**	**1.5**	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Share-based payments charge	4.7	**–**	**–**	**–**	**–**	**33.3**	**33.3**	**–**	**33.3**
Tax on share-based payments charge	2.7	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
Additional investment in Jones Food Company Limited	5.2	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**0.2**	**–**
Total transactions with owners		**0.1**	**3.6**	**–**	**–**	**33.2**	**36.9**	**0.2**	**37.1**
Balance at 3 December 2023		**16.6**	**1,942.9**	**(112.9)**	**90.6**	**(449.8)**	**1,487.4**	**23.6**	**1,511.0**

Consolidated Statement of Cash Flows
for the 53 weeks ended 3 December 2023

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Cash generated from/(used in) operations	4.9	**86.9**	(4.0)
Insurance proceeds relating to business interruption and stock losses		**–**	54.3
Cash received from the AutoStore settlement	2.5	**41.7**	–
Corporation tax received		**9.9**	13.4
Interest paid		**(56.3)**	(55.8)
Net cash flow from operating activities		**82.2**	7.9
Cash flows from investing activities			
Insurance proceeds relating to Erith claim		**–**	2.5
Insurance proceeds relating to rebuilding Andover Customer Fulfilment Centre ("CFC")		**–**	54.5
Acquisition of subsidiaries, net of cash acquired	3.1	**(11.4)**	(5.5)
Purchase of intangible assets		**(205.1)**	(137.1)
Purchase of property, plant and equipment		**(331.3)**	(648.8)
Dividend received from joint venture	3.6	**5.1**	8.0
Purchase of unlisted equity investments	3.7	**(10.0)**	–
Loans paid to joint ventures, associates and investee companies		**–**	(0.6)
Proceeds from disposal of asset held for sale	3.8	**9.4**	–
Cash received in respect of contingent consideration receivable	3.7	**1.5**	–
Interest received		**41.7**	9.6
Net cash flow used in investing activities		**(500.1)**	(717.4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**2.1**	566.5
Proceeds from allotment of share options		**0.5**	0.8
Proceeds from interest-bearing loans and borrowings	4.2	**64.4**	40.6
Transaction costs on issue of borrowings		**–**	(3.4)
Repayment of borrowings	4.2	**(10.3)**	–
Repayment of principal element of lease liabilities	4.2	**(66.8)**	(57.4)
Net cash flow (used in)/generated from financing activities		**(10.1)**	547.1
Net decrease in cash and cash equivalents		**(428.0)**	(162.4)
Cash and cash equivalents at beginning of period		**1,328.0**	1,468.6
Effect of changes in foreign exchange rates		**(15.2)**	21.8
Cash and cash equivalents at end of period	3.11	**884.8**	1,328.0

Notes to the consolidated financial statements

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc (hereafter the "Company") is a listed company, limited by shares, incorporated in England and Wales under the Companies Act 2006 (company number: 07098618). The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial statements comprise the results of the Company and its subsidiaries (hereafter the "Group") (see Note 5.1 for a full list of the subsidiaries). The financial period represents the 53 weeks ended 3 December 2023. The prior financial period represents the 52 weeks ended 27 November 2022. The principal activities of the Group are described in the Strategic Report on pages 1 to 11.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable), International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards ("IFRSs"), including the interpretations issued by IFRS Interpretations Committee ("IFRIC"). Unless otherwise stated, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated, and have been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain other financial assets and liabilities, which are held at fair value.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group. See Note 1.5 for further details.

New standards, amendments and interpretations adopted by the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 28 November 2022, and concluded either that they are not relevant to the Group nor would they have a significant effect on the Group's financial statements other than on disclosures:

	Effective date
IAS 16 Property, Plant and Equipment – proceeds before intended use	1 January 2022
IAS 37 Onerous Contracts – cost of fulfilling a contract	1 January 2022
IFRS 3 Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations that are relevant to the Group have been issued but are not effective for the period beginning 28 November 2022, and have not been adopted early:

	Effective date
IFRS 17 Insurance Contracts	1 January 2023
IAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1 Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8 Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IAS 1 Non-current Liabilities with Covenants	1 January 2024
IAS 12 Income taxes – International Tax Reform – Pillar Two Model Rules (amendments)	1 January 2023
IFRS 10 Consolidated Financial Statements (amendments)	Deferred
IAS 28 Investments in Associates and Joint Ventures (amendments)	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Group's financial statements.

The Group has applied the exemption to recognising and disclosing information about deferred tax in relation to the IAS 12 amendment for FY23.

Change in presentation of expenses in the Consolidated Income Statement

Following the change of the Group's operating segments during the period (see Note 2.2 for details), the Group has also adopted a revised presentation of the Income Statement, replacing Cost of Sales (FY22: £1,549.5m), Distribution Expenses (FY22: £831.8m) and Administrative Expenses (FY22: £758.2m) with a single item for Operating Costs. The Group also reassessed the classification amounts previously reported as Other Income, resulting in amounts of £3.0m being reported within Revenue and £97.7m being offset within Operating Costs (principally in relation to media and other income of £87.3m). In addition, the Group reclassified gains and losses relating to foreign exchange and on revaluation of financial instruments from Finance Income and Finance Costs to Other Finance Gains and Losses. This resulted in £28.3m being reclassified from Finance Income to Other Finance Gains and Losses.

The revised presentation provides an Income Statement that is more relevant for the Group, reflecting the increased impact of the Technology Solutions business where the nature of the associated costs does not have the typical cost of sales, distribution and administrative expenses.

1.3 Basis of consolidation

The Group's consolidated financial statements consist of the accounts of the Company, all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

Subsidiaries

The accounts of subsidiaries are included in the consolidated financial statements from the date on which the Company obtains control, and excluded when the Company loses control over them. Control is achieved when the Company has power over a subsidiary, exposure or rights to variable returns from it, and the ability to use its power to affect these returns. This ability enables the Company to affect the amount of economic benefit generated from the entity's activities.

All subsidiaries have a reporting date of 3 December 2023 except for the following:

	Reporting date
JFC Hydroponics Ltd	30 April
Jones Food Company Limited	30 April
Haddington Dynamics II LLC	31 December
Kindred Inc.	31 December
Kindred Systems II Inc.	31 December
Myrmex Inc.	31 December
Ocado Bulgaria EOOD	31 December
Ocado Solutions (US) ProCo LLC	31 December
Ocado Spain S.L.U.	31 December
Ocado US Holdings Inc.	31 December
6 River Systems GmbH	31 December
6 River Systems LLC	31 December
6 River Systems Ltd	31 December

All these companies have prepared additional financial information for the 53 weeks ended 3 December 2023 to enable consolidation.

All intercompany balances and transactions, including recognised gains arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as the recognised gains.

The Group allocates the total comprehensive income or expense of subsidiaries to the owners of the Company and non-controlling interests, based on their respective ownership interests.

Joint ventures and associates

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures and associates are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entities, less any impairment in value and dividends received. The carrying values of the investments in joint ventures and associates include implicit goodwill.

If the Group's share of losses in a joint venture or associate equals or exceeds its initial investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Notes to the consolidated financial statements continued

1.3 Basis of consolidation continued

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to the financial statements. Accounting policies not specifically attributable to a note are set out below. These policies have been applied consistently to all the periods presented unless stated otherwise.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The pound sterling is the Company's functional and the Group's presentational currency.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are recorded in the functional currency at an average rate for the period in which those transactions take place, which is used as a reasonable approximation to the exchange rates prevailing at the dates of the transactions. Translation differences on monetary items are taken to the Consolidated Income Statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the closing rate at the date of the balance sheet. Income and expenses are translated using an average rate for the month in which they occur.

Exchange differences arising on the translation of the net investment in overseas subsidiaries are recorded through other comprehensive income. On disposal of the net investment, the cumulative exchange difference is reclassified from equity to the Consolidated Income Statement. All other currency gains and losses are dealt with in the Consolidated Income Statement.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are evaluated regularly, and represent management's best estimates based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, events or actions may mean that actual results ultimately differ from those estimates, and the differences may be material.

Critical accounting judgements

Critical accounting judgements are those that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Area	Judgement	Notes
Consolidation of Ocado Retail Limited ("Ocado Retail")	Management reviews if the Group continues to have control over Ocado Retail in accordance with IFRS 10. Management has concluded that the Group controls Ocado Retail, since it holds 50.0% of the voting rights of the company, and an agreement signed by the shareholders grants the Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of Ocado Retail's business plan and budget and the appointment and removal of Ocado Retail's Chief Executive Officer who is responsible for directing the relevant activities of the business. On the timing of deconsolidation, refer to Note 5.2.	5.1, 5.2
Revenue from contracts with customers	Due to the size and complexity of some of Technology Solutions' contracts, there are significant judgements that must be made. The identification of performance obligations in a contract is a significant judgement, since it determines when revenue is recognised. Management has judged that each fulfilment channel is independent of each other and the provision of the use of the Ocado Smart Platform ("OSP") in each fulfilment channel represents a separate performance obligation, and that revenue should begin to be recognised when a working solution relevant to the fulfilment channel is operational for a customer. The identification of consideration and material rights in a contract is another significant judgement, since it determines the period over which upfront fees are recognised as revenue. Alternative judgements would result in different amounts of revenue being recognised at different times.	2.1
Capitalisation of internal development costs	The Group capitalises internal costs directly attributable to the development of both intangible and tangible assets. Management judgement is exercised in determining whether the projects meet the criteria for capitalisation. During the period, the Group has capitalised internal development costs amounting to £167.8m (FY22: £117.5m) and £32.7m (FY22: £63.9m) on intangible and tangible assets respectively.	3.3 3.4
Adjusting items	Management believes that separate presentation of the adjusting items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in determining the classification of certain transactions as adjusting items by considering the nature, occurrence and materiality of amounts involved in those transactions. Note 2.5 provides information on amounts disclosed as adjusting items in the current and comparative financial statements together with the Group's definition of adjusting items. These definitions have been applied consistently over the periods.	2.5

Key estimation uncertainties

Key areas of estimation uncertainty are the key assumptions concerning the future and other data points at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period.

Area	Estimation uncertainty	Notes
Fair value measurement – contingent consideration due from M&S	At the reporting date, the fair value of contingent consideration due from Marks and Spencer Holdings Limited ("M&S"), agreed on the disposal of 50% of Ocado Retail Limited ("Ocado Retail") to M&S in August 2019 is £28.0m. Under the terms of the disposal, a final payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the 'Target') being achieved for the FY23 financial year (the 'Contingent Consideration'). The contractual outcome is binary, meaning if the Target is achieved, it will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, assuming a payment date of August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m. The contractual arrangement with M&S expressly provides for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction. The actual FY23 performance is below the Target required for automatic payment of the Contingent Consideration. However, the Group has identified a number of significant decisions and actions taken by Ocado Retail management that it believes require adjustment to the Target under the terms of the contractual agreement with M&S. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m. The contract requires the shareholders to engage in good faith discussions concerning possible adjustments, and we intend to pursue that process, however there can be no assurance that an adjustment proposed by one party will be eventually accepted by another or that a wider agreement will be reached and if so formal legal proceedings may well result. It would be prudent to assume that in any negotiation or legal proceedings M&S would propose adjustments to the Target of their own. The fair value of £28.0m recorded in respect of the Contingent Consideration under IFRS 13 has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract reflecting the facts and circumstances that existed at the balance sheet date. It is management's belief that the fair value currently recorded is significantly lower than the amount that Ocado may receive at the point of settlement.	3.7 4.4
Impairment assessment – customer-level CGUs	The performance of the Group's impairment assessments requires management to make judgements in determining whether an asset or cash-generating unit ("CGU") shows any indicators of impairment that would require an impairment test to be carried out as well as identifying the relevant CGUs to be assessed. The Group has determined that assets directly associated with individual Solutions contracts (i.e. partner by partner) represent the lowest-level group of assets at which impairment can be assessed, i.e. the CGU. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates, and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. Key estimates used in the impairment test and sensitivities are disclosed in Note 3.4.	3.4

Notes to the consolidated financial statements continued

1.4 Critical accounting judgements and key sources of estimation uncertainty continued

Climate-related risks

The Group has considered the impact of climate change, particularly in the context of the climate-related risks identified in the TCFD disclosures as set out on pages 82 to 102, on its financial performance and position. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Group considered the impact of climate change in respect of going concern and viability of the Group over the next three years, forecast cash flows for the purposes of impairment assessments of non-current assets, and the useful lives of certain assets. Whilst there is currently little short to medium-term impact expected from climate change, the Directors are aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

1.5 Going concern basis

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude on whether or not it is appropriate to prepare financial statements on the going concern basis.

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Financial Review on pages 40 to 59. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Strategic Report on pages 1 to 115, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors as set out on pages 103 to 111.

At the reporting date, the Group had cash and cash equivalents of £884.8m (FY22: £1,328.0m), external gross debt of £1,943.4m (FY22: £1,887.6m) (excluding lease liabilities payable to MHE JVCo Limited of £16.5m (FY22: £17.5m)) and net current assets of £860.7m (FY22: £1,166.3m). The Group has a mixture of medium-term financing arrangements, including £600.0m of senior unsecured convertible bonds due in 2025, £500.0m of senior unsecured notes due in 2026 and £350.0m of senior unsecured convertible bonds due in 2027. The Group forecasts its liquidity and working capital requirements, and ensures it maintains sufficient headroom so as not to breach any financial covenants in its borrowing facilities, as well as maintaining sufficient liquidity over the forecast period.

Having had consideration for these areas, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 112.

Section 2 – Results for the period

2.1 Revenue

Accounting policies

Revenue represents the transaction prices to which the Group expects to be entitled in return for delivering goods or services to its customers. The amount of revenue recognised in any period is based on a judgement of when the customer is able to benefit from the goods or services provided, and an assessment of the progress made towards completely satisfying each performance obligation. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies for each of the by reportable segments. For information about reportable segments, see Note 2.2.

Retail segment

Revenue from online grocery orders

Revenue from online grocery orders is recognised at a point in time when the customer obtains control of the goods. For deliveries performed by the Group this usually occurs when the goods are delivered to and have been accepted at the customer's home. For goods that are delivered by third-party couriers, revenue is recognised when the items have been transferred to the third party for onward delivery to the customer. In both instances, there is a single performance obligation, which is the delivery of goods, and the total transaction price is allocated to the performance obligation.

Revenue from online grocery orders is presented net of returns, relevant marketing vouchers and offers, and value added taxes. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and offers such as buy three for the price of two. At the end of each reporting period, management reviews and adjusts the transaction price for elements of variable consideration such as expected refunds or expected voucher redemptions.

Revenue from Ocado Smart Pass

Ocado Smart Pass, the Group's discounted pre-pay membership scheme, is a separate contract with a customer and has a separate single performance obligation which is to provide delivery services for an agreed period of time. The Group applies the practical expedient allowed under IFRS 15 "Revenue from Contracts with Customers" to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar, and that doing so does not materially affect the financial statements.

Revenue from Ocado Smart Pass is recognised over the duration of the membership on a time-elapsed, straight-line basis.

Logistics segment

Revenues in the Logistics segment relate to the operation of automated warehouses and provision of associated supply chain and delivery services to our UK Partners, Wm Morrison Supermarkets Limited ("Morrisons") and Ocado Retail.

Revenue is earned from cost recharges, which are the recharge of variable and fixed costs incurred to provide fulfilment and delivery services. Additionally, a management fee is earned on the rechargeable costs. The business also generates revenue from capital recharges relating to certain material handling equipment ("MHE") assets used to provide logistics services to Ocado Retail which are eliminated on consolidation of the Group.

There is a single performance obligation, which is the provision of fulfilment and delivery services, and the total transaction price is allocated to the performance obligation.

Revenue is recognised as the services are provided to the UK Partners.

Technology Solutions segment

Revenues in the Technology Solutions segment relate to provision of the Ocado Smart Platform ("OSP") as a managed service to the Group's grocery retail Partners.

Identification of performance obligations

Each contract is considered on a case-by-case basis. A typical Ocado Solutions contract has a single performance obligation: "to enable the client to access the Ocado Smart Platform ("OSP") end-to-end online grocery platform from the go-live date, with an agreed physical capacity, from a CFC for example, for the use of its retail brands". The ability to derive independent benefit is a key determinant. For example, there are several critical contractual milestones that occur before the service is operational, such as the design of the CFC for the customer or preparation of the OSP. However, management has concluded that the customer is not able to derive any benefit from these individual elements until the service is operational and they are able to fulfil an order. Depending on the individual customer, fulfilment of an order may include the delivery of goods to the final consumer, and this would make up part of the obligation.

Consequently, designing the CFC or building the customer OSP is not a separate performance obligation and no revenue can be assigned to satisfying these aspects of the contract. Some contracts, however, have multiple components, for example the addition of in-store fulfilment ("ISF") services or additional CFCs, which lead to additional distinct performance obligations. In these situations, management uses its judgement to determine whether there are separable performance obligations from which the customer is able to benefit independently.

Determining transaction prices

At the inception of a contract, the total transaction price is estimated, being the amount to which the Group expects to be entitled over the expected duration of the contract, based on the rights it has under the present contract. Such expected amounts are only included to the extent that it is highly probable that no revenue reversal will occur.

Typically, contracts include both upfront fees, paid by the customer in the period prior to the solution going live, and subsequent annual amounts that are either recurring or variable. The upfront fees are one-off payments and are included in the transaction price and recognised over the expected customer life.

Expected customer life is a key judgement as it affects the amount of deferred upfront fees that are released as revenue each period, and the factors considered in reaching the judgement on expected customer life include the nature of the performance obligation, the scale of current and future planned investment, performance against contractual service-level agreements ("SLAs"), the evolving technology and competitive landscape. The judgements made for contract duration may be different to those judgements for expected customer life.

Variable amounts are annual fees whereby typically the variability relates to the volume of sales transactions processed or variable costs associated with providing the service to the customer. It has been determined that these variable amounts should be recognised in the period in which they arise, because they relate to the services provided in that period.

Taken together, it is considered that the above approach represents a suitably conservative view of future estimated revenue in the disclosures of unsatisfied performance obligations as required by IFRS 15.

For each contract an assessment has been made by the Group as to whether there is a significant finance benefit arising from the timing of payments required from the customer. Judgement is required to choose an appropriate interest rate used in the assessment and to set a reasonable threshold for determining whether any finance benefit is significant.

Allocation of transaction prices to performance obligations

Single component contracts have a single performance obligation and the whole transaction price is assigned to that single deliverable. Multiple component contracts will have more than one obligation, each with its own contract duration as adjudged by management. Each contract clearly states the fees relating to each component. This provides management with a basis for allocation of the calculated transaction price to each performance obligation based on the standalone selling price.

Notes to the consolidated financial statements continued

Revenue recognition
For each performance obligation and its allocated transaction price, revenue is recognised from the point at which the customer starts to benefit from the services, and over the period the services are provided.

The nature of the services provided, that is the ability to fulfil online grocery orders, represents equal value to the customer every day that the service is provided. This uniformity of value to the customer over time has led the Group to decide that the most appropriate way of measuring the satisfaction of obligations is by using a straight-line, time-elapsed basis. IFRS 15 defines this as an "output method", which recognises revenue by reference to the value to the customer.

Judgement is applied in relation to contract and customer lives, as typically contracts have no end date. Depending on the expected customer life, the amount and timing of revenue recognised may be different in different accounting periods. As the Solutions contracts with the international Partners are in the early stages of operation, the Directors have limited relevant historical information on which to base their assumptions on expected customer life. Therefore, in making their judgements, the Directors have considered qualitative and quantitative reasonable and supportable information such as market evidence and certain clauses contained within Solutions contracts.

Contract modifications
The Group's contracts may be amended for changes to specifications and requirements. Contract modifications exist when the amendment creates new, or changes existing, enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract.
b. Prospectively as a termination of the existing contract and creation of a new contract.
c. As part of the original contract using a cumulative catch-up.
d. As a combination of b and c.

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under a or b.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the reporting date, since management needs to determine if a modification has been approved and, if so, whether it creates new, or changes existing, enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in different accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management uses its judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Contract-related assets and liabilities
As a result of the contracts into which the Group enters with its customers, a number of different assets and liabilities are recognised on the Consolidated Balance Sheet. These include contract assets and liabilities.

Contract assets and liabilities
The Group's contracts with customers include a diverse range of payment schedules, depending upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the terms of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be made at the delivery dates, in arrears or through part-payments in advance. Where cumulative payments made (or when the Group has an unconditional right to payment) at the reporting date are greater than the cumulative revenues recognised, the Group recognises the differences as contract liabilities. Where cumulative payments made at the reporting date are less than the cumulative revenues recognised, and the Group has an unconditional right to payment, the Group recognises the differences as contract assets or accrued income.

For the summary of revenue recognised by segment, refer to Note 2.2.

Below is a summary of timing of revenue recognition:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 (restated[1]) £m
At a point in time	**2,386.7**	2,179.9
Over time	**438.3**	336.9
	2,825.0	2,516.8

Revenue split by geographical area:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 (restated[1]) £m
UK	**2,449.4**	2,369.0
Overseas	**375.6**	147.8
	2,825.0	2,516.8

1. Refer to Note 1.2 for details.

No individual overseas region or country contributed more than 10% of total revenue.

Notes to the consolidated financial statements continued

2.1 Revenue continued

Contract balances

	3 December 2023 £m	27 November 2022 £m
Trade receivables	**62.7**	59.6
Accrued income	**4.4**	14.2
Contract liabilities – current	**(38.6)**	(29.1)
Contract liabilities – non-current	**(408.1)**	(393.8)

Contract liabilities
The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied. The movement in contract liabilities during the current and prior period is:

	Note	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Balance at beginning of period		**(422.9)**	(378.5)
Recognised on acquisition of subsidiaries	3.1	**(9.2)**	–
Amount invoiced		**(47.6)**	(69.1)
Amount recognised as revenue		**33.0**	24.7
Balance at end of period		**(446.7)**	(422.9)

£28.6m (FY22: £24.7m) of revenue recognised during the period was included in contract liabilities at the beginning of the period and £4.4m relates to revenue recognised from acquisition in the year (FY22: £nil).

Future transaction price
As well as the amounts currently held as contract liabilities, the Group anticipates receiving £172.2m (FY22: £152.4m) over the next four years in respect of upfront fees that are contracted but not yet due. These amounts represent the aggregate amount of contracted transaction price allocated to the committed performance obligations that are unsatisfied or partially satisfied as at the period end. The amounts received and to be received in respect of these performance obligations will be recognised in revenue from the go-live date over the estimated customer life. The total transaction price that the Group will earn over the estimated customer life also includes ongoing fees. These fees have been excluded from the disclosure as the Group has taken the practical expedient under IFRS 15.121(b) for revenues recognised in line with the invoicing.

2.2 Segmental reporting

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

To better reflect the structure of the Group's businesses, commencing FY23, the Group changed the reporting structure of its operating segments to align with the three underlying business models: Retail, Logistics and Technology Solutions:

- The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and relates entirely to the Ocado Retail joint venture.
- The Logistics segment provides the CFCs and logistics services for customers in the United Kingdom (Wm Morrison Supermarkets Limited and Ocado Retail Limited).
- The Technology Solutions segment provides end-to-end online retail and automated storage and retrieval solutions for general merchandise to corporate customers both in and outside of the United Kingdom.

The 2023 segmental disclosures have been prepared to reflect the above structure, with the prior period comparatives restated on this basis.

Inter-segment eliminations relate to revenues and costs arising from inter-segment transactions, and are required to reconcile segmental results to the consolidated Group results.

Any transactions between the segments are subject to normal commercial terms and market conditions. Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group is not currently reliant on any major customer for 10% or more of its revenue.

	Retail £m	Logistics £m	Technology Solutions £m	Group eliminations £m	Total £m
53 weeks ended 3 December 2023					
Revenue	**2,408.8**	**680.5**	**429.0**	**(693.3)**	**2,825.0**
Adjusted EBITDA*	**12.1**	**30.8**	**15.6**	**(4.3)**	**54.2**
52 weeks ended 27 November 2022 – restated					
Revenue	2,203.0	662.9	291.4	(640.5)	2,516.8
Adjusted EBITDA*	(4.0)	33.6	(101.5)	(2.2)	(74.1)

* See Alternative Performance Measures on pages 302 and 303 for further information.

No measure of total assets and total liabilities is reported for each reportable segment, as such amounts are not provided to the CODM.

2.3 Operating costs

Accounting policies
The accounting policies for key items included within Operating Costs are set out below.

Commercial income
The Group has agreements with suppliers whereby (i) promotional allowances and (ii) volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. The allowances and rebates are included in the operating costs. For the period, promotional allowances are £124.9m or 85% (FY22: £113.7m or 88%) of commercial income, with rebates of £22.6m or 15% (FY22: £16.2m or 12%).

(i) Promotional allowances
Operating costs includes monies received from suppliers in relation to the agreed funding of selected items that are sold by the Group on promotion, and these are recognised once the promotional activity has taken place in the period to which it relates on an accruals basis. The estimates required for this source of income are limited because the time periods of promotional activity, in most cases, are less than one month and the invoicing for the activity occurs on a regular basis shortly after the promotions have ended.

During the period, the Group has reassessed the classification of media and other income, previously reported as Other Income. As some of the income is earned through supplier promotions, management has determined that it is appropriate to net it against related costs. Therefore, all of these balances are now reported within operating costs.

Notes to the consolidated financial statements continued

2.3 Operating costs continued

(ii) Volume-related rebates

At the reporting date, the Group is required to estimate supplier income due from annual agreements for volume-related rebates that cross the reporting date. Estimates are required since confirmation of some amounts due is often only received three to six months after the reporting date. Where estimates are required, these are based on current performance, historical data for prior periods and a review of significant supplier contracts.

Some of the media and other income which has been reassessed by management during the period relates to receipts of a volume discount. Management is now reporting all of these balances within operating costs.

(iii) Uncollected commercial income

Uncollected commercial income at the reporting date is recognised within trade and other receivables. Where commercial income has been earned, but not invoiced at the reporting date, the amount is recorded in accrued income.

Operating costs include:

	Notes	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Cost of inventories recognised as an expense		**1,802.4**	1,650.9
Employment costs	2.4	**766.7**	690.6
Amortisation of intangible assets	3.3	**125.0**	114.7
Impairment of intangible assets[1]	3.3	**0.5**	3.6
Depreciation of property, plant and equipment	3.4	**187.9**	154.4
Impairment of property, plant and equipment[1]	3.4	**41.2**	9.3
Gain on disposal of asset held for sale	3.8	**(5.0)**	–
Depreciation of right-of-use assets	3.5	**70.4**	66.0
Impairment of right-of-use assets[1]	3.5	**27.7**	0.6
Increase in expected credit loss of trade receivables	3.10	**0.8**	3.8
Expense relating to short-term leases and leases of low-value assets	3.5	**3.3**	3.2
Net foreign exchange (gain)/loss		**(0.3)**	1.4
Rental income		**(6.8)**	(10.4)

1. The amount disclosed includes impairment charges in respect of other intangible assets of £0.3m (FY22: £nil), property, plant and equipment of £19.5m (FY22: £nil) and right-of-use assets of £27.7m (FY22: £nil), which are included in adjusting items.

During the period, the Group paid the following to its auditor:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Audit of the Company's annual financial statements	**0.1**	0.1
Audit of the Company's subsidiaries	**2.1**	2.1
Total audit fees	**2.2**	2.2
Audit-related assurance services	**0.2**	0.2
Other assurance services	**0.1**	–
Total non-audit fees	**0.3**	0.2
Total fees	**2.5**	2.4

2.4 Employee information

Accounting policies

The Group contributes to the personal pension plans of its employees through Group Personal Pension Plans administered by Legal & General. Contributions are charged to the Consolidated Income Statement in the period to which they relate. The Group has no further payment obligations once its contributions have been paid.

	Notes	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Wages and salaries		**830.9**	759.9
Social security costs		**76.0**	73.0
Defined contribution pension costs		**24.6**	23.2
Share-based payment charge[1]	4.7	**35.7**	15.9
Gross employment costs		**967.2**	872.0
Staff costs capitalised as intangible assets	3.3	**(167.8)**	(117.5)
Staff costs capitalised as property, plant and equipment	3.4	**(32.7)**	(63.9)
Employment costs		**766.7**	690.6

1. Included in the share-based payment charge is an equity-settled charge of £33.3m (FY22: £42.0m) and a net increase of provisions of £2.4m (FY22: £26.1m net release in provisions) for the payment of employer's National Insurance contributions ("NIC") on taxable employee incentive schemes.

Average monthly number of employees (including Executive Directors) by function

Operational staff	**16,483**	16,712
Support staff	**4,769**	4,687
	21,252	21,399

Notes to the consolidated financial statements continued

2.5 Adjusting items*

Accounting policies

Adjusting items, as disclosed on the face of the Consolidated Income Statement, are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily. The Group applies judgement in identifying the items of income and expense that are recognised as adjusting.

	Ref.	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Andover CFC	A		
• Insurance reimbursement income		–	67.4
• Other adjusting costs		–	(3.4)
		–	64.0
Erith CFC insurance reimbursement income	B	–	6.4
Litigation costs net of recoveries	C	**(5.0)**	(26.5)
Litigation settlement	C	**186.5**	–
Ocado Group Finance transformation	D	**(7.6)**	(7.0)
Ocado Retail IT and Finance systems transformation	E	**(2.6)**	(4.0)
Loss on disposal of Speciality Stores Limited ("Fetch")	F	–	(1.4)
Change of fair value of contingent consideration receivable and related costs	G	**(68.1)**	(58.4)
Organisational restructure	H	**(15.5)**	(3.0)
UK network capacity review	I	**(32.2)**	–
Zoom by Ocado network capacity and strategy review	J	**(27.4)**	–
Ocado Group HR system transformation	K	**(2.0)**	–
Acquisition costs of 6 River Systems LLC ("6RS")	L	**(2.2)**	–
Net adjusting income/(expense)		**23.9**	(29.9)

* Adjusting items are alternative performance measures. See Alternative Performance Measures on pages 302 to 303.

A. Andover CFC

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

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses.

During the prior period, the Group reached an agreement with the insurers for the final settlement of the insurance claim for a total of £273.8m, which resulted in an additional insurance reimbursement income of £67.4m in the prior period. This concluded the Andover insurance fire claim.

Other adjusting costs include, but are not limited to, write-off of certain assets, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative adjusting costs recognised, across all periods, totalled £124.9m.

B. Erith CFC

In July 2021, a fire damaged part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims were formally accepted by the insurer.

During the prior period, an agreement was reached with the insurers for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3m. A final payment of £6.4m was received during the prior period and was recognised as an insurance reimbursement income in FY22. The receipt of the £6.4m concluded the Erith fire claim.

C. Litigation costs and litigation settlement

Litigation costs are costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). The gross costs during the period amount to £11.7m (FY22: £26.5m), which have been offset by £6.7m (FY22: £nil) received in relation to cost recovery as a result of court judgements as detailed below. The net litigation cost for the period is, therefore, £5.0m (FY22: £26.5m).

Following Ocado's victory in the UK High Court, on 29 June 2023 the UK High Court issued a formal order stating that Ocado infringes none of AutoStore's patents and that AutoStore's bot patents are invalid and revoked. The UK High Court also ordered AutoStore to pay Ocado £6.7m in costs in relation to the UK High Court trial. As usual in patent cases, AutoStore was given leave to appeal. The amount received was £6.7m and is included in the net litigation costs for the period. The net cumulative costs to date amount to £62.2m.

Furthermore, on 22 July 2023, the Group reached an agreement with AutoStore to settle all patent litigation and cross-licence pre-2020 patents, for which AutoStore undertook to pay the Group a total of £200m in 24 monthly instalments, beginning July 2023. The settlement has been recorded as a receivable measured initially at fair value and subsequently at amortised cost. The settlement receivable initially recognised was £180.4m and has been recorded within Insurance and Legal Settlement Proceeds in the Consolidated Income Statement. The unwinding of the discount over the life of the receivable is recorded as finance income with £6.1m recorded in the current period. During the period, payments totalling £41.7m have been received. All amounts are classified as adjusting items, in line with the Group's adjusting items policy, as the amounts are material, and represent income unrelated to operating activities of the Group.

D. Ocado Group Finance transformation

Subsequent to the Group's implementation of various Software as a Service ("SaaS") solutions in FY21, the Group has undertaken a multi-year programme which focuses on optimising and enhancing the existing SaaS solutions and related finance processes to improve efficiency across the business. This programme is expected to complete in 1H24. The cumulative finance transformation costs expensed to date amount to £14.6m and include £7.6m in FY23 which largely relate to spend on external consultants and contractors. These amounts have been disclosed as adjusting items because the total costs associated with this programme are significant and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

E. Ocado Retail IT and Finance systems transformation

In FY21, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until FY24, includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition criteria will be expensed. The costs incurred during the current period amount to £1.5m (FY22: £4.0m), and the cumulative costs expensed to date total to £10.1m. These costs have been classified as adjusting because they are expected to be significant and result from a transformational activity which is considered only incremental to the core activities of the Group.

In the current period, Ocado Retail implemented a finance system transformation programme as part of which it replaced the current Enterprise Resource Planning ("ERP") with Oracle Fusion. The cumulative costs incurred to date are £1.1m and the programme will continue into FY24.

F. (Loss)/gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited, resulting in a gain on disposal of £1.0m in FY21.

During the prior period, a provision of £1.4m was made against the deferred consideration based on the likelihood of receipt.

G. Change in fair value of contingent consideration and related costs

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks & Spencer Holdings Limited ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss ("FVTPL"), and revalues it at each reporting date. A loss on revaluation of £67.4m (FY22: £58.4m loss) is reported through adjusting items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to Note 3.7 for details.

The Group has engaged specialists in order to support the identification and quantification of proposed adjustments to the contingent consideration Target, incurring costs during the period of £0.7m. As these costs have been incurred in the process of securing an adjusting income, these costs have been classified as adjusting.

H. Organisational restructure

During the period, the Group undertook a partial reorganisation of its head office and support functions resulting in redundancies and related costs of £15.5m. This followed an initial reorganisation in FY22 which incurred costs of £3.0m, with net cumulative costs to date of £18.5m.

These costs have been classified as adjusting on the basis that the aggregate costs are considered to be significant and resulted from a strategic restructuring which is not part of the normal operating activities of the Group.

Notes to the consolidated financial statements continued

2.5 Adjusting items* continued

I. UK network capacity review
On 25 April 2023, the Group announced the plan to cease operations at its CFC in Hatfield as part of a wider review of UK network capacity.

As a result, the Group has recorded impairment charges of £20.3m, of which £7.0m relates to property, plant and equipment, £13.2m to right-of-use assets and £0.1m to other intangible assets. Total costs recorded also include restructuring costs of £6.8m and other related costs of closure of £5.1m, which were provided for. Refer to Note 3.13 for further details.

These costs have been classified as adjusting on the basis that they are material and relate primarily to a site where no ongoing trading activities will take place.

J. Zoom by Ocado network capacity and strategy review
During the period, Ocado Retail undertook a strategy and capacity review for the Zoom network, which resulted in the Group recording impairment charges totalling £27.2m, of which £12.5m relates to property, plant and equipment, £14.5m to right-of-use assets and £0.2m to other intangible assets, and other costs of £0.2m.

These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review.

K. Ocado Group HR system transformation
Following a review of the Group's Human Capital Management ("HCM") and payroll systems the Group has commenced a plan to implement new HCM and payroll systems for its Logistics business and to optimise and enhance its existing payroll solutions for the Technology Solutions business.

This programme is expected to complete in 1H25. The cumulative HR systems transformation costs expensed to date amount to £2.0m which largely relate to spend on external consultants and contractors. These amounts have been disclosed as adjusting items because the total costs associated with this programme are expected to be in the region of £15.0m and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

L. Acquisition costs of 6 River Systems LLC
On 4 May 2023, the Group announced that it has reached an agreement with Shopify Inc. to acquire 6RS, a collaborative autonomous mobile robot ("AMR") fulfilment solutions provider to the logistics and non-grocery retail sectors, based in the US. The acquisition was completed on 30 June 2023 for consideration of US$12.7m (£10.0m); refer to Note 3.1 for further details.

A total of £2.2m acquisition-related costs have been incurred and treated as adjusting as they are significant and resulted from a strategic investment that is not part of the normal operating costs of the business. The costs have been recognised within operating costs in the Consolidated Income Statement.

Tax impacts on adjusting items
The change in fair value of contingent consideration receivable is not subject to tax. The remaining adjusting items are taxable or tax deductible and give rise to a tax charge of £nil (FY22: tax credit of £0.8m). A further tax charge of £21.7m (FY22: charge of £6.4m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

2.6 Finance income and costs

Accounting policies
Finance income and costs
Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise interest expenses on borrowings, lease liabilities and provisions. The interest expense on borrowings is recognised using the effective interest method. The interest expense on lease liabilities is recognised over the lease periods so as to produce constant periodic rates of interest on the remaining balances of the liabilities.

	Notes	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Interest income on cash balances		**39.6**	12.5
Interest income on loans receivable		**1.0**	1.0
Unwind of discount on AutoStore receivable	2.5, 3.10	**6.1**	–
Other finance income		**0.1**	–
Finance income		**46.8**	13.5
Interest expense on borrowings		**(69.8)**	(61.3)
Interest expense on lease liabilities		**(25.7)**	(28.3)
Interest expense on provisions		**(1.2)**	(0.4)
Other finance costs		**(0.3)**	–
Finance costs		**(97.0)**	(90.0)
(Loss)/gain on revaluation of financial instruments designated at FVTPL		**(6.5)**	11.9
(Loss)/gain on foreign exchange		**(13.3)**	16.4
Other finance gains and losses		**(19.8)**	28.3
Net finance cost		**(70.0)**	(48.2)

Notes to the consolidated financial statements continued

2.7 Income tax

Accounting policies
The tax charge for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax
Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement.

Deferred tax
Deferred tax is recognised using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The recognition of deferred tax assets is supported by management's forecast of the future profitability of the relevant countries. Judgement is used when assessing the extent to which deferred tax assets should be recognised, and the final outcome of some of these judgements may give rise to material profit and loss and/or cash flow variances. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Factors that may affect future tax charges
Factors that may affect future tax charges include the level and mix of profitability in different countries, changes in tax legislation and tax rates, and transfer pricing regulations.

Income tax – Consolidated Income Statement
The major components of income tax (credit)/charge are as follows:

	53 weeks ended 3 December 2023 £m			52 weeks ended 27 November 2022 £m		
	United Kingdom	**Rest of world**	**Total**	United Kingdom	Rest of world	Total
Current tax						
Current year	**3.2**	**1.5**	**4.7**	(8.0)	0.8	(7.2)
Current tax charge/(credit) on adjusting items	**–**	**–**	**–**	(0.8)	–	(0.8)
Adjustment in respect of prior years	**–**	**0.7**	**0.7**	0.4	(0.6)	(0.2)
Total current tax	**3.2**	**2.2**	**5.4**	(8.4)	0.2	(8.2)
Deferred tax						
Origination and reversal of temporary differences	**(1.8)**	**(18.1)**	**(19.9)**	(13.2)	(0.8)	(14.0)
Effect of change in tax rate	**–**	**–**	**–**	–	0.1	0.1
Adjustments in respect of prior years	**(2.1)**	**0.4**	**(1.7)**	(1.2)	3.8	2.6
Total deferred tax	**(3.9)**	**(17.7)**	**(21.6)**	(14.4)	3.1	(11.3)
Total tax (credit)/charge	**(0.7)**	**(15.5)**	**(16.2)**	(22.8)	3.3	(19.5)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Loss before tax	**(403.2)**	(500.8)
Effective tax credit at United Kingdom tax rate of 23.0% (FY22: 19.0%)	**(92.7)**	(95.2)
Effect of:		
Differences in overseas tax rates	**(3.2)**	0.3
Losses arising in period on which no deferred tax is recognised	**30.6**	38.7
Temporary differences on which no deferred tax is recognised	**26.8**	16.0
Recognised tax losses from prior periods	**–**	(0.4)
Permanent differences	**28.7**	33.5
Impact of tax rate changes	**(5.4)**	(14.9)
Adjustments in respect of prior periods	**(1.0)**	2.5
Income tax credit	**(16.2)**	(19.5)

The adjustments in respect of prior periods arise from revising the prior period's tax provision to reflect the tax returns subsequently filed.

Income tax – Consolidated Balance Sheet

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Deferred tax assets	**0.9**	1.9
Deferred tax liabilities	**–**	(14.7)
Net deferred tax assets/(liabilities)	**0.9**	(12.8)

The major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior financial years are as follows:

	Tax losses carried forward £m	**Accelerated capital allowances £m**	**Intangibles £m**	**Share-based payments £m**	**Other short-term temporary differences £m**	**Total £m**
Balance at 29 November 2021	30.5	2.0	(50.7)	6.2	(5.2)	(17.2)
Foreign exchange movements	0.8	–	(1.8)	0.1	–	(0.9)
Effect of change in rate of UK corporation tax	(1.4)	1.3	–	–	–	(0.1)
Credited/(charged) to Consolidated Income Statement	30.5	(28.7)	10.3	(5.1)	4.4	11.4
Charged to Other Comprehensive Income	–	–	–	–	(7.2)	(7.2)
Credited to equity	–	–	–	0.9	–	0.9
Acquisition of subsidiaries	0.3	–	–	–	–	0.3
Balance at 28 November 2022	60.7	(25.4)	(42.2)	2.1	(8.0)	(12.8)
Foreign exchange movements	**(3.6)**	**3.3**	**0.8**	**–**	**0.1**	**0.6**
Credited/(charged) to Consolidated Income Statement	**38.8**	**(15.6)**	**(1.4)**	**(1.6)**	**0.8**	**21.0**
Charged to Other Comprehensive Income	**–**	**–**	**–**	**–**	**(4.6)**	**(4.6)**
Credited to equity	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**(3.4)**	**(3.4)**
Balance at 3 December 2023	**95.9**	**(37.7)**	**(42.8)**	**0.6**	**(15.1)**	**0.9**

Notes to the consolidated financial statements continued

2.7 Income tax continued

Other short-term timing differences include temporary differences in respect of provisions and fair value of investments.

Deferred tax has been recognised at 25%, as this is the rate of UK corporation tax with effect from 1 April 2023.

At the reporting date, the Group had £1,550.1m of unutilised tax losses (FY22: £973.9m) available to offset against future profits. Deferred tax assets of £95.9m (FY22: £60.7m) have been recognised in respect of £383.7m (FY22: £244.2m) of such losses, the recovery of which is supported by the expected level of future profits of the Group. The recognition of the deferred tax assets is based on forecast operating results calculated in approved business plans and a review of tax planning opportunities.

In addition, the Group had £449.3m (FY22: £374.0m) of other gross deductible temporary differences for which no deferred tax asset is recognised.

No deferred tax asset has been recognised in respect of the remaining losses on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. With the exception of £29.8m which expire in 2041 and £11.0m which expire in 2042, all tax losses, both recognised and unrecognised, can be carried forward indefinitely.

Management has concluded that there is sufficient evidence for the recognition of the deferred tax assets of £0.9m (FY22: £1.9m).

The amount of temporary differences associated with overseas subsidiaries for which no deferred tax has been provided is not material.

Deferred tax assets of £0.3m (FY22: £4.2m) have been recognised in countries that reported a tax loss in either the current or preceding year. The majority arises overseas (FY22: the majority arose overseas).

The current period amount for current tax assets is £1.5m and current tax payable is £0.9m. In the prior period, current tax asset of £12.3m was presented within trade and other receivables. See Note 3.10 for details.

Changes in tax law or its interpretation
The Group is aware of the upcoming Global Anti-Base Erosion Model Rules ("GloBE Rules") in relation to Base Erosion and Profit Shifting ("BEPS") Pillar Two. The rules will apply from January 2024, at which time the Group is expected to fall within scope. To date, the Group does not materially operate in low tax jurisdictions and will continue to monitor application of the rules and the potential impact on the Group. An initial review of the rules indicates that we would not expect a material impact to the Group tax charge.

The Group has applied the exemption to recognising and disclosing information about deferred tax in relation to Pillar Two.

2.8 Loss per share

The basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme ("JSOS") and linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP"), which are accounted for as treasury shares.

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all potentially dilutive shares. The Company has five classes of instruments that are potentially dilutive: share options; share interests held pursuant to the Group's JSOS; linked JOE awards under the Group VCP; and shares under the Group's staff incentive plans; and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of the basic and diluted loss per share since the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	53 weeks ended 3 December 2023 million	52 weeks ended 27 November 2022 million
Weighted average number of shares at end of period	**816.5**	772.9
	£m	£m
Loss attributable to owners of the Company	**(314.0)**	(455.5)
	pence	pence
Basic and diluted loss per share	**(38.44)**	(58.93)

Section 3 – Assets and liabilities

3.1 Business combinations

Accounting policies
The acquisition method of accounting is used for the acquisition of businesses. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the date the Group assumes control of the acquiree.

Acquisition-related costs are recognised in the Consolidated Income Statement as incurred and are included in operating costs.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from agreed contingent consideration measured at fair value at the date control is achieved. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Business combinations in the current period
6 River Systems LLC
On 30 June 2023, the Group acquired 100% of the issued share capital of 6RS, a collaborative AMR fulfilment solutions provider to the logistics and non-grocery retail sectors, based in the US. The acquisition brings new IP and possibilities to the wider Ocado technology estate, as well as valuable commercial and R&D expertise in non-grocery retail segments.

The total consideration was $12.7m (£10.0m). Goodwill represents the future benefit of new technology, combined talent and cost saving synergies with the AMR solutions.

Consideration transferred

	£m
Cash paid	10.0
	10.0

Fair value of assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of 6RS as at the date of acquisition were:

	£m
Assets	
Intangible assets	2.0
Property, plant and equipment	5.2
Right-of-use assets	0.3
Trade and other receivables	10.2
Other current assets	11.2
	28.9
Liabilities	
Deferred tax liabilities	(3.4)
Trade and other payables	(6.1)
Contract liabilities	(9.2)
Contingent liabilities	(1.0)
	(19.7)
Total identifiable net assets at fair value	**9.2**
Consideration transferred	10.0
Less fair value of identifiable net assets	(9.2)
Goodwill	**0.8**

The amount of gross trade receivables acquired was £10.6m. Management's best estimate at acquisition date of contractual cash flows not expected to be collected was £1.9m. The fair value of these trade receivables at acquisition date was £8.7m.

Acquisition-related costs
A total of £2.2m acquisition-related costs were incurred for the acquisition of 6RS which has been recognised within operating costs in the Consolidated Income Statement.

Notes to the consolidated financial statements continued

3.1 Business combinations continued

Contribution to Consolidated Income Statement
The contribution of the business to revenue and loss before tax were £10.4m and £0.3m respectively. If the acquisition had occurred at the start of the current period, the Group's revenue and loss before tax would have increased by £20.8m and £0.6m respectively.

Analysis of cash flow on acquisition of 6RS
Cash flows on acquisition amounted to the £10.0m of consideration paid. Cash flows in relation to acquisition costs have been recognised in operating cash flows.

Business combinations in the prior period
Myrmex Inc.
On 6 June 2022, the Group acquired 100% of the issued share capital of Myrmex Inc. ("Myrmex"), a materials handling robotics start-up incorporated in the US that combines the use of intelligent robotics to industry standard assets to enhance order fulfilment. The Group previously acquired a 12.2% minority stake in Myrmex in October 2020 and appointed it to design and develop a proprietary solution that automates the loading of totes containing customer orders onto frames ready for dispatch ("Automated Frameload" or "AFL").

Fair value of assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Myrmex as at the date of acquisitions were:

	£m
Assets	
Intangible assets	1.6
Property, plant and equipment	0.1
Deferred tax assets	0.4
Trade and other receivables	0.2
Cash and cash equivalents	0.4
	2.7
Liabilities	
Trade and other payables	(0.2)
	(0.2)
Total identifiable net assets at fair value	2.5
Consideration transferred	7.3
Fair value of investment previously held at FVTPL	0.9
Less fair value of identifiable net assets	(2.5)
Goodwill	**5.7**

During the period, deferred consideration of £1.4m was paid. This comprises part of the £7.3m consideration transferred together with the £5.9m cash paid in the prior period.

3.2 Goodwill

Accounting policies
Goodwill arises on the acquisition of a business when the fair value of the consideration exceeds the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but subject to annual impairment reviews. Goodwill generated from an acquisition is allocated to and monitored at an operating segment level.

Following initial recognition, goodwill is stated at costs less any accumulated impairment losses. Goodwill is reviewed annually for impairment and the recoverability of goodwill assessed by comparing the carrying amount of the CGU with the expected recoverable amount. Impairment is recognised where there is a difference between the carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed.

Impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs of disposal and value in use at the date the impairment review is undertaken. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Carrying amount of goodwill as at 3 December 2023 is as follows:

	Note	Goodwill £m
Cost		
At 28 November 2021		144.8
Additions	3.1	5.7
Effect of changes in foreign exchange rates		14.2
At 27 November 2022		164.7
Additions	3.1	**0.8**
Effect of changes in foreign exchange rates		**(6.9)**
At 3 December 2023		**158.6**

Goodwill – Impairment testing
Goodwill generated from an acquisition is allocated to an operating segment level as this represents the lowest level at which goodwill is monitored by management. Management considers each segment to represent a group of CGUs.

During the year, the Group changed the reporting structure of its operating segments to align with the three underlying business models: Retail, Logistics and Technology Solutions (see Note 2.2 for details). As a result of the change in segments, goodwill is now allocated to a single segment, Technology Solutions.

The recoverable amounts of the group of CGUs is the higher of fair value less costs of disposal ("FVLCD") and value in use. Management concluded that FVLCD was more appropriate for determining the recoverable amount of the group of CGUs because the Group's cash flows are mainly based on future growth expectation from CFC commitments/expected capital investments.

FVLCD has been estimated using present value techniques using a discounted cash flow method. The fair value method relies on unobservable inputs where there is little market activity for the asset and are therefore categorised at level 3 in the fair value hierarchy. However, those unobservable inputs are determined using market participants' view.

The key assumptions used by management in estimating FVLCD were:

- **Discount rates** – based on the Weighted Average Cost of Capital ("WACC") of a typical market participant. The post-tax discount rate used was 11.7% (FY22: 11.0%). The discount rate has increased, reflecting market volatility in risk-free rate and equity risk premium inputs.
- **Forecast cash flows** – based on assumptions from the approved budget and 5-year plan, with projections extending to 10 years for the Technology Solutions segment. The projections, which incorporate the Directors' best estimates of future cash flows and take into account future growth and price increases, and the Directors believe the estimates are appropriate.
- **Long-term growth rates** – A long-term growth rate of 2.0% (FY22: 2.0%) was used for cash flows outside the plan projections.

The impairment assessment resulted in a significant headroom in the group of CGUs that comprise the Technology Solutions segment and no impairment has been recognised. Any reasonably possible change in any of the key assumptions does not erode the headroom.

Notes to the consolidated financial statements continued

3.3 Other intangible assets

Accounting policies

Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised using the straight-line method over the useful lives from the time they are first available for use.
The estimated useful lives vary according to the specific assets, but are typically:

Internally generated intangible assets	3 – 15 years
Other intangible assets	3 – 15 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Cost capitalisation

The cost of an internally generated intangible asset is capitalised as an intangible asset where management determines that the ability to develop the asset is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. Management determines whether the nature of the projects meets the recognition criteria to allow for the capitalisation of internal costs, which include the total cost of any external products or services and labour costs directly attributable to development. During the period, management has considered whether costs in relation to the time spent on specific software projects can be capitalised. Time spent that was eligible for capitalisation included time, which was intrinsic to the development of new assets, CFCs, and the enhancement and efficiency improvements of existing warehouse system capabilities to accommodate expanding capacity and scalable opportunities. Time has also been spent on the ongoing implementation and integration of the functionality of OSP used by the Group's Partners/customers.

Other development costs that do not meet the above criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are never capitalised in subsequent periods.

Research costs are recognised as expenses as incurred. These are costs that contribute to gaining new knowledge, which management assesses as not satisfying the capitalisation criteria. Examples of research costs include the following: salaries and benefits of employees assessing and analysing future technologies and their likely viability, and professional fees such as marketing costs and the cost of third-party consultancy.

Internally generated intangible assets consist primarily of costs relating to intangible assets that provide economic benefit independent of other assets, and intangible assets that are utilised in the operation of property, plant and equipment. These intangible assets are required for certain tangible assets to operate as intended by management. Management assesses each material addition of an internally generated intangible asset and considers whether it is integral to the successful operation of a related item of hardware, can be used across a number of applications and, therefore, whether the asset should be recognised as an intangible asset. If the asset could be used on other existing or future projects it will be recognised as an intangible asset. For example, should an internally generated intangible asset, such as the software code to enhance the operation of existing equipment in a CFC, be expected to form the foundation or a substantial element of future software development, it will be recognised as an intangible asset.

Estimation of useful life

The periodic amortisation charge is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced amortisation charge in the Consolidated Income Statement.

The useful life is determined by management at the time software is acquired and brought into use, and is reviewed for appropriateness regularly. For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software.

For unique software products developed and controlled by the Group, useful life is based on historical experience with similar products as well as anticipation of future events that may affect their useful life, such as changes in technology.

Impairment of intangible assets

For intangible assets the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment charge been recognised for the asset in prior periods. A reversal of an impairment charge is recognised immediately as income.

Carrying amount of other intangible assets as at 3 December 2023 is as follows:

	Internally generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 28 November 2021	452.1	78.8	530.9
Additions	24.2	3.2	27.4
Internal development costs capitalised	116.4	1.1	117.5
On acquisition of subsidiaries (Note 3.1)	1.6	–	1.6
Reclassification	(3.6)	0.8	(2.8)
Disposals	(0.1)	–	(0.1)
Effect of changes in foreign exchange rates	0.3	7.6	7.9
At 27 November 2022	590.9	91.5	682.4
Additions	**16.4**	**21.8**	**38.2**
Internal development costs capitalised	**166.4**	**1.4**	**167.8**
On acquisition of subsidiaries (Note 3.1)	**2.0**	**–**	**2.0**
Effect of changes in foreign exchange rates	**0.1**	**0.6**	**0.7**
At 3 December 2023	**775.8**	**115.3**	**891.1**
Accumulated amortisation			
At 28 November 2021	(155.4)	(30.3)	(185.7)
Charge for the period	(98.2)	(16.5)	(114.7)
Impairment charge	(3.4)	(0.2)	(3.6)
Effects of changes in foreign exchange rates	–	(1.2)	(1.2)
At 27 November 2022	(257.0)	(48.2)	(305.2)
Charge for the period	**(109.9)**	**(15.1)**	**(125.0)**
Impairment charge	**(0.3)**	**(0.2)**	**(0.5)**
Effect of changes in foreign exchange rates	**0.1**	**0.8**	**0.9**
At 3 December 2023	**(367.1)**	**(62.7)**	**(429.8)**
Net book value			
At 27 November 2022	333.9	43.3	377.2
At 3 December 2023	**408.7**	**52.6**	**461.3**

At the end of the period, included within intangible assets is capital work-in-progress for internally generated intangible assets of £153.3m (FY22: £72.8m) and £6.5m (FY22: £4.1m) for other intangible assets.

Notes to the consolidated financial statements continued

3.4 Property, plant and equipment

Accounting policies

Property, plant and equipment (excluding land) are stated at cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, any costs attributable to bringing the asset to its working condition for its intended use, and major spares.

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives, is charged to operating costs and is calculated based on the useful lives indicated below:

Freehold buildings	up to 30 years
Fixtures and fittings	5 – 10 years
Plant and machinery	3 – 20 years
Motor vehicles	2 – 7 years

Land is held at cost and not depreciated.

Assets in the course of construction are held at cost, less any recognised impairment charge. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other assets.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount, and are recognised within operating profit.

Estimation of useful life

The charge in respect of periodic depreciation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Group's assets are determined by management at the time the assets are acquired, and reviewed at least once a year for appropriateness. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Income Statement.

Management also assesses the useful lives based on historical experience with similar assets, as well as anticipation of future events that may affect their useful lives, such as changes in technology. A review of useful lives took place during the period, and no change in useful lives was required.

Impairment of property, plant and equipment

For property, plant and equipment the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment charge been recognised for the asset in prior periods. A reversal of an impairment charge is recognised immediately as income.

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 28 November 2021	122.6	1,431.9	8.8	1,563.3
Additions	92.5	494.4	1.6	588.5
Internal development costs capitalised	–	63.9	–	63.9
Recognised on acquisition of subsidiaries	–	0.1	–	0.1
Reclassification	1.3	0.6	0.9	2.8
Disposals	(3.7)	(7.5)	–	(11.2)
Effect of changes in foreign exchange rates	0.1	39.4	–	39.5
At 27 November 2022	212.8	2,022.8	11.3	2,246.9
Additions	**19.1**	**261.3**	**1.2**	**281.6**
Internal development costs capitalised	**–**	**32.7**	**–**	**32.7**
Recognised on acquisition of subsidiaries	**–**	**5.2**	**–**	**5.2**
Reclassification[1]	**–**	**(12.5)**	**–**	**(12.5)**
Disposals	**(2.4)**	**(6.3)**	**–**	**(8.7)**
Reclassified to asset held for sale	**(5.7)**	**–**	**–**	**(5.7)**
Effect of changes in foreign exchange rates	**–**	**(53.1)**	**–**	**(53.1)**
At 3 December 2023	**223.8**	**2,250.1**	**12.5**	**2,486.4**
Accumulated depreciation				
At 28 November 2021	(9.5)	(288.0)	(8.0)	(305.5)
Charge for the period	(5.7)	(148.5)	(0.2)	(154.4)
Impairment charge	(0.1)	(9.2)	–	(9.3)
Disposals	–	2.2	–	2.2
Effects of changes in foreign exchange rates	–	(2.1)	–	(2.1)
At 27 November 2022	(15.3)	(445.6)	(8.2)	(469.1)
Charge for the period	**(3.3)**	**(182.9)**	**(1.7)**	**(187.9)**
Impairment charge	**–**	**(41.2)**	**–**	**(41.2)**
Reclassified to asset held for sale	**0.8**	**–**	**–**	**0.8**
Effect of changes in foreign exchange rates	**–**	**5.9**	**–**	**5.9**
At 3 December 2023	**(17.8)**	**(663.8)**	**(9.9)**	**(691.5)**
Net book value				
At 27 November 2022	197.5	1,577.2	3.1	1,777.8
At 3 December 2023	**206.0**	**1,586.3**	**2.6**	**1,794.9**

1. These amounts relate to reclassification of certain capital-work-in-progress items to inventory. Refer to Note 3.9 for further details.

At the end of the period, included within property, plant and equipment is capital work-in-progress for land and buildings of £36.3m (FY22: £84.5m), fixtures, fittings, plant and machinery of £347.7m (FY22: £382.0m) and motor vehicles of £1.4m (FY22: £1.0m).

The impairment charges during the period include amounts relating to the fixed assets held in the CFC in Hatfield of £7.0m and certain Ocado Retail Zoom sites of £12.5m. Refer to Note 2.5 for further details.

Notes to the consolidated financial statements continued

3.4 Property, plant and equipment continued

Impairment assessment – customer-level CGU

The Group has determined that assets directly associated with individual Technology Solutions contracts (i.e. partner by partner) represent the lowest-level group of assets at which impairment can be assessed, i.e. the CGU. The Group has undertaken a review for indicators of impairment for each Technology Solutions contract and, where indicators of impairment exist, a full asset impairment review was carried out comparing carrying value to fair value less cost to dispose ("FVLCD"). FVLCD has been estimated using present value techniques using a discounted cashflow method. The fair value method relies on unobservable inputs where there is little market activity for the asset and are therefore categorised at Level-3 in the fair value hierarchy. However, those unobservable inputs are determined using market participants' view.

The key inputs and assumptions in arriving at the FVLCD are:

- a probability-weighted approach of possible scenarios using the expected future cash flows from the contract based on management forecasts for a 10-year period, including an assessment of ramp-up of capacity, ongoing operating costs and associated increase in fees and capital expenditure;
- discount rate that specifically takes into account the risk pertaining to the customer specific cash flows – 10.7% to 11.5% (FY22: 10.8%); and
- long-term growth rate to reflect growth outside of the forecast period – 2.0% (FY22: 2.0%).

Based on the outcome of the assessment, an impairment of £15.2m (FY22: £nil) has been recognised for Groupe Casino CGU ("Casino"), which prior to this impairment had a carrying value of £54.4m as at the end of FY23 (FY22: £59.0m). An increase in discount rate of 1ppt or a decrease in long-term growth rate of 1 ppt will result in a further impairment of £1.6m and £0.3m, respectively.

Over recent years Casino has not invested in the marketing resources required to fulfil the full potential their online grocery retail business, which has led to a slow module ramp in their CFC and so impacted our estimate of the fair value of the contract (the FVLCD). This has required the Group to record a partial impairment of the related assets as described above. In the background, Casino is engaged in a corporate restructuring and it is envisaged that there will be a new majority owner of Casino and an injection of new equity in due course. We are working with Casino management to determine how to best move forward together with their online grocery retail business.

For another CGU (a single partner contract with no live CFC), there are a number of factors that could impact the fair value assessment going forward, therefore no impairment has been recognised in FY23. However, a 0.1 ppt increase in discount rate or a 0.3 ppt decrease in long-term growth rate would result in the headroom being fully eroded. The CGU currently has a carrying value of £121.6m.

3.5 Right-of-use assets and lease liabilities

Accounting policies

The Group leases properties, vehicles and other items of equipment. The leases have varying terms, escalation clauses and renewal rights. At the commencement date of a lease, the Group recognises a right-of-use asset and a lease liability on the Consolidated Balance Sheet. The Group has elected to account for short-term leases and leases of low-value items using practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments relating to these leases are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, which is the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the assets at the ends of the leases, less any lease incentives received.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The Group also assesses the right-of-use assets for impairment when such indicators exist.

Lease liabilities

The Group measures the lease liability at the present value of the lease payments that have not been paid at that date, discounted using the interest rate implicit in the lease (if that rate is readily available) or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability is reduced for payments made, and increased for interest charged. If required, it is remeasured to reflect modifications, with corresponding adjustments reflected in the right-of-use asset.

An analysis of the Group's right-of-use assets and lease liabilities is as follows:

Right-of-use assets

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 28 November 2021	409.0	25.5	60.1	494.6
Additions	43.4	2.2	24.9	70.5
Disposals	(4.0)	(0.1)	(0.5)	(4.6)
Impairment charge	(0.6)	–	–	(0.6)
Depreciation charge	(32.8)	(11.8)	(21.4)	(66.0)
At 27 November 2022	415.0	15.8	63.1	493.9
Additions	**8.9**	**13.4**	**10.4**	**32.7**
Recognised on acquisition of subsidiaries	**0.3**	**–**	**–**	**0.3**
Disposals	**(0.1)**	**(0.1)**	**(0.3)**	**(0.5)**
Impairment charge	**(27.7)**	**–**	**–**	**(27.7)**
Depreciation charge	**(36.8)**	**(10.9)**	**(22.7)**	**(70.4)**
Asset reclassification	**0.5**	**(0.5)**	**–**	**–**
Effect of changes in foreign exchange rates	**(0.2)**	**–**	**–**	**(0.2)**
At 3 December 2023	**359.9**	**17.7**	**50.5**	**428.1**

During the period, the Group recognised impairment charges in respect of the existing leases held in the CFC in Hatfield following its closure and certain Ocado Retail Zoom sites on the basis of the strategic review of the Zoom network. Refer to Note 2.5 for further details.

Lease liabilities

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 28 November 2021	431.7	34.6	62.1	528.4
Additions	37.7	2.0	24.5	64.2
Terminations	(2.9)	–	–	(2.9)
Interest	24.7	1.4	2.2	28.3
Payments	(43.9)	(18.5)	(23.3)	(85.7)
At 27 November 2022	447.3	19.5	65.5	532.3
Additions	**9.3**	**13.2**	**10.4**	**32.9**
Recognised on acquisition of subsidiaries	**0.3**	**–**	**–**	**0.3**
Terminations	**(0.1)**	**–**	**(0.6)**	**(0.7)**
Interest	**22.9**	**0.7**	**2.1**	**25.7**
Payments	**(52.6)**	**(14.1)**	**(25.8)**	**(92.5)**
Effects of changes in foreign exchange rates	**(0.2)**	**–**	**–**	**(0.2)**
At 3 December 2023	**426.9**	**19.3**	**51.6**	**497.8**

	3 December 2023 £m	27 November 2022 £m
Disclosed as:		
Current	**52.9**	58.6
Non-current	**444.9**	473.7
	497.8	532.3

External obligations under lease liabilities are £481.3m (FY22: £514.8m), excluding £16.5m (FY22: £17.5m) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest.

Notes to the consolidated financial statements continued

3.5 Right-of-use assets and lease liabilities continued

The existing lease arrangements entered into by the Group contain no restrictions concerning dividends, additional debt and further leasing. Furthermore, no material leasing arrangements exist relating to contingent rent payable, renewal or purchase options and escalation clauses.

The expenses relating to short-term leases and leases of low-value items not included in the measurement of the lease liability are as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Short-term leases	**2.9**	3.2
Leases of low-value items	**0.4**	–
	3.3	3.2

3.6 Investment in joint venture and associate

Accounting policies

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement, and is accounted for using the equity method of accounting. Investments in joint ventures and associates are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. On transfer of assets to joint ventures and associates, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

If the Group's share of losses of a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Investment in joint venture and associate

The Group's principal joint ventures and associates are:

	Nature of relationship	**Year end**	**Business activity**	**% of interest held (FY23)**	% of interest held (FY22)	**Country of incorporation**	**Principal area of operation**
MHE JVCo Limited	Joint venture	**3 Dec**	Lessor of assets to the Group	**50.0%**	50.0%	United Kingdom	United Kingdom
Karakuri Limited[1]	Associate	**31 Mar**	Development and building of robots	**26.3%**	26.3%	United Kingdom	United Kingdom

1. In May 2023, RSM was appointed to advise Karakuri on financing options. Following discussions with investors, Karakuri was unable to secure additional funding and on 28 July 2023 Ocado was advised that Karakuri had appointed administrators.

The Group holds a 25% interest investment in Paneltex Limited that has not been treated as an associate since the Group does not have significant influence over the company. Further detail is disclosed in Note 3.7.

The carrying amounts of the investments at the beginning and end of the period can be reconciled as follows:

	MHE JVCo		**Karakuri**		**Total**	
	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Investment at beginning of period	**14.8**	23.0	**0.8**	3.5	**15.6**	26.5
Allocation of initial acquisition price to warrants	**–**	–	**–**	(1.9)	**–**	(1.9)
Share of change in net assets through other comprehensive income	**–**	–	**–**	0.4	**–**	0.4
Share of total comprehensive income/(expense) attributable to Group	**(0.1)**	(0.2)	**(0.8)**	(1.2)	**(0.9)**	(1.4)
Dividend received	**(5.1)**	(8.0)	**–**	–	**(5.1)**	(8.0)
Investment at end of period	**9.6**	14.8	**–**	0.8	**9.6**	15.6

The tables below provide summarised financial information of the Group's joint ventures and associates. The information disclosed reconciles the amounts presented in the financial statements of the relevant joint ventures and associates with the Group's share of those amounts.

	MHE JVCo		**Karakuri**		**Total**	
	3 December 2023 £m	27 November 2022 £m	**3 December 2023 £m**	27 November 2022 £m	**3 December 2023 £m**	27 November 2022 £m
Non-current assets	**12.6**	15.0	**–**	2.2	**12.6**	17.2
Current assets			**–**			
• Cash and cash equivalents	**1.0**	3.5	**–**	2.9	**1.0**	6.4
• Other current assets	**5.9**	14.2	**–**	0.2	**5.9**	14.4
Current liabilities						
• Other current liabilities	**(0.4)**	(3.2)	**–**	(0.4)	**(0.4)**	(3.6)
Non-current liabilities						
• Non-current financial liabilities (excluding trade and other payables)	**–**	–	**–**	(6.9)	**–**	(6.9)
Net assets	**19.1**	29.5	**–**	(2.0)	**19.1**	27.5
Share of net assets attributable to Group	**9.6**	14.8	**–**	(0.5)	**9.6**	14.3
Legal costs capitalised on acquisition	**–**	–	**–**	0.1	**–**	0.1
Implicit goodwill	**–**	–	**–**	1.2	**–**	1.2
Investment at end of period	**9.6**	14.8	**–**	0.8	**9.6**	15.6

	MHE JVCo		**Karakuri**		**Total**	
	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Revenue	**–**	–	**–**	0.4	**–**	0.4
Cost of sales	**–**	–	**–**	–	**–**	–
Gross profit	**–**	–	**–**	0.4	**–**	0.4
Administrative expenses	**2.0**	(0.1)	**(2.1)**	(2.0)	**(0.1)**	(2.1)
Depreciation, amortisation and impairment charges	**(2.7)**	(1.6)	**(0.8)**	(3.3)	**(3.5)**	(4.9)
Interest income	**0.5**	1.3	**–**	–	**0.5**	1.3
Loss and total comprehensive expense for the period	**(0.2)**	(0.4)	**(2.9)**	(4.9)	**(3.1)**	(5.3)
Share of total comprehensive expense attributable to Group	**(0.1)**	(0.2)	**(0.8)**	(1.2)	**(0.9)**	(1.4)
Foreign exchange loss recognised in other income	**–**	–	**–**	–	**–**	–
Dividends received	**5.1**	8.0	**–**	–	**5.1**	8.0

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed. The Group does not have any commitments that have been made to the joint ventures or associates and not recognised at the reporting date.

There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

3.7 Other financial assets

Accounting policies

Other financial assets comprise contingent consideration receivable, unlisted equity investments, loans receivable and contributions towards dilapidations costs receivable.

Contingent consideration receivable is initially measured at the fair value at the date of disposal of the Group's shareholdings and is remeasured to fair value at each reporting date with the changes in fair value recognised in profit or loss.

Where unlisted equity investments represent strategic investments that the Group intends to hold indefinitely, they have been designated as at fair value through other comprehensive income ("FVTOCI"). They are held at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the investments; instead, they will be transferred directly to retained earnings. Dividends on these investments are recognised as other income in the Consolidated Income Statement. All other unlisted equity investments are held at fair value through profit or loss ("FVTPL").

Loans receivable held at FVTPL were initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. They are held at fair value and revalued at each reporting date.

Loans receivable held at amortised cost were initially recognised at the fair value of the cash lent. Accrued interest is added to the carrying amount. They are held at amortised cost, reduced by the provision for expected credit losses. For the purposes of impairment assessment, loans receivable held at amortised cost are considered low credit risk and therefore the Group measures the provision for expected credit losses at an amount equal to 12-month credit losses. The provision for expected credit losses in the current year is immaterial.

	3 December 2023 £m	27 November 2022 £m
Contingent consideration receivable	**29.4**	98.3
Unlisted equity investments held at FVTOCI	**82.7**	69.8
Loans receivable held at FVTPL	**0.5**	2.4
Loan receivable held at amortised cost	**14.4**	14.2
Contributions towards dilapidations costs receivable	**0.7**	0.7
Other financial assets	**127.7**	185.4
Disclosed as:		
Current	**43.7**	3.8
Non-current	**84.0**	181.6
	127.7	185.4

Contingent consideration receivable

Total contingent consideration receivable at the balance sheet date is £29.4m (FY22: £98.3m), and comprises two amounts: £28.0m (FY22: £95.0m) due from Marks & Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019; and £1.4m (FY22: £3.3m) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019. Refer to Note 1.4 for details on the estimation uncertainty in relation to the fair value measurement of contingent consideration receivable and Note 4.4 for changes in the fair value during the period.

Contingent consideration due from M&S

Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year (the "Contingent Consideration").

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, assuming a payment date of August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m.

The contractual arrangement with M&S expressly provides for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction.

We believe that there were a number of significant decisions and actions taken by Ocado Retail management that require adjustment to the Target under the terms of the contractual agreement with M&S. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m. It may be that a legal process is required for this outcome to be assessed. The precise outcome of a legal process is inherently uncertain but would be binary – payment of either the £190.7m in full, or no payment. This creates a risk for both us and M&S and an incentive to reach a negotiated settlement to avoid the legal route. We believe a negotiated settlement will reflect a significant proportion of the full amount of the contingent consideration of £190.7m – particularly given the wider JV relationship.

Accounting treatment

While the contractual outcome is a binary one, the Group is required to apply the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the fair value of the Contingent Consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would not consider any non-contract specific factors at the measurement date. In valuing this asset, a market participant would also exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

Under IFRS 13 there is judgement required in selecting and applying the appropriate measurement basis as viewed from the perspective of a market participant. There is no directly observable market for this financial instrument. We are therefore required to theoretically determine a market participant and have considered entities such as litigation funders, vulture funds and hedge funds in this determination. We have also assumed that the market participant would price into the valuation the inherent risk associated with the outcome and would also include consideration of the margin they would seek in acquiring the asset.

In the prior reporting period, the fair value of the Contingent Consideration was estimated using an expected present value technique based on a number of probability-weighted scenarios for the FY23 performance outturn and applying an appropriate discount rate to reflect the time value of the possible payment. The Group considered a range of scenarios reflecting market uncertainty at the time, the impact of likely adjustments to the Target, and Ocado Retail's expected trading performance. With the FY23 year now closed, the end of the measurement period for the Target has been reached and the valuation of the Contingent Consideration has been revisited.

The actual FY23 performance is below the Target required for automatic payment of the Contingent Consideration. However, as stated above, the contract includes a mechanism for adjusting the Target.

The contract requires the shareholders to engage in good faith discussions concerning possible adjustments, and we intend to pursue that process, however there can be no assurance that an adjustment proposed by one party will be eventually accepted by another or that a wider agreement will be reached and if so formal legal proceedings may well result.

The Group has identified a number of material adjustments that it considers to result from decisions taken by Ocado Retail management, and which should be reflected in determining whether the Target has been met. These adjustments include the impact of significant decisions taken in 2020 and 2021 during the COVID pandemic, particularly in the way in which Ocado Retail management chose to limit access to the website and ration delivery slots. Ocado Retail's management chose to prioritise vulnerable customers and certain existing customers at the expense of other existing customers and to stop the registration of new customers. These were decisions that differed from the business plan assumptions underpinning the formulation of the Target in the original sale agreement with M&S. We believe that the impact of these decisions, whether intended or not, was to maximise earnings in 2020 and 2021 at the expense of later years, for example:

- In February 2020, just before the onset of COVID, Ocado Retail had just over 850,000 active customers, having grown consistently at a compound annual growth rate ("CAGR") of around 11% over the previous 5 years. Within 12 months of making these decisions, active customers had declined to just less than 650,000 customers, a loss of approximately 200,000 active customers. Post-COVID Ocado Retail resumed its historical performance of growing active customers at around 11%. Ocado Group management believes that the loss of around 200,000 active customers during COVID significantly and negatively impacted the average number of active customers during the FY23 measurement year, particularly compared with that envisaged in the long-term plan that underpinned the Target measure. The lower number of average customers consequently lowered profitability in FY23 compared with the original business plan.
- Ocado Retail management decisions were taken to expand CFC capacity during COVID significantly ahead of previous plans, which resulted in excess capacity and excess overheads throughout FY23 that were not included in the original business plan.

The financial impact of these, and other decisions by Ocado Retail's management are, in our assessment of the contractual arrangements with M&S, valid and appropriate adjustments in determining the payment of the Contingent Consideration. If successfully established, the application of these adjustments would result in the Target being achieved and the full amount of Contingent Consideration becoming due.

It would be prudent to assume that in any negotiation or legal proceedings M&S would propose adjustments to the Target of their own.

As at the year end, the fair value has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract reflecting our current understanding of the matter. We have estimated the risk and return on investment that a market participant would require in its valuation of a contingent contractual claim. The year-end fair value is based on the information available at the end of the financial year and has been determined to be £28.0m (FY22: £95.0m).

The financial reporting estimate of £28.0m for the Contingent Consideration at 3 December 2023 is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

Notes to the consolidated financial statements continued

3.7 Other financial assets continued

Summary

There remains significant uncertainty regarding the conclusion of the amount due from M&S in respect of the Contingent Consideration. Management is fully committed to ensuring the amount of the Contingent Consideration due is maximised and intends to use all contractual or legal means available in order to achieve this aim.

Management believes that there is a greater likelihood that the amount to be paid in respect of the Contingent Consideration will be agreed through a negotiated settlement between the two shareholders. This settlement may also include other matters. Under IFRS 13, however, any broader commercial issues cannot be taken into account in determining the fair value of the Contingent Consideration for financial reporting purposes at the year end date.

The fair value of £28.0m recorded in respect of the Contingent Consideration under IFRS 13, reflects the facts and circumstances that existed at the balance sheet date. It is management's belief that the fair value currently recorded is significantly lower than the amount that Ocado may receive at the point of settlement.

Contingent consideration due from Next

The consideration due from Next is a percentage of the sales of Fabled for the period to July 2024. The total cash still receivable under the earn-out arrangement is estimated to be £1.4m (FY22: £3.7m), payable in tranches in March and September each year. During the period, cash received totalled £1.5m (FY22: £nil).

Unlisted equity investments held at FVTOCI

			% of share capital held		Carrying amount	
Company	**Principal activity**	**Country of incorporation**	**3 December 2023**	27 November 2022	**3 December 2023 £m**	27 November 2022 £m
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	**2.0%**	2.5%	**11.8**	10.2
Inkbit Corporation	3D printing	United States of America	**5.0%**	5.5%	**0.1**	3.5
Oxa Autonomy Ltd	Autonomous vehicle technology	England and Wales	**12.2%**	8.8%	**56.4**	36.8
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	**25.0%**	25.0%	**2.5**	7.6
Sanctuary Cognitive Systems Corporation	Artificial intelligence	Canada	**1.5%**	1.6%	**1.8**	1.0
Wayve Technologies Limited	Autonomous vehicle technology	England and Wales	**2.5%**	2.6%	**10.1**	10.7
Unlisted equity investments held at FVTOCI					**82.7**	69.8

In December 2022, Oxa Autonomy Ltd ("Oxa Autonomy"), previously Oxbotica Limited, successfully completed its Series C Fundraising, which resulted in the Group's warrants being exercised to acquire 21,934 B shares for £10.0m. The fair value of the warrants prior to the transaction was £19.4m (see Note 4.3), which together with the exercise cost of £10.0m resulted in a £29.4m increase in the Group's equity investment in Oxa Autonomy. At the FY23 period end, the unlisted equity investment in Oxa Autonomy has been revalued to £56.4m (FY22: £36.8m); refer to Note 4.4 for further details. Following exercise of the warrants and the Series C Fundraising, the Group now holds a 12.2% interest in Oxa Autonomy.

The investment in Paneltex Limited ("Paneltex") has not been treated as an associate since the Group does not have significant influence over the company. In arriving at this decision, the Board has reviewed the conditions set out in IAS 28 "Investments in Associates and Joint Ventures" and concluded that, despite the size of the Group's holding, it is unable to participate in the financial and operating policy decisions of Paneltex due to the position of the majority shareholder as Executive Managing Director. The relationship between the Group and the company is at arm's length.

Loans receivable held at FVTPL

				Carrying amount	
Borrower	**Principal amount**	**Coupon rate**	**Repayment due**	**3 December 2023 £m**	27 November 2022 £m
Karakuri Limited	£1.7m	8%	October 2023	**–**	1.8
Inkbit Corporation	US$0.6m	6%	November 2024	**0.5**	0.6
Loans receivable held at FVTPL				**0.5**	2.4

Loans receivable held at FVTPL previously included a convertible loan to Karakuri, a company in which the Group holds a 26.3% interest. Refer to Note 5.4 for further details.

Loan receivable held at amortised cost

The loan receivable held at amortised cost is a US$15.0m loan to Infinite Acres Holding B.V. In October 2021, following the Group's divestment in Infinite Acres, 80 Acres Urban Agriculture, Inc. ("80 Acres") became a guarantor to the loan. Interest is chargeable on the US$15.0m principal at 5% per annum to December 2021, and 7% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Contributions towards dilapidations costs receivable

Contributions towards dilapidation costs are due from the former tenant of two properties whose leases the Group took over in 2017, and will be paid when the dilapidations costs are incurred on expiry of the leases.

3.8 Asset held for sale

Accounting policies

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Where there are events or circumstances that extend the period to complete the sale beyond one year, and those events or circumstances are beyond the Group's control, the Group will continue to classify an asset or disposal group as held for sale where there is sufficient evidence that the Group remains committed to its plan to sell the asset or disposal group.

Asset held for sale

The asset held for sale at the end of FY23 (£4.9m) is a property in the United Kingdom, previously used in the Group's distribution network, which the Group was in the process of selling at the period end. On 20 December 2023, the sale of the asset was completed with net proceeds of £16.0m.

The asset held for sale at the end of FY22 (£4.4m) was a property in the United Kingdom, previously used in the Group's distribution network, which the Group was in the process of selling at the prior period end. During the current period, the asset was sold for net proceeds of £9.4m, resulting in a gain on disposal of £5.0m.

3.9 Inventories

Accounting policies

Inventories comprise goods held for resale and consumables (including fuel). Inventories are valued at the lower of cost (using the first-in-first-out basis) and net realisable value. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. It also takes into account slow-moving, obsolete and defective inventory.

During the period, the Group reclassified £12.5m worth of assets, majority of which relate to inventory spares greater than £500 from capital work-in-progress to inventory. This was done to align with the inventory accounting policy adopted in the prior year, which capitalises low-value inventory spares (items below £500) instead of these items being expensed upon purchase.

The value of such spares in the prior year was £12.7m. The prior year financial statements have not been restated as the amounts are deemed immaterial by the Group and do not impact the total value of assets reported.

	3 December 2023 £m	27 November 2022 £m
Goods for resale	**84.1**	89.2
Consumables	**43.0**	17.6
Inventories	**127.1**	106.8

The provision for slow-moving, obsolete and defective stock as at 3 December 2023 is £5.7m (FY22: £6.1m). The decrease of £0.4m from the prior period (FY22: £2.5m increase) has been recognised in the Consolidated Income Statement.

Notes to the consolidated financial statements continued

3.10 Trade and other receivables

Accounting policies
Trade receivables are not interest bearing and are due on commercial terms. Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost using the effective interest method, less expected credit loss ("ECL").

Other receivables are also not interest bearing and are recognised initially at their fair value, which generally coincides with their transaction price, and subsequently at amortised cost, reduced by appropriate ECL.

Certain trade receivables and trade payables are subject to counterparty offsetting or enforceable master netting arrangements. Each agreement with a counterparty allows for net settlement of the relevant financial assets and liabilities when both the Group and the counterparty elect to settle on a net basis. The master netting agreements regulate settlement amounts in the event a party defaults on their obligations.

Provision for expected credit loss ("ECL")
The Group applies the simplified approach to measuring ECL, segmenting its trade receivables based on shared characteristics and recognising a loss allowance for the lifetime ECL for each segment of trade receivables.

The expected loss rates are based on the Group's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

	3 December 2023 £m	27 November 2022 £m
Trade receivables, net of ECL allowance	**126.8**	124.2
Other receivables[1]	**188.9**	82.7
Prepayments	**55.8**	76.5
Accrued income	**54.8**	45.9
Trade and other receivables	**426.3**	329.3
Disclosed as:		
Current	**375.4**	329.3
Non-current	**50.9**	–
	426.3	329.3

1. Included within other receivables in the prior period is a current tax asset of £12.3m. In the current period, current tax assets have been separately presented on the Consolidated Balance Sheet and as such are not included within other receivables for FY23. As the amounts are not material in either period, the prior period has not been restated.

At 3 December 2023, the Group had an ECL allowance of £12.5m (FY22: £15.5m) against an outstanding trade receivable balance of £139.3m (FY22: £139.7m). The movement in ECL allowance included a £1.0m provision (FY22: £7.8m) which was recorded against revenue in relation to a minor contractual dispute regarding specific terms, which were under negotiation at the end of the period. See Note 4.5 for further details on ECL allowance.

Movements in the provision for ECL of trade receivables are as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Balance at beginning of period	**(15.5)**	(3.9)
Provision for ECL of receivables	**(1.8)**	(12.0)
Uncollectible amounts written off	**3.2**	–
Recovery of amounts previously provided for	**1.3**	0.4
Effect of changes in foreign exchange rate	**0.3**	–
Balance at end of period	**(12.5)**	(15.5)

Included in trade receivables and accrued income are £62.7m and £4.4m respectively (FY22: £59.6m and £14.2m) relating to contract balances outstanding for Solutions contracts. See Note 2.1 for more detail.

Included in trade receivables is £59.1m (FY22: £52.5m) due from suppliers in relation to commercial and media income. As at 26 January 2024, £42.3m had been received.

Included in accrued income is £21.5m (FY22: £12.5m) to be invoiced to suppliers in relation to supplier-funded promotional activity, and £10.9m (FY22: £6.2m) to be invoiced to suppliers in relation to volume-related rebates. As at 26 January 2024, £29.8m of this accrued income had been invoiced.

Included in other receivables is £144.8m (FY22: £nil) due from the AutoStore settlement, of which £94.2m (FY22: £nil) is current and £50.6m (FY22: £nil) is non-current. The receivable was initially recognised at fair value of £180.4m using the income approach and is subsequently measured at amortised cost. The balance will be reduced by monthly instalments received and increased by the unwinding of the discounting as the receivable moves towards maturity. See Note 2.5 for further details on the settlement agreement. The other receivables also include VAT receivable of £21.3m (FY22: £21.4m).

Of the total trade receivables balance at the end of period, £33.3m (FY22: £31.9m) will be subject to future netting arrangements.

The ECLs relating to accrued income and other receivables were immaterial as at 3 December 2023 (FY22: immaterial). Refer to Note 4.5 for the related discussion.

Refer to Note 5.4 for details on related party balances within trade and other receivables.

3.11 Cash and cash equivalents

Accounting policies
Cash and cash equivalents comprise cash at bank and in hand, money-market funds, and short-term deposits with banks with a maturity of three months or less at the date of acquisition. Cash at bank and in hand includes customers' credit card payments received within five working days of the reporting date where notification of a chargeback or reserve fund has not been received from the payment service provider at the reporting date. Cash and cash equivalents are classified as current assets on the Consolidated Balance Sheet. The carrying amount of these assets approximates to their fair value.

	3 December 2023 £m	27 November 2022 £m
Cash at bank and in hand	**265.8**	304.3
Money-market funds	**619.0**	623.7
Short-term deposits	**–**	400.0
Cash and cash equivalents	**884.8**	1,328.0

Included in cash at bank and in hand are customers' credit card payments of £19.9m (FY22: £21.9m) received within five working days of the reporting date.

Of the Group's cash and cash equivalents, £1.1m (FY22: £1.4m) is held by the Group's captive insurance company to maintain its solvency requirements. A further £1.0m (FY22: £1.5m) is held by the Trustee of the Group's Employee Benefit Trust relating to the Sharesave scheme for employees in Poland. These funds are restricted and are not available to circulate within the Group on demand.

3.12 Trade and other payables

Accounting policies
Trade and other payables are initially recognised at their transaction price, which is deemed to equal to their fair value, and subsequently at amortised cost, using the effective interest method.

	3 December 2023 £m	27 November 2022 £m
Trade payables	**181.0**	176.9
Taxation and social security	**60.2**	32.5
Accruals and other payables	**213.3**	287.8
Deferred income	**15.0**	11.0
Trade and other payables	**469.5**	508.2
Disclosed as:		
Current	**468.4**	506.3
Non-current	**1.1**	1.9
	469.5	508.2

Accruals and other payables includes £46.6m of employment cost accruals (FY22: £65.0m), £58.0m of goods received not invoiced (FY22: £58.1m) and £18.3m of capital project accruals (FY22: £42.4m).

Deferred income includes the value of delivery income received under the Ocado Smart Pass scheme, lease incentives and media income from suppliers, which all relate to future periods.

The amount of pension payable in respect of defined contributions schemes at the end of the period is £4.8m (FY22: £8.2m).

3.13 Provisions

Accounting policies
Provisions are recognised on the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

The amount recognised as provisions are management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and historical experience. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the Consolidated Income Statement.

Onerous contracts
Provisions for onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Dilapidations
Provisions for dilapidations are made for properties and vehicles where there are obligations to return the assets to the condition and state they were in when the Group obtained the right to use them. Amounts are recognised on an asset-by-asset basis, and are based on the present value of future expected costs required to restore the Group's leased buildings and vehicles to their fair condition at the end of their lease terms.

Employee incentives schemes
Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes and cash-settled employee long-term incentive schemes. For all taxable schemes, the Group is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to Note 4.7.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring. Provisions for restructuring mainly relate to the closure of the CFC in Hatfield and related costs.

	Onerous contracts £m	Dilapidations £m	Employee incentive schemes £m	Restructuring £m	Other £m	Total £m
Balance at 28 November 2021	–	21.5	27.7	–	0.5	49.7
Charged to Consolidated Income Statement						
• Additional provision	–	–	0.6	–	–	0.6
• Unwinding of discounting	–	0.4	–	–	–	0.4
• Unused amounts reversed	–	(2.9)	(26.6)	–	–	(29.5)
Recognition of right-of-use assets	–	5.3	–	–	–	5.3
Recognised on acquisition	–	–	–	–	0.2	0.2
Used during the period	–	–	(0.2)	–	(0.1)	(0.3)
Balance at 27 November 2022	–	24.3	1.5	–	0.6	26.4
Charged to Consolidated Income Statement						
• Additional provision	**6.6**	**–**	**3.6**	**18.0**	**0.3**	**28.5**
• Unwinding of discounting	**–**	**1.2**	**–**	**–**	**–**	**1.2**
• Unused amounts reversed	**–**	**–**	**–**	**(6.1)**	**–**	**(6.1)**
Remeasurement of right-of-use assets	**–**	**(0.2)**	**–**	**–**	**–**	**(0.2)**
Used during the period	**–**	**–**	**(1.0)**	**(8.0)**	**–**	**(9.0)**
Balance at 3 December 2023	**6.6**	**25.3**	**4.1**	**3.9**	**0.9**	**40.8**

3 December 2023	Onerous contracts £m	Dilapidations £m	Employee incentive schemes £m	Restructuring £m	Other £m	Total £m
Current	**6.6**	**0.9**	**1.1**	**3.9**	**0.7**	**13.2**
Non-current	**–**	**24.4**	**3.0**	**–**	**0.2**	**27.6**
	6.6	**25.3**	**4.1**	**3.9**	**0.9**	**40.8**

27 November 2022	Onerous contracts £m	Dilapidations £m	Employee incentive schemes £m	Restructuring	Other £m	Total £m
Current	–	0.3	0.3	–	0.4	1.0
Non-current	–	24.0	1.2	–	0.2	25.4
	–	24.3	1.5	–	0.6	26.4

Onerous contracts
During the period, a provision of £6.6m was recognised in relation to unavoidable costs expected to be incurred in exiting manufacturing contracts as a result of changes to design and production. Amounts are expected to be utilised in the next 12 months.

Dilapidations
During the period, dilapidation provisions increased as a result of the unwinding of discount of £1.2m (FY22: £0.4m). No amounts were utilised in the current or prior period.

Property leases expire between 2024 and 2092 with contractual amounts due to be incurred at the end of the lease term.

Leases for vehicles run for an average of five years, with the contractual obligation per vehicle payable at the end of the lease term. If a non-contractual option to extend individual leases is exercised by the Group, the contractual obligation remains the same but is deferred by six months.

Restructuring
Following the Group's announcement of its plan to cease operations at its CFC in Hatfield as part of a wider review of UK network capacity, a provision of £18.0m was recognised for redundancies and other related costs of closure. During the period, £8.0m has been utilised primarily relating to redundancy costs, and £6.1m has been released upon reassessment of the remaining costs provided for. For more details, refer to Note 2.5.

Employee incentive schemes
During the period, an additional provision of £3.6m (FY22: £0.6m) has been recognised primarily in relation to estimated employer's NIC on taxable equity-settled schemes (£2.4m) and cash-settled employee incentive schemes (£1.2m). Also during the period, £1.0m (FY22: £0.2m) has been utilised primarily as a result of exercises of taxable equity-settled share awards. There were no releases in the period of amounts previously provided. Releases in the prior period included £7.0m in relation to employer's NIC on the Group VCP and £19.0m for the Retail VCP following the cancellation of the scheme.

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2024 and 2028, and allotment will take place between 2024 and 2033. Refer to Note 4.7 for further details.

Other provisions
Other provisions include amounts related to potential motor insurance claims and potential public liability claims where accidents have occurred but a claim has yet to be made.

3.14 Contingent liabilities

Accounting policies
Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

Claims and litigation
The Group has contingent liabilities in respect of other legal claims arising in the ordinary course of business, all of which the Group expects will either be covered by its insurance or will not have a material effect on the Group's financial statements.

Notes to the consolidated financial statements continued

3.14 Contingent liabilities continued

Subsidiary audit exemptions
The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the "Act") relating to the audit of individual accounts by virtue of Section 479A of the Act:

- Ocado Ventures Holdings Limited (09887250)
- Ocado Ventures (80 Acres) Limited (12075378)
- Ocado Ventures (Myrmex) Limited (12774138)
- Ocado Ventures (Inkbit) Limited (12103334)
- Ocado Ventures (Oxbotica) Limited (12796767)
- Ocado Ventures (JFC) Limited (12035120)
- Ocado Ventures (Wayve) Limited (13536254)
- Ocado Ventures (Karakuri) Limited (11512054)
- Ocado Finco 1 Limited (12996937)
- Ocado Finco 2 Limited (13007767)
- Ocado Intelligent Automation Limited (14744957)
- 6 River Systems Limited (12070197)

Ocado Group plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial period ended 3 December 2023 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Ocado Group plc will guarantee any contingent and prospective liability that these subsidiaries are subject to.

Section 4 – Capital structure and financial instruments

4.1 Borrowings

Accounting policies
Interest-bearing loans and bank overdrafts are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets.

Convertible bonds are compound financial instruments, and so their liability and equity components are presented separately in accordance with IAS 32 "Financial Instruments: Presentation". At the date of issue, the liability component is valued by reference to a similar liability that does not have an associated equity component, and is recognised as borrowings. The difference between the proceeds received and the liability component is recognised in the convertible bonds reserve, directly in reserves. The liability and equity components are recorded net of transaction costs. The liability component is then held at amortised cost, with any difference between initial fair value and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets. The carrying amount of the equity component does not change until the liability component is redeemed through repayment or conversion into ordinary shares.

	3 December 2023 £m	27 November 2022 £m
Senior unsecured convertible bonds	**868.0**	835.9
Senior unsecured notes	**498.2**	496.3
Revolving credit facility	**–**	10.0
Other borrowings	**95.9**	30.6
Borrowings	**1,462.1**	1,372.8
Disclosed as:		
Current	**2.6**	10.2
Non-current	**1,459.5**	1,362.6
	1,462.1	1,372.8

Senior unsecured convertible bonds and senior unsecured notes

Facility	Inception	Coupon rate	Maturity	Carrying amount 53 weeks ended 3 December 2022 £m	Carrying amount 52 weeks ended 27 November 2022 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	**560.2**	540.7
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	**307.8**	295.2
£500m senior unsecured notes	October 2021	3.875%	October 2026	**498.2**	496.3

The £600.0m of senior unsecured convertible bonds (the "2025 Bonds") were issued in December 2019, raising £592.1m, net of transaction fees. At the date of issue, the liability component was valued at £485.0m, with the remaining £107.1m recognised in the convertible bonds reserve. The bonds are convertible into ordinary shares of the Company at a conversion price of £17.93. The conversion period commenced on 19 January 2020 and shall end on the 10th calendar day prior to the maturity date. Unless previously redeemed, or purchased and cancelled, the 2025 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2025 Bonds on or after 30 December 2023, at par plus accrued but unpaid interest, if the parity value (as described in the Terms and Conditions relating to the 2025 Bonds) on each of at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2025 Bonds, at par plus any accrued but unpaid interest, at any time if 85% or more of the principal amount of the 2025 Bonds shall have been previously converted or repurchased and cancelled.

The £350.0m of senior unsecured convertible bonds (the "2027 Bonds") were issued in June 2020, raising £343.4m, net of transaction fees. At the date of issue, the liability component was valued at £266.0m, with the remaining £77.4m recognised in the convertible bonds reserve. The bonds are convertible into ordinary shares of the Company at a conversion price of £26.46. The conversion period commenced on 29 July 2020 and shall end on the 10th calendar day prior to the maturity date. Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2027 Bonds on or after 8 February 2025, at par plus accrued interest, if the parity value (as described in the Terms and Conditions relating to the 2027 Bonds) on each of the at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2027 Bonds, at par plus accrued interest, at any time if 85% or more of the principal amount of the 2027 Bonds shall have been previously converted or repurchased and cancelled.

The £500.0m of senior unsecured notes were issued in October 2021, raising £491.6m, net of transaction fees.

Revolving credit facility
In June 2022, the Group entered into a three-year multi-currency Revolving Credit Facility ("RCF") of £300m with a syndicate of international banks. The RCF is due to mature on 20 June 2025. As at 3 December 2023, the facility remains undrawn. Interest is payable on the amounts drawn down at a margin of 2.25% plus the applicable reference rate depending on the currency of the amounts drawn down. The Group is subject to a springing covenant under this facility which is required to be met when drawing down and subsequent quarters if a loan is outstanding.

Transaction costs of £3.4m relating to the RCF were capitalised in the prior period and are being amortised in the Consolidated Income Statement on a straight-line basis over the term of the RCF.

The Group also had an existing RCF of £10.0m at the prior period end that was repaid upon expiration of the facility in December 2022.

Notes to the consolidated financial statements continued

4.1 Borrowings continued

Other borrowings

Other borrowings include a shareholder loan of £90.0m (2022: £30.0m) provided to Ocado Retail from the non-controlling interest. The loan has a termination date of August 2039 and incurs interest at SONIA + 4% per annum.

3 December 2023	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	–	–	868.0	–	868.0
Senior unsecured notes	–	–	498.2	–	498.2
Revolving credit facility	–	–	–	–	–
Other borrowings	2.6	0.4	0.3	92.6	95.9
Borrowings	2.6	0.4	1,366.5	92.6	1,462.1

27 November 2022	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	–	–	835.9	–	835.9
Senior unsecured notes	–	–	496.3	–	496.3
Revolving credit facility	10.0	–	–	–	10.0
Other borrowings	0.2	0.1	0.3	30.0	30.6
Borrowings	10.2	0.1	1,332.5	30.0	1,372.8

The Group reviews its financing arrangements regularly. The senior unsecured notes and senior unsecured convertible bonds contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 Movements in net debt*

			Cash movements		Non-cash movements				
	Notes	27 November 2022 £m	Cash flows excluding interest £m	Interest received £m	Interest paid £m	Interest income/ (charge) £m	Net new lease liabilities £m	Foreign exchange £m	3 December 2023 £m
Cash and cash equivalents	3.11	1,328.0	(469.7)	41.7	–	–	–	(15.2)	884.8
Liabilities from financing activities:									
Borrowings	4.1	(1,372.8)	(54.1)	–	30.6	(65.8)	–	–	(1,462.1)
Lease liabilities	3.5	(532.3)	66.8	–	25.7	(25.7)	(32.5)	0.2	(497.8)
Gross debt*		(1,905.1)	12.7	–	56.3	(91.5)	(32.5)	0.2	(1,959.9)
Net debt*		(577.1)	(457.0)	41.7	56.3	(91.5)	(32.5)	(15.0)	(1,075.1)

* Gross debt and net debt are alternative performance measures. See Alternative Performance Measures on pages 302 to 303.

			Cash movements		Non-cash movements				
	Notes	28 November 2021 £m	Cash flows excluding interest £m	Interest received £m	Interest paid £m	Interest income/ (charge) £m	Net new lease liabilities £m	Foreign exchange £m	27 November 2022[1] £m
Cash and cash equivalents	3.11	1,468.6	(172.0)	9.6	–	–	–	21.8	1,328.0
Liabilities from financing activities:									
Borrowings	4.1	(1,300.0)	(40.6)	–	27.5	(59.7)	–	–	(1,372.8)
Lease liabilities	3.5	(528.4)	57.4	–	28.3	(28.3)	(61.3)	–	(532.3)
Gross debt*		(1,828.4)	16.8	–	55.8	(88.0)	(61.3)	–	(1,905.1)
Net debt*		(359.8)	(155.2)	9.6	55.8	(88.0)	(61.3)	21.8	(577.1)

* Gross debt and net debt are alternative performance measures. See Alternative Performance Measures on pages 302 to 303.
1. The prior year balances have been amended to provide additional information on the cash and non-cash movements during the period.

4.3 Derivative financial instruments

Accounting policies

Derivative financial instruments are initially recognised at fair value on the contract date, and are subsequently measured at their fair value at each reporting date. The method of recognising the resulting fair value gain or loss depends on whether or not the derivative is designated as a hedging instrument, and on the nature of the item being hedged. At 3 December 2023 and 27 November 2022, the Group's derivative financial instruments consisted of warrants to subscribe for additional shares of investee companies and commodity swap contracts, which are designated as cash flow hedges of highly probable transactions.

The Group documents at the inception of the hedge the relationship between hedging instruments and hedged items, the risk management objectives and strategy, and its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This assessment is performed retrospectively at the end of each financial reporting period. Movements in the hedging reserve within reserves are shown in the Consolidated Statement of Comprehensive Income. The fair value of hedging derivatives is classified as current when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedging instruments and qualify for hedge accounting is recognised in other comprehensive income. Amounts accumulated through other comprehensive income are recycled in the Consolidated Income Statement in the periods in which the hedged items affect profit or loss.

	3 December 2023 £m	27 November 2022 £m
Non-current assets		
Warrants	3.3	27.4
Current assets		
Commodity swap contracts	0.1	0.8
Current liabilities		
Commodity swap contracts	(0.2)	(1.6)
Net derivative assets	3.2	26.6

Commodity swap contracts

The Group uses commodity swap contracts to hedge the cost of future purchases of diesel fuel to be used in the logistics business. The cash flows are expected to occur within one year of the reporting date, and hedges cover 50% to 80% of expected risk.

Notes to the consolidated financial statements continued

4.3 Derivative financial instruments continued

The notional principal amounts of the outstanding commodity swap contracts were £7.9m (FY22: £13.4m). The weighted average strike price of the outstanding commodity swap contracts relating to the future purchase of fuel at the reporting date was 52.32 pence per litre of diesel (FY22: 66.13 pence per litre of diesel). The hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. The fair value movements in cash flow hedges resulted in a loss of £0.4m (FY22: £7.7m gain) for the period, whilst a £1.1m gain (FY22: £8.8m loss) has been reclassified from the cash flow hedge reserve to the Consolidated Income Statement on settlement of the swap contracts. The cumulative gain/(loss) held in the cash flow hedge reserve will be recognised in profit or loss in the periods during which the hedged forecast transactions affect the Consolidated Income Statement.

Throughout the period, all of the Group's cash flow hedges were effective, and there is, therefore, no ineffective portion recognised in profit or loss.

Warrants

Investee company	Expiry date	Carrying amount 3 December 2023 £m	Carrying amount 27 November 2022 £m
Oxa Autonomy Limited[1]	April 2024	**–**	19.5
80 Acres Urban Agriculture, Inc.	September 2026	**3.0**	4.0
Karakuri Limited[2]	April 2024	**–**	2.1
Wayve Technologies Limited	January 2026	**0.3**	1.8
Warrants		**3.3**	27.4

1. In December 2022, Oxa Autonomy Limited successfully completed its Series C Fundraising, which resulted in the Group's warrants being exercised. Refer to Note 3.7 for further details.
2. In July 2023, Karakuri entered into administration and as such, the fair value of the warrants has been adjusted to £nil. Refer to Note 3.6 for further details.

Warrants are measured at fair value each year end, taking into account a variety of inputs, sensitivities and probabilities based on underlying forecasts and financial information of the investee company. Any fair value gains or losses on remeasurement are recognised through the Consolidated Income Statement.

4.4 Financial instruments

Accounting policies

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instruments. Financial instruments are derecognised from the Consolidated Balance Sheet when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

The Group classifies its financial assets using the following categories:

- Amortised cost.
- Fair value through profit or loss ("FVTPL").
- Fair value through other comprehensive income ("FVTOCI").

The classification depends on the characteristics of the contractual cash flows, and the Group's business model for managing them.

Refer to Note 3.10 for the Group's accounting policy for expected credit losses.

Financial liabilities are measured at amortised cost, except for derivatives that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group, after deducting all of its liabilities.

The Group has categorised its financial instruments as follows:

3 December 2023	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	**15.1**	**29.9**	**82.7**	**127.7**
Trade receivables	3.10	**126.8**	**–**	**–**	**126.8**
Other receivables and accrued income[1]	3.10	**222.4**	**–**	**–**	**222.4**
Cash and cash equivalents	3.11	**884.8**	**–**	**–**	**884.8**
Derivative assets	4.3	**–**	**3.4**	**–**	**3.4**
Total financial assets		**1,249.1**	**33.3**	**82.7**	**1,365.1**
Financial liabilities					
Trade payables	3.12	**(181.0)**	**–**	**–**	**(181.0)**
Accruals and other payables[2]	3.12	**(166.7)**	**–**	**–**	**(166.7)**
Borrowings	4.1	**(1,462.1)**	**–**	**–**	**(1,462.1)**
Lease liabilities	3.5	**(497.8)**	**–**	**–**	**(497.8)**
Derivative liabilities	4.3	**–**	**(0.2)**	**–**	**(0.2)**
Total financial liabilities		**(2,307.6)**	**(0.2)**	**–**	**(2,307.8)**

27 November 2022	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	14.9	100.7	69.8	185.4
Trade receivables	3.10	124.2	–	–	124.2
Other receivables and accrued income[1]	3.10	107.2	–	–	107.2
Cash and cash equivalents	3.11	1,328.0	–	–	1,328.0
Derivative assets	4.3	–	28.2	–	28.2
Total financial assets		1,574.3	128.9	69.8	1,773.0
Financial liabilities					
Trade payables	3.12	(176.9)	–	–	(176.9)
Accruals and other payables[2]	3.12	(222.8)	–	–	(222.8)
Borrowings	4.1	(1,372.8)	–	–	(1,372.8)
Lease liabilities	3.5	(532.3)	–	–	(532.3)
Derivative liabilities	4.3	–	(1.6)	–	(1.6)
Total financial liabilities		(2,304.8)	(1.6)	–	(2,306.4)

1. Excluded from the other receivables and accrued income balance compared with Note 3.10 is a VAT receivable balance of £21.3m (FY22: £21.4m), which is not a financial asset in scope of IFRS 9. Prior year balances have been restated accordingly.
2. Excluded from the accruals and other payables balance compared with Note 3.12 is £46.6m (FY22: £65.0m) of employee cost accruals, which are not a financial instrument in scope of IFRS 9. Prior year balances have been restated accordingly.

Derivative financial instruments are held at FVTPL, but where they are hedging instruments, related gains and losses are recognised in other comprehensive income.

4.4 Financial instruments continued

Fair value measurement of financial assets and liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are included in the financial statements:

		3 December 2023		27 November 2022	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Other financial assets	3.7	**127.7**	**127.7**	185.4	185.4
Trade receivables	3.10	**126.8**	**126.8**	124.2	124.2
Other receivables and accrued income[1]	3.10	**222.4**	**222.4**	94.9	94.9
Cash and cash equivalents	3.11	**884.8**	**884.8**	1,328.0	1,328.0
Derivative assets	4.3	**3.4**	**3.4**	28.2	28.2
Total financial assets		**1,365.1**	**1,365.1**	1,760.7	1,760.7
Financial liabilities					
Trade payables	3.12	**(181.0)**	**(181.0)**	(176.9)	(176.9)
Accruals and other payables[2]	3.12	**(166.7)**	**(166.7)**	(222.8)	(222.8)
Senior unsecured notes	4.1	**(498.2)**	**(418.0)**	(496.3)	(392.5)
Senior unsecured convertible bonds	4.1	**(868.0)**	**(782.4)**	(835.9)	(700.4)
Other borrowings	4.1	**(95.9)**	**(95.9)**	(40.6)	(40.6)
Derivative liabilities	4.3	**(0.2)**	**(0.2)**	(1.6)	(1.6)
Total financial liabilities		**(1,810.0)**	**(1,644.2)**	(1,774.1)	(1,534.8)

1. Excluded from the other receivables and accrued income compared with Note 3.10 is a VAT receivable balance of £21.3m (FY22: £21.4m), which is not a financial asset in scope of IFRS 9. Prior year balances have been restated accordingly. Current tax assets have also been separated from other receivables in order to present current tax assets separately on the Consolidated Balance Sheet.
2. Excluded from the accruals and other payables balance compared with Note 3.12 is £46.6m (FY22: £65.0m) of employee cost accruals, which are not a financial instrument in scope of IFRS 9. Prior year balances have been restated accordingly.

The fair values of other financial assets, trade receivables, other receivables and accrued income, cash and cash equivalents, trade payables and accruals and other payables are assumed to approximate to their carrying values but for completeness are included in the above analysis.

The fair values of the senior unsecured notes and senior unsecured convertible bonds are determined based on the quoted price in the active market.

The fair values of all other financial assets and liabilities have been calculated using discounted cash flows or the probability expected return method or the option pricing model.

Financial assets and liabilities held at fair value have been valued as follows:

3 December 2023	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	**–**	**–**	**29.4**	**29.4**
Unlisted equity investments	3.7	**–**	**–**	**82.7**	**82.7**
Loans receivable held at FVTPL	3.7	**–**	**–**	**0.5**	**0.5**
Derivative assets	4.3	**–**	**0.1**	**3.3**	**3.4**
Total financial assets held at fair value		**–**	**0.1**	**115.9**	**116.0**
Financial liabilities held at fair value					
Derivative liabilities	4.3	**–**	**(0.2)**	**–**	**(0.2)**
Total financial liabilities held at fair value		**–**	**(0.2)**	**–**	**(0.2)**

27 November 2022	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	–	–	98.3	98.3
Unlisted equity investments	3.7	–	–	69.8	69.8
Loans receivable held at FVTPL	3.7	–	–	2.4	2.4
Derivative assets	4.3	–	0.8	27.4	28.2
Total financial assets held at fair value		–	0.8	197.9	198.7
Financial liabilities held at fair value					
Derivative liabilities	4.3	–	(1.6)	–	(1.6)
Total financial liabilities held at fair value		–	(1.6)	–	(1.6)

During the current and prior period, there were no transfers between level 1 and level 2 fair value measurements, nor were there transfers from or to level 3.

Changes in the fair values of financial instruments categorised in level 3 are as follows:

	Notes	Contingent consideration receivable £m	Unlisted equity investments £m	Loans receivable £m	Derivative assets £m	Total £m
Balance at 28 November 2021		156.7	31.4	10.9	9.6	208.6
Recognised/(derecognised) during the period		–	8.9	(9.0)	1.9	1.8
Cash paid/(received)		–	–	0.5	–	0.5
(Losses)/gains recognised in profit or loss	2.5, 2.6	(58.4)	(3.8)	(0.2)	15.9	(46.5)
Interest recognised in finance income	2.6	–	–	0.2	–	0.2
Gains recognised in other comprehensive income	4.6	–	33.3	–	–	33.3
Balance at 27 November 2022		98.3	69.8	2.4	27.4	197.9
Recognised/(derecognised) during the period	3.7	**–**	**19.4**	**–**	**(19.4)**	**–**
Cash (received)/paid		**(1.5)**	**10.0**	**–**	**–**	**8.5**
(Losses)/gains recognised in profit or loss	2.5, 2.6	**(67.4)**	**–**	**(2.0)**	**(4.7)**	**(74.1)**
Interest recognised in finance income	2.6	**–**	**–**	**0.1**	**–**	**0.1**
Losses recognised in other comprehensive income	4.6	**–**	**(16.5)**	**–**	**–**	**(16.5)**
Balance at 3 December 2023		**29.4**	**82.7**	**0.5**	**3.3**	**115.9**

The following table provides information about how the significant fair values of financial instruments categorised in level 3 are determined:

Description	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of the fair value measurement to input
Unlisted equity investments • Oxa Autonomy Ltd	Probability weighted expected return method Forecasted revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in five different scenarios Discount rate Exit date	• An increase/decrease in the discount rate by 5% decreases/increases the fair value by £11.8m and £15.7m respectively. • An increase/decrease in the exit date by one year decreases/increases the fair value by £11.2m and £14.1m respectively. • An increase in probability weighting towards the higher case scenarios would increase the fair value. In turn, an increase in weighting towards the lower case scenarios would decrease the fair value.

For more details on the other financial assets and derivative financial assets, refer to Notes 3.7 and 4.3 respectively.

Notes to the consolidated financial statements continued

4.5 Financial risk management

Overview
The Group's financial instruments comprise cash and cash equivalents, trade and other receivables and payables, borrowings, lease liabilities, derivatives and unlisted investments. The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, to the availability of funds for the Group to meet its obligations as they fall due, and to fluctuations in interest and foreign exchange rates.

The management of these risks is set out below:

Credit risk
The Group's exposure to credit risk arises from holdings of cash and cash equivalents, trade and other receivables, and derivative assets. The carrying amounts of these financial assets, as set out in Note 4.4, represent the maximum credit exposure. No collateral is held as security against these assets.

Management does not believe that the credit risk of any financial instrument has increased significantly since its initial recognition.

Cash and cash equivalents
The Group's exposure to credit risk on cash and cash equivalents is managed by using banks and financial institutions with the appropriate geographical presence and suitable credit ratings. Money market investments are made in accordance with internal treasury policies and the funds invested in have AAA ratings by either Fitch or S&P.

Trade and other receivables
Trade and other receivables that are financial instruments at the reporting date comprise amounts due from Retail customers, Solutions customers, Logistics customers and monies due from suppliers in relation to commercial and media income, which are considered of a good credit quality. The Group recognises expected credit losses in respect of amounts due from customers and monies due from suppliers.

In relation to Retail customers and suppliers, the Group has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity. Therefore, it also has very low concentration risk. The Group has effective controls over this area. The Group provides for 30% of amounts due from supplier income that are between 61 and 360 days overdue, and 100% of amounts more than 360 days overdue. It provides for 100% of amounts due from Retail customers which are more than 30 days overdue.

For Solutions customers, amounts due from each customer are treated on a case-by-case basis, depending on the credit risk assigned to the counterparty, the amount outstanding, and the length of time to or from the due date. Further, where a customer is known to be in financial difficulty, the Group considers the need for an increased or specific provision compared with historical averages.

The ECLs relating to Logistics customers are immaterial.

The Group's other receivables held at amortised cost are considered to have low credit risk, and the loss allowance, if any, is limited to 12 months' expected losses. These are considered to be low credit risk as they have a low risk of default and the debtor has the capacity to meet its contractual obligations in the near term.

The Group's definition of default differs between suppliers and customers. A supplier is deemed to have defaulted if they have not paid an amount due within 360 days of the due date. A Retail customer is deemed to have defaulted if they have not paid an amount due within 30 days of the due date. Solutions customers are treated on a case-by-case basis, and the definition of default varies.

Receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have sufficient assets or sources of income to repay the relevant amounts. However, receivables that have been written off may still be subject to enforcement activity. The recovery of an amount previously written off is recognised as a gain in the Consolidated Income Statement.

Refer to Note 3.10 for movements in the provision for ECL of trade and other receivables during the period.

Liquidity risk
The Group has adequate cash resources to manage the short-term working capital needs of the business. The Group regularly reviews its financing arrangements to ensure an adequate level of headroom is maintained. For further details of the review see the Viability Statement on page 112.

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs and has not changed from the previous year. Furthermore, the Group utilises its cash resources which are either held in bank accounts or highly liquid money market funds to manage its short-term liquidity. For further details, see Note 4.8.

The table below analyses the Group's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the contractual cash flows are gross and undiscounted, and include future interest payments, so will not necessarily reconcile to the carrying amounts.

			Contractual cash flows				
3 December 2023	Notes	**Carrying amount £m**	**Total £m**	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**
Trade payables	3.12	**181.0**	**181.0**	**181.0**	**–**	**–**	**–**
Accruals and other payables[1]		**166.7**	**166.7**	**166.7**	**–**	**–**	**–**
Borrowings[2]	4.1	**1,462.1**	**1,768.1**	**35.9**	**40.0**	**1,501.4**	**190.8**
Lease liabilities	3.5	**497.8**	**726.2**	**76.9**	**67.8**	**156.9**	**424.6**
Derivative financial liabilities[3]	4.3	**0.2**	**0.2**	**0.2**	**–**	**–**	**–**
		2,307.8	**2,842.2**	**460.7**	**107.8**	**1,658.3**	**615.4**

			Contractual cash flows				
27 November 2022	Notes	Carrying amount £m	Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Trade payables	3.12	176.9	176.9	176.9	–	–	–
Accruals and other payables[1]		222.8	222.8	222.8	–	–	–
Borrowings[2]	4.1	1,372.8	1,640.6	40.7	29.8	1,511.3	58.8
Lease liabilities	3.5	532.3	779.9	84.1	72.1	165.3	458.4
Derivative financial liabilities[3]	4.3	1.6	1.6	1.6	–	–	–
		2,306.4	2,821.8	526.1	101.9	1,676.6	517.2

1. Employee cost accruals of £46.6m (FY22: £65.0m) have been excluded from the accruals and other payables balance compared with Note 3.12 as they are not a financial instrument in scope of IFRS 9.
2. Amounts due in less than one year primarily reflect payments of interest. The borrowings are classified as non-current as they are not due for repayment until at least December 2025.
3. The current and prior year disclosures have been restated to include derivative financial liabilities.

Currency risk
The Group has exposure to foreign currency risk through trade receivables, trade payables and lease liabilities denominated in foreign currencies and a portion of its cash and cash equivalents.

Foreign currency trade receivables arise principally on amounts invoiced under Solutions contracts and foreign currency trade payables arise principally on purchases of plant and machinery. Trade receivables and payables arise principally in Australian dollars, Canadian dollars, euros, Japanese yen, Swedish krona and US dollars. Bank accounts are maintained in these foreign currencies in order to minimise the Group's exposure to fluctuations in foreign currencies relating to current and future revenue, salaries and purchases of plant and equipment.

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies:

	3 December 2023		27 November 2022	
	Increase/ (decrease) in income £m	**Increase/ (decrease) in equity £m**	Increase/ (decrease) in income £m	Increase/ (decrease) in equity £m
10.0% appreciation of above foreign currencies against sterling	**10.7**	**–**	14.7	–
10.0% depreciation of above foreign currencies against sterling	**(10.7)**	**–**	(14.7)	–

During the period, the currencies to which the Group is exposed appreciated and depreciated against sterling by between 8.1% and (9.6)%. Given these historical movements, a 10.0% appreciation or depreciation of foreign currencies is deemed reasonably likely to occur, and so has been used for the above analysis. The analysis assumes that all other variables remain constant.

Notes to the consolidated financial statements continued

4.5 Financial risk management continued

Interest rate risk

The Group is exposed to interest rate risk on its variable rate cash and cash equivalents. The Group's interest rate risk policy seeks to minimise finance charges and volatility by structuring the interest rate profile into a diversified portfolio of fixed rate and variable rate financial assets and liabilities.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	3 December 2023 £m	27 November 2022 £m
Fixed rate instruments		
Financial assets	**12.3**	414.7
Financial liabilities	**(1,869.8)**	(1,865.1)
Variable rate instruments		
Financial assets	**884.8**	928.0
Financial liabilities	**(90.0)**	(40.0)

Sensitivity analysis

Based on the Group's variable rate interest-bearing borrowings and cash and cash equivalents existing at the end of the period, a 2% increase and 2% decrease in interest rates would result in an increase of £15.9m and a decrease of £15.9m in profit, respectively.

4.6 Share capital and reserves

Accounting policy

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Share capital and share premium

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 9,588,329 (FY22: 9,447,982). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

The movements in called-up share capital and share premium are set out below:

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	73.9	1.5	565.0
Allotted in respect of share option schemes	0.6	–	2.3
Balance at 27 November 2022	825.9	16.5	1,939.3
Issue of ordinary shares	**2.1**	**0.1**	**2.1**
Allotted in respect of share option schemes	**0.4**	**–**	**1.5**
Balance at 3 December 2023	**828.4**	**16.6**	**1,942.9**

In June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares"), at a price of £7.95 per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors subscribed for a total of 246,405 new ordinary shares at the Placing Price (the "Retail Offer Shares") and the Group CEO, CFO and General Counsel and Company Secretary subscribed for an aggregate of 150,944 new ordinary shares at the Placing Price (the "Subscription Shares").

In aggregate, the Placing Shares, the Retail Offer Shares and the Subscription Shares comprise 72,724,393 new ordinary shares, which raised proceeds of £564.1m net of qualifying transaction costs directly related to the issuance of shares amounting to £14.1m, which were deducted from the share premium.

Included in the total number of ordinary shares outstanding above are 10,480,773 (FY22: 10,438,075) ordinary shares held by the Group's Employee Benefit Trust (see Note 4.7). The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the Joint Share Ownership Scheme ("JSOS"), and the linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP") are treated as treasury shares on the Consolidated Balance Sheet. These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in Note 2.8, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Treasury shares reserve

The treasury shares reserve arose when the Group issued equity share capital under its JSOS. In 2019, the Group issued share capital relating to the linked JOE awards under the Group VCP. The shares under both plans are held in trust by the Trustee of the Group's Employee Benefit Trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS and Group VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares. See Note 4.7 for more information on the JSOS and Group VCP.

Other reserves

The movements in other reserves are set out below:

	Other reserves						
	Reverse acquisition reserve £m	Convertible bonds reserve £m	Merger reserve £m	Translation reserve £m	Fair value reserve £m	Hedging reserve £m	Total £m
Balance at 28 November 2021	(116.2)	184.5	6.2	(11.0)	6.1	0.3	69.9
Net gain arising on cash flow hedges	–	–	–	–	–	(1.1)	(1.1)
Foreign exchange gain on translation of foreign subsidiaries	–	–	–	69.1	–	–	69.1
Gain on equity investments designated as at fair value through other comprehensive income	–	–	–	–	33.3	–	33.3
Tax on gain on equity investments	–	–	–	–	(7.2)	–	(7.2)
Balance at 27 November 2022	(116.2)	184.5	6.2	58.1	32.2	(0.8)	164.0
Net gain arising on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Foreign exchange loss on translation of foreign subsidiaries	**–**	**–**	**–**	**(53.0)**	**–**	**–**	**(53.0)**
Loss on equity investments designated as at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(16.5)**	**–**	**(16.5)**
Tax on loss on equity investments	**–**	**–**	**–**	**–**	**(4.6)**	**–**	**(4.6)**
Balance at 3 December 2023	**(116.2)**	**184.5**	**6.2**	**5.1**	**11.1**	**(0.1)**	**90.6**

Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Holdings Limited was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". Consequently, the previously recognised book values and assets and liabilities have been retained, and the consolidated financial information for the period to 3 December 2023 has been presented as if the Company had always been the parent company of the Group.

Convertible bonds reserve

The convertible bonds reserve contains the equity components of convertible bonds issued by the Group, net of apportioned transaction costs. The carrying amounts of the equity components will not change until the liability components are redeemed through repayment or conversion into ordinary shares.

Refer to Note 4.1 for further details on the senior unsecured convertible bonds issued by the Group.

Merger reserve

The merger reserve comprises shares issued as consideration for Haddington Dynamics Inc.

Translation reserve

The translation reserve comprises cumulative foreign exchange differences on the translation of foreign subsidiaries.

Fair value reserve

The fair value reserve comprises cumulative changes in the fair value of assets and liabilities recognised through other comprehensive income.

Hedging reserve

The hedging reserve comprises cumulative gains and losses on movements in the Group's hedging arrangements (see Note 4.3).

Notes to the consolidated financial statements continued

4.7 Share options and other equity instruments

Accounting policies

Employee benefits

Employees (including Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ("equity-settled transactions") or entitlement to future cash payments ("cash-settled transactions").

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value of the equity instruments at the date on which they are granted. Where options need to be valued, an appropriate valuation model is applied. The expected lives used in the models have been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of cash-settled transactions, including the cost of associated employer's NIC on certain taxable equity-settled transactions, is measured with reference to the fair value of the amounts payable, which is taken to be the closing price of the Company's shares at the measurement date. Until a liability is settled, it is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value being recognised in the Consolidated Income Statement for the relevant period. For more details, see Note 3.13.

The cost of equity-settled transactions is recognised, along with a corresponding increase in equity, over the periods in which the service and performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cost of associated employer taxes is recognised, along with a corresponding provision for the expected cash settlement, over the vesting period.

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has elapsed, and the number of awards that, in the opinion of management, will ultimately vest. Management's estimates are based on the best available information at that date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Share options and other equity instruments

The total expense for the period relating to all share-based payment transactions is as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Executive Share Option Scheme	1.1	1.3
Joint Share Ownership Scheme	–	–
Sharesave scheme	2.5	3.1
Share Incentive Plan	2.6	2.2
Ocado Group Value Creation Plan	5.1	11.3
Ocado Retail Value Creation Plan	–	(19.0)
Long-Term Operating Plan	–	–
Annual Incentive Plan	4.1	2.6
Employee Share Purchase Plan	0.5	0.2
Ocado Restricted Share Plan	17.8	11.6
Consultant Option Plan	0.3	0.2
Deferred Consideration Shares	1.7	2.4
Total expense	35.7	15.9
Of which:		
Equity-settled expense	33.3	42.0
Cash-settled expense	2.4	(26.1)
Total expense	35.7	15.9

The Group had the following schemes in operation during the financial period:

(a) Executive Share Option Scheme ("ESOS")

The Group's Executive Share Option Scheme ("ESOS") was established in 2001 and is an equity-settled share option scheme approved by HMRC. Options have also been granted under the terms of HMRC's schedule, which are not approved and also under the terms of the Internal Revenue Service which are both qualified and non-qualified. All share awards under the ESOS are equity-settled, apart from employer's NIC due on unapproved ESOS awards, which are treated as cash-settled.

Under the ESOS, the Group or the trustees of an employee trust may grant options over shares of the Company to eligible employees and may impose performance targets or any further conditions determined to be appropriate on the exercise of an option. In most cases, any performance target must be measured over a period of at least three years.

With the exception of replacement options, the vesting period for the ESOS is three years. If the options remain unexercised after a period of 10 years from the date of grant or the employee leaves the Group, the options expire (subject to a limited number of exceptions).

In 2021, on acquisition of a subsidiary, its existing unvested options were cancelled and replaced by options of the Company granted under the ESOS. Replacement options shall vest in three equal instalments on the first three anniversaries of the closing date of acquisition, subject to the option holder's continued employment within the Group.

Details of the movement of the number of share options outstanding during each period are as follows:

	53 weeks ended 3 December 2023		52 weeks ended 27 November 2022	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	1,930,355	8.34	2,074,654	7.43
Granted during period	4,545	6.66	275,528	12.04
Forfeited during period	(282,274)	9.35	(164,020)	11.51
Exercised during period	(155,195)	3.18	(255,807)	2.97
Outstanding at end of period	1,497,431	8.67	1,930,355	8.34
Exercisable at end of period	1,147,728	6.86	1,083,446	5.25

At the reporting date, the Group had 1,180,810 (FY22: 1,440,504) approved options outstanding and 316,621 (FY22: 489,851) unapproved options outstanding. At the end of the period, the range of exercise prices for approved options outstanding was £2.56 to £25.08 (FY22: £1.28 to £25.08) and for unapproved options outstanding was £2.56 to £14.47 (FY22: £2.56 to £14.47).

The weighted average remaining contractual life for the ESOS share options outstanding as at 3 December 2023 was 5.0 years (FY22: 6.1 years).

For exercises during the period, the weighted average share price at the date of exercise was £6.62 (FY22: £11.71).

In determining the fair value of the share options granted during the period, the Black Scholes option pricing model was used with the following inputs:

	3 December 2023	27 November 2022
Weighted average share price	£6.66	£12.04
Weighted average exercise price	£6.66	£12.04
Expected volatility	50.0%	50.0%
Weighted expected life, years	3.0	3.0
Weighted average risk-free interest rate	4.0%	1.3%
Expected dividend yield	0.0%	0.0%

The expected volatility was determined by considering the historical performance of the Company's shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

4.7 Share options and other equity instruments continued

(b) Joint Share Ownership Scheme ("JSOS")

The Joint Share Ownership Scheme ("JSOS") is an executive incentive scheme that was introduced to incentivise and retain the Executive Directors and senior managers of the Group ("Participants"). It is a share ownership scheme permitting a Participant to benefit from the increase (if any) in the value of a number of ordinary shares of the Company ("Shares") over specified threshold amounts. To acquire an interest a Participant enters into a joint share ownership agreement with Ocorian Limited, Trustee of the Employee Benefit Trust ("Trustee"), whereby the Participant and the Trustee jointly acquire the Shares and agree that once all vesting conditions have been satisfied, the Participant is awarded a specific number of Shares equivalent to the benefit achieved, or at their discretion, when the Shares are sold, the Participant has a right to receive a proportion of the sale proceeds insofar as the value of the Shares exceeds the threshold amount.

At the reporting date the Participants and Trustee held separate beneficial interests in 1,191,224 (FY22: 1,192,474) ordinary shares, which represents 0.1% (FY22: 0.1%) of the issued share capital of the Company. Of these shares, 627,486 (FY22: 627,486) are held by the Employee Benefit Trust on an unallocated basis.

The charges to the scheme stopped when the vesting conditions were met.

Details of the movement of the number of allocated interests in shares during the current and prior periods are as follows:

	53 weeks ended 3 December 2023		52 weeks ended 27 November 2022	
	Number of interests in shares	Weighted average exercise price (£)	Number of interests in shares	Weighted average exercise price (£)
Outstanding at beginning of period	564,988	2.24	564,988	2.24
Exercised during period	(1,250)	2.15	–	–
Outstanding at end of period	**563,738**	**2.24**	564,988	2.24
Exercisable at end of period	**563,738**	**2.24**	564,988	2.24

(c) Sharesave scheme

The Sharesave scheme ("SAYE") is an HMRC-approved scheme that is open to all United Kingdom employees of the Group. Under the scheme, members save a fixed amount each month for three years. At the end of the three-year period, they are entitled to use these savings to buy shares of the Company at 90% of the market value at launch date.

At the reporting date, employees of the Company's subsidiaries held 3,389 (FY22: 4,394) contracts in respect of options over 4,759,371 shares (FY22: 2,114,080).

Details of the movement of the number of Sharesave options outstanding during the current and prior periods are as follows:

	53 weeks ended 3 December 2023		52 weeks ended 27 November 2022	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	2,114,080	12.14	1,970,813	15.10
Granted during period	5,073,768	4.45	1,887,609	12.00
Forfeited during period	(2,422,861)	10.13	(1,725,049)	15.44
Exercised during period	(5,616)	4.45	(19,293)	5.53
Outstanding at end of period	**4,759,371**	**4.98**	2,114,080	12.14
Exercisable at end of period	**379,544**	**4.96**	12,191	12.39

(d) Share Incentive Plan

In 2014, the Group introduced the Share Incentive Plan ("SIP"). This HMRC-approved scheme provides United Kingdom employees, including Executive Directors, the opportunity to receive and invest in the Company's shares. All SIP shares are held in a SIP Trust, administered by Solium Trustee (UK) Limited.

There are two elements to the plan: the Buy As You Earn ("BAYE") arrangement and the Free Share Award. Under the BAYE arrangement, participants can purchase shares of the Company ("Partnership Shares") each month using contributions from pre-tax pay, subject to an upper limit. For every seven shares purchased, the Company gifts the participant one free share (a "Matching Share").

Under the Free Share Award, shares are given to eligible employees, as a proportion of their annual base pay, subject to a maximum. Eligible employees are those with six months' service at the grant date.

For Partnership Shares, eligible employees are those with three months' service. Partnership shares can be withdrawn from the Plan Trust at any time, but Matching Shares and Free Shares are subject to a three-year holding period, during which continuous employment within the Group is required. The Matching Shares and Free Shares will be forfeited if any corresponding Partnership Shares are removed from the Plan Trust within this three-year period, or if the participant leaves the Group.

Outstanding shares held under the SIP at the beginning and end of the period can be reconciled as follows:

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 27 November 2022	569,839	80,629	1,495,979	2,146,447
Awarded during period	366,453	51,985	906,145	1,324,583
Forfeited during period	–	(17,748)	(220,869)	(238,617)
Released during period	(230,167)	(15,356)	(314,443)	(559,966)
Outstanding at 3 December 2023	**706,125**	**99,510**	**1,866,812**	**2,672,447**
Unrestricted at 3 December 2023	**706,125**	**31,162**	**553,495**	**1,290,782**

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 28 November 2021	388,285	54,749	1,045,977	1,489,011
Awarded during period	268,140	37,743	640,043	945,926
Forfeited during period	–	(8,091)	(84,311)	(92,402)
Released during period	(86,586)	(3,772)	(105,730)	(196,088)
Outstanding at 27 November 2022	569,839	80,629	1,495,979	2,146,447
Unrestricted at 27 November 2022	569,839	34,225	691,525	1,295,589

(e) Ocado Group Value Creation Plan

Under the Ocado Group VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute Total Shareholder Return generated over the VCP period. The award gives participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle ("Threshold Total Shareholder Return") at the end of each plan year ("Measurement Date") over the five-year Group VCP period. Participants will receive the right at the end of each year of the five-year performance period to share awards with a value representing the level of the Company's Total Shareholder Return ("Measurement Total Shareholder Return") above the Threshold Total Shareholder Return at the relevant Measurement Date. The share price used at the Measurement Date will be the 30-day average following the announcement of the Group's results for the relevant financial year, plus any dividends in respect of the plan.

At each Measurement Date, up to 3.25% (FY22: 3.25%) of the value created above the hurdle will be "banked" in the form of share awards which will be released in line with the vesting schedule.

The Threshold Total Shareholder Return or hurdle that has to be exceeded before share awards can be earned by Participants is the higher of:

- the highest previous Measurement Total Shareholder Return; and
- the Initial Price compounded by 10% per annum (Initial Price – Tranche 1 £13.97; Tranche 2 £19.60; Tranche 3 £7.95).

If the value created at the Measurement Date does not exceed the hurdle, nothing will accrue in that year under the VCP.

As at 3 December 2023, 4,839,781 (2022: 4,839,781) nil-cost options had been banked. The next Measurement Date will be 30 days after the publication of these financial statements.

4.7 Share options and other equity instruments continued

Vesting conditions

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date and 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to the following:

a. A minimum TSR of 10.0% CAGR being maintained:
   - Where the TSR has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point but they will not lapse.
   - Where the TSR has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point but they will not lapse.
   - Where the TSR has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point and the remaining cumulative balance will lapse.

b. Any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP.

c. An annual cap on vesting of £20m for the CEO and a proportionate limit for other participants:
   - In the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Share awards rolled forward will not be subject to further underpins, performance or service conditions

Valuation of awards

In 2019, 2.55% of the original maximum 2.75% was awarded in total to participants, of which 0.45% lapsed and 0.55% was subsequently granted during the prior periods. In the current period, a further 0.95% lapsed and 0.15% was awarded to participants. Also, in FY20, Tranche 2 of the VCP award was created following the June 2020 capital raise and in the prior period Tranche 3 was created following the June 2022 capital raise. As such, Tranche 1 is based on the total number of shares in issue, less the number of shares under Tranche 2 and Tranche 3. Tranches 2 and 3 are based on the total number of shares issued in the June 2020 and June 2022 capital raise respectively.

The fair value of awards granted net of lapses under the Group VCP to date is £66.0m (FY22: £71.9m) spread over the five-year period. In determining the fair value of the VCP awards granted in the current and prior period, a Monte Carlo model was used with the following inputs:

53 weeks ended 3 December 2023	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Date of grant	09.12.2022	09.12.2022	09.12.2022	24.08.2023	24.08.2023	24.08.2023
Portion of VCP granted	0.05%	0.05%	0.05%	0.10%	0.10%	0.10%
Share price at grant	£6.86	£6.86	£6.86	£7.51	£7.51	£7.51
Expected volatility	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Expected life from date of grant – years	0.3/1.3	0.3/1.3	0.3/1.3	2.6/3.6/4.6	2.6/3.6/4.6	2.6/3.6/4.6
Risk-free interest rate	3.39%	3.39%	3.39%	4.52%	4.52%	4.52%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

52 weeks ended 27 November 2022	Tranche 1	Tranche 2	Tranche 3 (G1)	Tranche 3 (G2)
Date of grant	04.08.2022	04.08.2022	07.09.2022	07.09.2022
Portion of VCP granted	0.20%	0.20%	2.55%	0.20%
Share price at grant	£9.40	£9.40	£7.34	£7.34
Expected volatility	50.0%	50.0%	50.0%	50.0%
Expected life from date of grant – years	2.6/3.6/4.6	2.6/3.6/4.6	0.5/1.5	2.5/3.5/4.5
Risk-free interest rate	1.8%	1.8%	3.0%	2.9%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Linked JOE awards

Under the terms of the Group VCP, at the time a VCP award is made, the participant may acquire a linked jointly owned equity ("JOE") award with Ocorian Limited, the Trustee of the Employee Benefit Trust. The JOE award permits participants to benefit from the increase (if any) in the value of a number of ordinary shares above a hurdle of 10.0% per annum cumulative annual growth rate (which reflects the Group VCP Threshold Total Shareholder Return) over a time period matching the performance period of the VCP. Participants acquired JOE awards over a total of 9,245,601 shares. The value of these JOE awards (if any) will be applied to deliver part of the total value of the participants' Group VCP awards on realisation of these VCP awards.

JOE award participants pay an initial cost for the JOE awards, which is not repayable to them even if no value is delivered under these JOE awards.

(f) Ocado Retail Value Creation Plan

The Ocado Retail Value Creation Plan ("Retail VCP") was established in 2019 for the senior leadership team of Ocado Retail Limited ("Ocado Retail"). Grants under the Retail VCP were to be cash-settled and included a market-based performance condition relating to the value of Ocado Retail.

During the prior period, the decision was taken to cancel the Retail VCP on the basis that valuation at the first measurement date indicated no amounts would vest. As such, amounts previously recognised were released in the prior period (refer to Note 3.13).

(g) Long-Term Operating Plan

In 2019, the Group granted shares to selected employees. The number of awards issued was calculated based on a percentage of the participants' salaries. The awards will vest in three equal tranches over three years. Upon vesting, each tranche is subject to an additional two-year holding period after which the shares will be released to the participants. The vesting of each tranche is conditional on continued employment within the Group and subject to the Company's share price exceeding a predetermined minimum.

Outstanding share awards under the Long-Term Operating Plan at the beginning and end of the period can be reconciled as follows:

	53 weeks ended 3 December 2023	52 weeks ended 27 November 2022
Outstanding at beginning of period	**124,198**	179,815
Released during period	**(59,939)**	(55,617)
Outstanding at end of period	**64,259**	124,198
Exercisable at end of period	**–**	–

(h) Annual Incentive Plan

Under the Annual Incentive Plan ("AIP"), awards are granted annually in the form of nil-cost options over shares of the Company and conditional awards of shares to the Executive Directors and selected members of senior management. The number of share awards granted is dependent on performance against targets and subject to threshold and maximum conditions (refer to the Directors' Remuneration Report on pages 154 to 203). Nil-cost options will vest in full three years from grant date, with a further two-year holding period for the Executive Directors only, during which time they cannot be sold. Conditional awards will vest over a period of four years from grant date. An award will lapse if a participant ceases to be employed by the Group before the vesting date.

Outstanding share awards under the AIP at the beginning and end of the period can be reconciled as follows:

	53 weeks ended 3 December 2023	52 weeks ended 27 November 2022
Outstanding at beginning of period	**599,226**	365,552
Granted during period	**986,896**	251,286
Lapsed during period	**(18,381)**	(17,612)
Released during period	**(17,632)**	–
Outstanding at end of period	**1,550,109**	599,226
Exercisable at end of period	**–**	–

The expense recognised in a given financial year relates to all unvested AIP awards granted in prior periods, and also to awards yet to be granted for the current period. The performance period for the 2023 AIP is the 53 weeks ended 3 December 2023. The expectation of meeting the 2023 AIP performance targets was taken into account when calculating this expense.

Notes to the consolidated financial statements continued

4.7 Share options and other equity instruments continued

(i) Employee Share Purchase Plan

The Employee Share Purchase Plan ("SPP") is a non-United Kingdom "all-employee" share purchase plan under which eligible employees are awarded options ("SPP Options") over shares of the Company. SPP Options are granted at the beginning of a specific offering period, which will not normally exceed 24 months. Participants enrol in the SPP by authorising payroll deductions from their salary during the relevant offering period.

At the end of an offering period, employees are entitled to use these savings to buy shares of the Company at 90% of the market value on the date of grant or at the end of the offering period, whichever is lower. During the period, employees purchased 245,789 (FY22: 352,517) shares of the Company at an exercise price of £4.19.

At the reporting date, employees of the Group held 963 (FY22: 906) contracts in respect of granted SPP Options.

There were nil SPP Options exercisable at the reporting date (FY22: nil).

(j) Ocado Restricted Share Plan

The Ocado Restricted Share Plan ("RSP") is used for two key purposes:

(a) to allow all-employee Free Share Awards outside the United Kingdom, similar to the Group's Share Incentive Plan; and

(b) to give the Group the flexibility to make Discretionary Share Awards.

RSP Free Share Awards are conditional awards of shares granted to eligible non-UK employees, as a proportion of their annual base pay. Eligible employees are those with six month's service at the grant date. Awards are subject to a three-year vesting period.

RSP Discretionary Share Awards can either be nil-cost options over shares of the Company or conditional awards of shares. These awards may be granted subject to performance conditions, and an additional holding period following vesting. The vesting period and profile are award specific.

Unvested RSP awards will lapse upon a participant ceasing to hold office or employment within the Group.

Outstanding share awards under the RSP at the beginning and end of the period can be reconciled as follows:

	53 weeks ended 3 December 2023			52 weeks ended 27 November 2022		
	RSP – Free Shares	**RSP – Discretionary Shares**	**Total**	RSP – Free Shares	RSP – Discretionary Shares	Total
Outstanding at beginning of period	**148,234**	**2,571,785**	**2,720,019**	34,846	351,808	386,654
Granted during period	**210,478**	**4,857,288**	**5,067,766**	127,056	2,592,352	2,719,408
Forfeited during period	**(41,875)**	**(331,047)**	**(372,922)**	(13,668)	(209,998)	(223,666)
Exercised during period	**(7,041)**	**(919,315)**	**(926,356)**	–	(162,377)	(162,377)
Outstanding at end of period	**309,796**	**6,178,711**	**6,488,507**	148,234	2,571,785	2,720,019

There were no awards exercisable as at 3 December 2023.

(k) Consultant Option Plan

Under the rules of the Consultant Option Plan, options over shares of the Company can be granted to non-employees, both individuals and companies engaged to provide services to the Group.

The option exercise price is determined with reference to the closing share price of the shares on the day of, or day prior to, issuance. The options vest over a range of 18 months to three years depending on the award, and may be exercised once and in full anytime during a three-year exercise period.

Any unvested options will lapse on cessation of the engagement to provide services to the Group.

Outstanding share awards under the Consultant Option Plan at the beginning and end of the period can be reconciled as follows:

	53 weeks ended 3 December 2023	52 weeks ended 27 November 2022
Outstanding at beginning of period	**465,000**	225,000
Granted during period	**–**	240,000
Outstanding at end of period	**465,000**	465,000
Exercisable at end of period	**185,000**	185,000

(l) Deferred Consideration Shares

In 2021, shares were issued to select employees of a subsidiary on acquisition. These shares will be held in trust until such time as the agreement allows the shareholders to access them. On each of the first three anniversaries of the closing date of acquisition, one-third of these shares will be released from transfer restrictions subject to achievement of performance conditions and continued employment.

Restricted Deferred Consideration Shares at the beginning and end of the period can be reconciled as follows:

	53 weeks ended 3 December 2023	52 weeks ended 27 November 2022
Restricted at beginning of period	**196,319**	294,472
Issued during period	**–**	–
Forfeited during period	**(2,303)**	
Released from transfer restrictions during period	**(97,009)**	(98,153)
Restricted at end of period	**97,007**	196,319

4.8 Capital management

The Board's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to sustain future development of the business, and to maximise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets, plus net debt*.

Net debt* is calculated as cash and cash equivalents, less gross debt (borrowings and lease liabilities as shown on the Consolidated Balance Sheet). The Group's net assets at the reporting date were £1,511.0m (FY22: £1,934.3m), and it had net debt* of £1,075.1m (FY22: net debt £577.1m).

The main areas of capital management revolve around working capital and compliance with externally imposed financial covenants. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to allow the Group to grow, whilst operating with sufficient headroom within its covenants. The components of working capital management include monitoring inventory turnover, age of inventory, age of receivables, receivables days, payables days, Balance Sheet re-forecasting, period projected profit or loss, weekly cash flow forecasts and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows, and all major capital expenditure requires approval by the Board. There were no changes in the Group's approach to capital management during the period.

In June 2022, the Group successfully completed a capital raise generating £564.1m to fund growth (refer to Note 4.6 for details) and secured additional liquidity through a three-year multi-currency revolving credit facility ("RCF") of £300.0m with a syndicate of international banks.

The Group reviews its financing arrangements regularly. Throughout the period, the Group has complied with all covenants imposed by lenders.

Given the Group's commitment to expand the business and the investment required to complete future CFCs, the declaration and payment of a dividend is not part of the short-term capital management strategy of the Group.

At the reporting date, the Group's undrawn facilities and cash and cash equivalents were as follows:

	Notes	**3 December 2023 £m**	27 November 2022 £m
Total facilities available		**2,398.2**	2,381.9
Facilities drawn down		**(2,043.7)**	(2,022.9)
Undrawn facilities		**354.5**	359.0
Cash and cash equivalents	3.11	**884.8**	1,328.0
Undrawn facilities, cash and cash equivalents and other treasury deposits		**1,239.3**	1,687.0

Notes to the consolidated financial statements continued

4.9 Cash generated from operations

A reconciliation from loss before tax to cash generated from operations is as follows:

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Cash flows from operating activities			
Loss before tax		**(403.2)**	(500.8)
Adjustments for:			
• Revenue recognised from long-term contracts	2.1	**(33.0)**	(24.7)
• Depreciation, amortisation and impairment losses[1]	2.3	**452.7**	348.6
• Property, plant and equipment write-off		**2.9**	10.8
• Gain on disposal of asset held for sale	3.8	**(5.0)**	–
• Insurance proceeds income	2.5	**–**	(73.8)
• Litigation settlement income and interest unwind	2.5	**(186.5)**	–
• Other non-cash adjusting items	2.5	**67.4**	59.8
• Share of results of joint ventures and associate	3.6	**0.9**	1.4
• Movement of provisions		**13.5**	(26.2)
• Net finance cost[2]	2.6	**76.1**	48.2
• Share-based payments charge	4.7	**33.3**	42.0
Changes in working capital			
• Movement in contract assets		**–**	0.3
• Cash received from contract liabilities (upfront fees)		**47.9**	78.7
• Movement of inventories		**3.1**	(10.9)
• Movement of trade and other receivables		**36.6**	(50.7)
• Movement of trade and other payables		**(19.8)**	93.3
Cash generated from/(used in) operations		**86.9**	(4.0)

1. Included within depreciation, amortisation and impairment losses are impairment charges of £20.3m and £27.2m, relating to the UK network capacity review and Zoom by Ocado network capacity and strategy review, respectively, which are included in the adjusting items. Refer to Note 2.5 for further details.
2. Excludes £6.1m interest unwind on AutoStore litigation settlement, which is included within litigation settlement income and interest unwind.

Section 5 – Other notes

5.1 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, their countries of incorporation, and the effective percentage of equity owned at the reporting date is disclosed below. All undertakings are indirectly owned by the Company unless otherwise stated.

Name	Country of incorporation	Principal activity	Share class	% of share capital held
Haddington Dynamics II LLC	United States of America[13]	Holding company	Ordinary shares	100.0%
JFC Hydroponics Ltd	United Kingdom[1]	Non-trading company	Ordinary shares	54.6%
Jones Food Company Limited	United Kingdom[22]	Vertical farming	Ordinary shares	54.6%
Karakuri Limited	United Kingdom[2]	Robotics	Preference shares	26.3%
Kindred Inc.	United States of America[13]	Holding company	Ordinary shares	100.0%
Kindred Systems II Inc.†	Canada[9]	Holding company	Ordinary shares	100.0%
Last Mile Technology Limited	United Kingdom[3]	Non-trading company	Ordinary shares	100.0%
MHE JVCo Limited	United Kingdom[3]	Leasing	"B" shares	50.0%
Myrmex Inc	USA[13]	Technology	Ordinary shares	100.0%
O'Logistics SAS	France[14]	Business services	Ordinary shares	50.0%
Ocado Bulgaria EOOD	Bulgaria[4]	Technology	Ordinary shares	100.0%
Ocado Central Services Limited	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Finco 1 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Finco 2 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Innovation Limited†	United Kingdom[3]	Technology	Ordinary shares	100.0%
Ocado Intelligent Automation Limited†	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Operating Limited	United Kingdom[3]	Logistics and distribution	Ordinary shares	100.0%
Ocado Polska Sp. z.o.o.	Poland[6]	Technology	Ordinary shares	100.0%
Ocado Retail Limited	United Kingdom[7]	Retail	Ordinary shares	50.0%
Ocado Solutions Australia Pty Limited	Australia[8]	Business services	Ordinary shares	100.0%
Ocado Solutions Canada Inc.	Canada[5]	Business services	Ordinary shares	100.0%
Ocado Solutions France SAS	France[10]	Business services	Ordinary shares	100.0%
Ocado Solutions Japan K.K.	Japan[11]	Business services	Ordinary shares	100.0%
Ocado Solutions Korea Limited	South Korea[21]	Business services	Ordinary shares	100.0%
Ocado Solutions Limited†	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Solutions Polska sp z.o.o.	Poland[17]	Business services	Ordinary shares	100.0%
Ocado Solutions Spain S.L.	Spain[18]	Business services	Ordinary shares	100.0%
Ocado Solutions Sweden AB	Sweden[12]	Business services	Ordinary shares	100.0%
Ocado Solutions (US) ProCo LLC	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Solutions USA Inc.	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Spain S.L.U.	Spain[18]	Technology	Ordinary shares	100.0%
Ocado Sweden AB	Sweden[15]	Technology	Ordinary shares	100.0%
Ocado US Holdings Inc.†	United States of America[13]	Holding company	Ordinary shares	100.0%
Ocado Ventures Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (80 Acres) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Inkbit) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (JFC) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Karakuri) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Myrmex) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Oxbotica) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Wayve) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Oxford US LLC	United States of America[13]	Non-trading company	Ordinary shares	100.0%
Paneltex Limited	United Kingdom[16]	Manufacturing	Ordinary shares	25.0%
6 River Systems LLC	United States of America[19]	Robotics	Ordinary shares	100.0%
6 River Systems Ltd	United Kingdom[3]	Robotics	Ordinary shares	100.0%
6 River Systems GmbH	Germany[20]	Robotics	Ordinary shares	100.0%

† Interest held directly by Ocado Group plc.

The registered offices of the above companies are as follows:

1. Phase 2 Celsius Parc, Cupola Way, Scunthorpe, United Kingdom, DN15 9YJ
2. RSM Restructuring Advisory LLP, 25 Farringdon Street, London, United Kingdom, EC4A 4AB
3. Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL
4. 7th Floor, 13 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria
5. Suite 1300, 1969 Upper Water Street, McInnes Cooper Tower-Purdy Wharf, Halifax, NS B3J 3R7, Canada
6. High5ive Building, Pawia 21st, 31-154, Kraków, Poland
7. Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX
8. Level 9, 63 Exhibition Street, Melbourne, VIC 3000, Australia
9. Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8, Canada
10. 3-5 Rue Saint-Georges, 75009 Paris, France
11. Hibiya Fort Tower 10F, 1-1-1 Nishi Shinbashi, Minato-Ku, Tokyo, Japan
12. Mätarvägen 30, 196 37 Kungsängen, Sweden
13. 251 Little Falls Drive, New Castle, Wilmington, DE, 19808, United States of America
14. 1 cours Antoine Guichard, 42000 Saint-Etienne, France
15. Mälarvarvsbacken 8, 117 33, Stockholm, Sweden
16. Paneltex House, Somerden Road, Hull, United Kingdom, HU9 5PE
17. ul. Grzybowska 2 Lok 29, 00-131, Warsaw, Poland
18. calle Badajoz 112, 08018, Barcelona, Spain
19. 251 Little Falls Drive, New Castle, Wilmington, DE, 19808, United States of America
20. TMF Deutschland AG, Wiesenhuttenstr. 11, 60329 Frankfurt am Main, Germany
21. 4th Floor, LS Yongsan Tower, Hangangdaero 92, Yongsan-gu, Seoul, South Korea
22. Old Forge Place, Lydney, United Kingdom, GL15 5SA

The Group has effective control over the financial and operating activities of the Ocado Cell in Atlas Insurance PCC Limited, an insurance company incorporated in Malta and, therefore, consolidates the Ocado Cell in its financial statements.

Notes to the consolidated financial statements continued

5.2 Non-controlling interests

Accounting policies
Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests
The proportion of equity interest held by non-controlling interests is provided below:

Name	Country of incorporation[1]	3 December 2023 %	27 November 2022 %
Ocado Retail Limited ("Ocado Retail")	United Kingdom	**50.0%**	50.0%
Jones Food Company Limited ("Jones Food Company")	United Kingdom	**45.4%**	51.9%

1 The entity's place of business as its country of incorporation.

In January 2022, Jones Food Company issued additional shares to three individuals, which resulted in the Group's shareholding decreasing to 48.1%. However, the Group had existing warrants (potential voting rights), which entitled the Group to acquire 2.3 million shares and therefore, the Group's shareholdings on a fully diluted basis amounted to 52.4%. As such, the Group retained control of Jones Food Company.

In April 2023, the Group exercised the warrants in Jones Food Company to acquire 2.3 million shares for £3.7m bringing the Group's shareholdings in Jones Food Company to 54.6%, which is reflected as the £0.2m movement between retained earnings and non-controlling interests within the Consolidated Statement of Changes in Equity during the year. The Group retains control of Jones Food Company.

The table below provides summarised financial information of Ocado Retail and Jones Food Company. The information disclosed reconciles the amounts presented in the financial statements of the relevant companies (adjusted for differences in fair values on acquisition) with the non-controlling interests' share of those amounts.

	53 weeks ended 3 December 2023		
	Ocado Retail £m	Jones Food Company £m	Total £m
Non-current assets	527.8	25.5	553.3
Current assets	313.0	1.5	314.5
Current liabilities	(311.3)	(2.4)	(313.7)
Non-current liabilities	(498.5)	(6.6)	(505.1)
Net assets at end of period	31.0	18.0	49.0
Non-controlling interests at end of period	15.5	8.1	23.6
Revenue	2,408.8	0.2	2,409.0
Loss and total comprehensive expense for period	(139.0)	(7.7)	(146.7)
Share of total comprehensive expense attributable to non-controlling interests	(69.5)	(3.5)	(73.0)
Net increase/(decrease) in cash and cash equivalents	51.8	(5.0)	46.8

No dividends were paid to non-controlling interests during the current or prior period.

Deconsolidation of Ocado Retail
At present, the results of Ocado Retail are consolidated into the results of Ocado Group plc as Ocado Group plc are deemed to be the controlling shareholder via certain tie-breaking rights. The Group's current intention is to give up its tie-breaking rights to M&S in early April 2025. There will be no change in economic interest of both shareholders in Ocado Retail Limited, or any consideration paid by M&S, as a result of this proposed change. After giving up the tie-breaking rights we expect that the results of Ocado Retail Limited will cease to be consolidated into the results of Ocado Group plc and will instead be equity accounted for as an investment from this point onwards.

5.3 Commitments

Capital commitments
Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	3 December 2023 £m	27 November 2022 £m
Land and buildings	**0.1**	0.4
Property, plant and equipment	**104.9**	275.1
Capital commitments	**105.0**	275.5

Of the total capital expenditure committed at the end of the period, £66.5m relates to new CFCs (FY22: £232.4m), £2.3m to existing CFCs (FY22: £1.3m), £nil to fleet costs (FY22: £7.6m) and £34.7m to technology projects (FY22: £26.5m).

5.4 Related party transactions

Key management personnel
Only members of the Board (the Executive and Non-Executive Directors) are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. The aggregate emoluments of key management personnel are as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Salaries and other short-term employee benefits	**5.9**	5.8
Post-employment benefits	**0.2**	0.2
Share-based payments	**4.9**	11.4
Aggregate emoluments	**11.0**	17.4

Further information on the remuneration of Directors and Directors' interests in ordinary shares of the Company is disclosed in the Directors' Remuneration Report on pages 154 to 203.

Due to restrictions in place during the Covid-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircraft through accessing flying hours owned by a family member of one of the key management personnel. The price paid was at the open market rate and amounted to £nil (FY22: £32,100). At the end of the period, no amounts were owed in relation to the purchase of these flights.

Other related party transactions with key management personnel made during the period amount to £nil (FY22: £nil). All transactions were on an arm's length basis. At the reporting date, no amounts were owed by key management personnel to the Group (FY22: £nil). During the period, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Notes to the consolidated financial statements continued

5.4 Related party transactions continued

Joint venture

MHE JVCo Limited

The following transactions were carried out with MHE JVCo:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Dividend received from MHE JVCo	**5.1**	8.0
Reimbursement of supplier invoices paid on behalf of MHE JVCo	**4.1**	1.1
Lease liability additions from MHE JVCo	**11.4**	–
Capital element of lease liability instalments paid to MHE JVCo	**12.0**	15.1
Capital element of lease liability instalments due to MHE JVCo	**0.5**	1.4
Interest element of lease liability instalments accrued or paid to MHE JVCo	**0.5**	1.3

During the period, the Group incurred lease instalments (including interest) of £13.0m (FY22: £17.8m) to MHE JVCo.

Of the lease instalments incurred, £6.8m was recovered directly from Wm Morrison Supermarkets Limited in the form of other income (FY22: £8.2m).

Included within trade and other receivables is a balance of £0.7m due from MHE JVCo (FY22: £2.3m), which primarily relates to capital recharges.

Included within trade and other payables is a balance of £0.7m due to MHE JVCo (FY22: £1.8m).

Included within lease liabilities is a balance of £16.5m due to MHE JVCo (FY22: £17.5m).

Associate

Karakuri Limited

During a prior period, the Group lent £1.7m to Karakuri, a company in which the Group holds a 26.3% interest. The loan is held at fair value through profit or loss within other financial assets. However, following Karakuri entering into administration during the period, a write-down of £1.9m was recognised, reducing the carrying amount to £nil (FY22: £1.8m). During the period, £0.1m (FY22: £0.2m) of interest was recognised within finance income.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

5.5 Post-Balance Sheet events

There have been no post balance sheet events requiring disclosure in these financial statements other than those already disclosed in the notes to the financial statements.

Company Balance Sheet
as at 3 December 2023

	Notes	3 December 2023 £m	27 November 2022 £m
Non-current assets			
Investments	3.1	**885.9**	850.5
Amounts due from subsidiaries	3.2	**3,251.6**	3,286.2
		4,137.5	4,136.7
Current assets			
Other receivables		**2.9**	3.5
Cash and cash equivalents	3.3	**1.9**	7.5
		4.8	11.0
Total assets		**4,142.3**	4,147.7
Current liabilities			
Trade and other payables	3.4	**(277.1)**	(291.1)
Provisions	3.5	**(0.8)**	(0.2)
		(277.9)	(291.3)
Net current liabilities		**(273.1)**	(280.3)
Non-current liabilities			
Provisions	3.5	**(1.5)**	(1.1)
Borrowings	4.1	**(1,366.2)**	(1,332.2)
		(1,367.7)	(1,333.3)
Net assets		**2,496.7**	2,523.1
Equity			
Share capital	4.2	**16.6**	16.5
Share premium	4.2	**1,942.9**	1,939.3
Merger reserve		**6.2**	6.2
Convertible bonds reserve		**184.5**	184.5
Retained earnings		**346.5**	376.6
Total equity		**2,496.7**	2,523.1

The Company's loss for the period was £63.4m (FY22: £56.5m).

The notes on pages 297 to 301 form part of these financial statements.

The Company financial statements on pages 295 to 301 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

Ocado Group plc

Company number: 07098618 (England and Wales)

29 February 2024

Company Statement of Changes in Equity
for the 53 weeks ended 3 December 2023

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Convertible bonds reserve £m	Retained earnings £m	Total £m
Balance at 28 November 2021		15.0	1,372.0	6.2	184.5	391.1	1,968.8
Loss for the period		–	–	–	–	(56.5)	(56.5)
Total comprehensive expense for the period		–	–	–	–	(56.5)	(56.5)
Transactions with owners							
Issue of ordinary shares	4.2	1.5	565.0	–	–	–	566.5
Allotted in respect of share option schemes	4.2	–	2.3	–	–	–	2.3
Share-based payments charge	2.2	–	–	–	–	42.0	42.0
Total transactions with owners		1.5	567.3	–	–	42.0	610.8
Balance at 27 November 2022		16.5	1,939.3	6.2	184.5	376.6	2,523.1
Loss for the period		**–**	**–**	**–**	**–**	**(63.4)**	**(63.4)**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**(63.4)**	**(63.4)**
Transactions with owners							
Issue of ordinary shares	4.2	**0.1**	**2.1**	**–**	**–**	**–**	**2.2**
Allotted in respect of share option schemes	4.2	**–**	**1.5**	**–**	**–**	**–**	**1.5**
Share-based payments charge	2.2	**–**	**–**	**–**	**–**	**33.3**	**33.3**
Total transactions with owners		**0.1**	**3.6**	**–**	**–**	**33.3**	**37.0**
Balance at 3 December 2023		**16.6**	**1,942.9**	**6.2**	**184.5**	**346.5**	**2,496.7**

The notes on pages 297 to 301 form part of these financial statements.

Notes to the Company financial statements
for the 53 weeks ended 3 December 2023

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc ("the Company") is incorporated in England and Wales. The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial period represents the 53 weeks ended 3 December 2023. The prior financial period represents the 52 weeks ended 27 November 2022.

1.2 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 "Application of Financial Reporting Requirements" issued by the Financial Reporting Council ("FRC"). The Company has undergone a transition from preparing financial statements under UK-adopted International Financial Reporting Standards to Financial Reporting Standard 101 "Reduced Disclosure Framework". Accordingly, these financial statements are prepared in accordance with FRS 101 and the Companies Act 2006 (the "Act") for all periods presented.

The transition has not had an impact on the values of balances previously presented and therefore no changes are required in the presentation of the prior period balances.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. They have been prepared under the historical cost convention, except for certain financial instruments and share-based payments that have been measured at fair value.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets, share-based payments and related party transactions. The Company has also taken advantage of the exemption in relation to disclosure of the possible impact of the application of a new IFRS that has been issued but is not yet effective. Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. Further details of the Group's considerations are provided in the Group Viability Statement and Going Concern Statement on page 112.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone.

New standards, amendments and interpretations adopted by the Company

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the period beginning 28 November 2022, and concluded either that they are not relevant to the Company or that they would not have a significant effect on the Company's financial statements other than on disclosures:

		Effective date
IAS 16	Property, Plant and Equipment – proceeds before intended use	1 January 2022
IAS 37	Onerous Contracts – cost of fulfilling a contract	1 January 2022
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

Accounting policies

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, where items are remeasured, at the dates of the remeasurements. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement.

Income tax

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Notes to the Company financial statements continued

1.2 Basis of preparation continued

Share-based payments
The issuance by the Company to its subsidiaries of a grant over the Company's shares, represents additional capital contributions by the Company in its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are evaluated regularly, and represent management's best estimates based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, events or actions may mean that actual results ultimately differ from those estimates, and the differences may be material.

Critical accounting judgements
Critical accounting judgements are those that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

There are no critical accounting judgements noted for the period.

Key estimation uncertainties
Key areas of estimation uncertainty are the key assumptions concerning the future and other data points at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period.

Amounts due from subsidiaries
The Company uses estimates of future cash flows in assessing whether amounts due from subsidiaries are impaired. The Company performed an impairment review as at the reporting date and recognised a provision for expected credit losses of £10.0m (FY22: £nil). A change in the estimate of future cash flows could lead to a material change in carrying value within the next 12 months.

Section 2 – Results for the period

2.1 Operating results

During the period, the Company obtained audit services from its auditor, Deloitte LLP, amounting to £0.1m (FY22: £0.1m).

2.2 Employee information

The Company does not incur direct staff costs as the Group's employees are employed by its subsidiaries.

For information on share-based payments, refer to Note 4.7 of the Consolidated Financial Statements.

Section 3 – Assets and liabilities

3.1 Investments

Accounting policies
Investments in subsidiaries are carried at cost, less any impairment in value. Where the recoverable amount of an investment is less than its carrying amount, impairment is recognised. Impairment reviews are undertaken whenever there is an indication of impairment, and at least once a year.

	3 December 2023 £m	27 November 2022 £m
Opening investments	**850.5**	815.8
Contributions to subsidiaries in respect of share-based payments	**35.4**	34.7
Investments	**885.9**	850.5

A list of subsidiaries held by the Company is disclosed in Note 5.1 to the consolidated financial statements.

Share-based payments relating to awards to employees are recognised as a capital contribution in the Company with the relating expense recognised within the relevant subsidiary, in accordance with IFRS 2 "Share-based Payment". For details of the share-based payments that increased the Company's investments, see Note 4.7 to the Consolidated Financial Statements.

During the annual impairment review as at the reporting date, no indicators of impairment were identified.

3.2 Amounts due from subsidiaries

Accounting policies
Amounts due from subsidiaries are stated at amortised cost less provision for expected credit losses. These balances are considered low credit risk and therefore the Company measures the provision at an amount equal to 12-month expected credit losses.

	3 December 2023 £m	27 November 2022 £m
Amounts due from subsidiaries, net of expected credit losses	**3,251.6**	3,286.2

During the period, the Company recognised expected credit losses of £10.0m (FY22: £nil).

The amounts due from subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Whilst the amount is repayable on demand, no expectation exists that the balance will be recovered within 12 months of the period end date and as such has been classified as non-current.

3.3 Cash and cash equivalents

Accounting policies
Cash and cash equivalents comprise cash at bank and in hand and are classified as current assets on the Balance Sheet. The carrying amount of these assets approximates to their fair value.

	3 December 2023 £m	27 November 2022 £m
Cash at bank and in hand	**1.9**	7.5
Cash and cash equivalents	**1.9**	7.5

3.4 Trade and other payables

Accounting policies
Trade and other payables are initially recognised at their transaction price, which is deemed to equal their fair value, and subsequently at amortised cost, using the effective interest method.

	3 December 2023 £m	27 November 2022 £m
Amounts due to subsidiaries	**272.7**	285.8
Accruals and other payables	**4.4**	5.3
Trade and other payables	**277.1**	291.1

Amounts due to subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand. As such, these balances have been recorded as current.

Notes to the Company financial statements continued

3.5 Provisions

Accounting policies

Employee incentive schemes

Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes. For all unapproved schemes, the Company is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For further details, refer to Note 4.7 of the Consolidated Financial Statements.

	Employee incentive schemes £m
Balance at 28 November 2021	8.6
Charged to Income Statement	
• Additional provision	0.6
• Unused amounts reversed	(7.7)
Used during period	(0.2)
Balance at 27 November 2022	1.3
Charged to Income Statement	
• Additional provision	**2.0**
• Unused amounts reversed	**–**
Used during period	**(1.0)**
Balance at 3 December 2023	**2.3**

Provisions for employee incentive schemes as at 3 December 2023 can be analysed as follows:

	£m
Current	**0.8**
Non-current	**1.5**
	2.3

Provisions for employee incentive schemes as at 27 November 2022 can be analysed as follows:

	£m
Current	0.2
Non-current	1.1
	1.3

Employee incentive schemes

During the period, an additional provision of £2.0m (FY22: £0.6m) has been recognised primarily in relation to employer's NIC on taxable equity-settled schemes and £1.0m (FY22: £0.2m) has been utilised primarily as a result of exercises of taxable equity-settled share awards. There were no releases in the period of amounts previously provided. Releases in the prior period included £7.0m in relation to employer's NIC on the Ocado Group VCP.

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2024 and 2028, and allotment will take place between 2024 and 2033. Refer to Note 4.3 to the Consolidated Financial Statements for further details.

Section 4 – Capital structure and financing costs

4.1 Borrowings

Facility	Inception	Coupon rate	Maturity	Carrying amount 3 December 2023 £m	Carrying amount 27 November 2022 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	**560.2**	540.7
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	**307.8**	295.2
£500m senior unsecured notes	October 2021	3.875%	October 2026	**498.2**	496.3
Borrowings				**1,366.2**	1,332.2
Disclosed as:					
Non-current				**1,366.2**	1,332.2

Please refer to Note 4.1 to the Consolidated Financial Statements for details.

4.2 Share capital and premium

Accounting policies

Refer to Note 4.6 to the Consolidated Financial Statements. The movements in called-up share capital and share premium are set out below:

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	73.9	1.5	565.0
Allotted in respect of share option schemes	0.6	–	2.3
Balance at 27 November 2022	825.9	16.5	1,939.3
Issue of ordinary shares	**2.1**	**0.1**	**2.1**
Allotted in respect of share option schemes	**0.4**	**–**	**1.5**
Balance at 3 December 2023	**828.4**	**16.6**	**1,942.9**

4.3 Capital management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in Note 4.8 to the Consolidated Financial Statements.

Section 5 – Other notes

5.1 Related party transactions

Key management personnel

Only members of the Board (the Executive and Non-Executive Directors) are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Company. The Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 154.

During the period, there were no transactions between the Company and its key management personnel or members of their close family. At the reporting date, key management personnel did not owe the Company any amounts.

Subsidiaries

The entity has taken advantage of the exemption permitted by FRS 101 not to disclose related party transactions with entities that are wholly owned by the Company.

5.2 Post-Balance Sheet events

There have been no post balance sheet events requiring disclosure in these financial statements.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures ("APMS"), which are not defined under IFRS and are, therefore, termed "non-GAAP" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The APMS used are:

- Adjusting items;
- Adjusted EBITDA;
- Adjusted EBITDA %;
- Gross debt and external gross debt;
- Net debt;
- Technology solutions fees invoiced;
- Underlying cash flow; and
- 52-week income statement.

Definitions of these APMs, together with reconciliation of these APMs with the nearest measures prepared in accordance with IFRS are presented below. The APMs used may not be directly comparable with similarly titled measures used by other companies.

Adjusting items

The Consolidated Income Statement separately identifies trading results before adjusting items. Adjusting items are items that are considered to be significant due to their size/nature, not in the normal course of business, or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily.

The Directors believe that presentation of the Group's results in this way is important for understanding the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board.

The Group applies judgement in identifying items of income and expense that are recognised as adjusting to help provide an indication of the Group's underlying business. In determining whether an event or transaction is adjusting in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers adjusting include corporate reorganisations, material litigation, and any other material costs outside of the normal course of business as determined by management.

The Group has adopted a three-columned approach to the Consolidated Income Statement to aid clarity and allow users of the financial statements to understand more easily the performance of the underlying business and the effect of adjusting items.

Adjusting items are disclosed in Note 2.5 to the consolidated financial statements.

Adjusted EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and adjusting items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. A reconciliation of operating profit to Adjusted EBITDA can be found on the face of the Consolidated Income Statement.

The Group considers Adjusted EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of liquidity, which is shown by the Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

The financial performance of the Group's segments is measured based on EBITDA, as reported internally. A reconciliation of the Adjusted EBITDA of the Group with the Adjusted EBITDA for segment is disclosed in Note 2.2 to the consolidated financial statements.

Adjusted EBITDA %

Adjusted EBITDA % is calculated as the adjusted EBITDA divided by revenue.

Gross debt and external gross debt

Gross debt is calculated as borrowings and lease liabilities as disclosed in Note 4.2 to the consolidated financial statements. External gross debt is calculated as gross debt less lease liabilities payable to joint ventures of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered related parties of the Group.

A reconciliation of gross debt with external gross debt is set out below:

	Notes	3 December 2023 £m	27 November 2022 £m
Gross debt	4.2	**1,959.9**	1,905.1
Lease liabilities payable to joint ventures	3.5	**(16.5)**	(17.5)
External gross debt		**1,943.4**	1,887.6

Net debt

Net debt is calculated as cash and cash equivalents, less gross debt (borrowings plus lease liabilities).

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall strength of the Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities (current and non-current) and cash and cash equivalents. A reconciliation of these measures with net debt can be found in Note 4.2 to the consolidated financial statements.

Technology Solutions fees invoiced

Technology Solutions fees invoiced is used as a key measure of performance of the Technology Solutions business as an alternative to revenue and represents design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments.

Underlying cash flow

Underlying cash flow is the movement in cash and cash equivalents excluding the impact of adjusting items, costs of financing, purchase of unlisted equity investments and foreign exchange movements. A reconciliation of the movement in cash and cash equivalents to underlying cash outflow is detailed within the Financial Review: FY23 on pages 40 to 59.

52-week income statement

In order to provide comparability with the prior year results for the 52 weeks ended 27 November 2022, the tables below present the Group's statutory results and Adjusted EBITDA on a 53-week basis to 3 December 2023, adjusted to remove the results of week 53 to separately present the Consolidated Income Statement on a 52-week basis to 26 November 2023. In determining the week 53 adjustment, revenue represents the actual trading performance in that week, with operating costs allocated on a reasonable basis to reflect an estimate of costs for that week, unless a split was not deemed to sufficiently represent the actual costs incurred during week 53.

	Notes	2023 as reported on a 53-week basis £m	Exclude week 53 £m	APM 2023 52-week basis £m
Revenue	2.1	2,825.0	59.4	2,765.6
Insurance and legal settlement proceeds	2.5	180.4	–	180.4
Operating costs		(3,337.7)	(66.1)	(3,271.6)
Operating loss before results of joint ventures and associate		**(332.3)**	**(6.7)**	**(325.6)**
Share of results of joint ventures and associate	3.6	(0.9)	–	(0.9)
Operating loss		**(333.2)**	**(6.7)**	**(326.5)**
Finance income	2.6	46.8	0.7	46.1
Finance costs	2.6	(97.0)	(1.9)	(95.1)
Other finance gains and losses	2.6	(19.8)	(1.7)	(18.1)
Loss before tax		**(403.2)**	**(9.6)**	**(393.6)**
Income tax credit	2.7	16.2	–	16.2
Loss for the period		**(387.0)**	**(9.6)**	**(377.4)**

	Notes	2023 as reported on a 53-week basis £m	Exclude week 53 £m	APM 2023 on a 52-week basis £m
Operating loss		**(333.2)**	**(6.7)**	**(326.5)**
Adjustments for:				
Adjusting items[A]	2.5	**(17.8)**	**–**	**(17.8)**
Amortisation of intangible assets	3.3	**125.0**	**2.9**	**122.1**
Impairment of intangible assets	3.3	**0.2**	**–**	**0.2**
Depreciation of property, plant and equipment	3.4	**187.9**	**5.1**	**182.8**
Impairment of property, plant and equipment	3.4	**21.7**	**–**	**21.7**
Depreciation of right-of-use assets	3.5	**70.4**	**1.3**	**69.1**
Impairment of right-of-use assets	3.5	**–**	**–**	**–**
Adjusted EBITDA		**54.2**	**2.6**	**51.6**

Ⓐ Adjusting items include Impairment charges in respect of other intangible assets of £0.3m (FY22: £nil), property, plant and equipment of £19.5m (FY22: £nil) and right-of-use assets of £27.7m (FY22: £nil).

Five-Year Summary

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m	52 weeks ended 1 December 2019 £m
Revenue	**2,825.0**	2,516.8	2,498.8	2,331.8	1,756.6
Adjusted EBITDA®	**54.2**	(74.1)	61.0	73.1	43.3
Loss before tax	**(403.2)**	(500.8)	(176.9)	(52.3)	(214.5)

Glossary

2022 Directors' Remuneration Policy or 2022 Policy – means the Directors' Remuneration Policy which was approved by shareholders at the 2019 Annual General Meeting.

6 River Systems or 6RS – means 6 River Systems LLC, a company incorporated in Massachusetts, United States of America, acquired by the Group on 30 June 2023.

Active customer – means a customer who has shopped with Ocado Retail at Ocado.com within the previous 12 weeks.

Adjusting items – means items considered significant due to their size/nature, not in the normal course of business, or are consistent with items treated as adjusting in the prior periods or that may span multiple financial periods. These have been classified separately to draw them to the attention of the reader of the financial statements.

AEON – means AEON Co., Ltd., a company incorporated in Japan, whose registered office is at 1–5–1 Nakase, Mihama-ku, Chiba-shi, Chiba, 261–8515.

AGM – means the Annual General Meeting of the Company, which will be held on 29 April 2024 at 1.30 pm at Deutsche Numis , 45 Gresham Street, London, EC2V 7BF.

AIP – means the Annual Incentive Plan for the Executive Directors and selected senior managers.

Alcampo – means Alcampo S.A., a company incorporated in Spain under registered company number C.I.F. A-28581882 whose registered office is at Madrid, c/ Santiago Compostela Sur, s/n (Edificio de Oficinas la Vaguada) CP.28029 Madrid.

American Depositary Receipts – means securities that have been created to permit US investors to hold shares in non-US companies and, in a Level 1 programme, to trade them on the over-the-counter market in the US.

Articles – means the Articles of Association of the Company.

ASRS – means automated storage retrieval systems.

Auchan – means Auchan Polska Sp. z.o.o., a company incorporated in Poland, whose registered office is at ul. Puławska 46, 05-500 Piaseczno.

AutoStore – means AutoStore Technology AS, a company incorporated in Norway, whose registered office is at Stokkastrandvegen 85, 5578, Nedre Vats, Rogaland, Norway.

Auto Frame Load or AFL – means the part of the MHE that transfers delivery totes which have been filled with products ordered by a customer from the picking operation into delivery frames.

Average basket value – means the average amount shoppers spend in one transaction.

Average live modules – means the weighted average number of modules that were fully installed and available for use by our client partners during the period.

Average orders per week – means the average number of orders per week processed within CFCs for Ocado Retail.

Average selling price – means product sales divided by total eaches.

Board – means the Board of Directors of the Company or its subsidiaries from time to time as the context may require.

Bon Preu – means Bon Preu SA, a company incorporated in Spain, whose registered office is at Carrer C, 17, 08040 Barcelona.

Carbon Disclosure Project or CDP – a non-profit organisation asking companies to disclose their climate impact.

Client – means a client of Ocado Group that has purchased warehouse automation products and services offered to non-grocery customers.

CO_2e – means the amount of the different greenhouse gases, expressed in terms of the equivalent global warming potential as carbon dioxide (usually expressed as a weight in tonnes).

Code – means the UK Corporate Governance Code published by the FRC in 2018.

Coles – means Coles Supermarkets Australia Pty Ltd, a company incorporated in Australia, whose registered office is at 800 Toorak Road, Hawthorn East, VIC 3123.

Companies Act – means the Companies Act 2006.

Company – means Ocado Group plc, a company incorporated in England and Wales with company number 07098618, whose registered office is at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

Contribution – means Technology Solutions revenue less Technology Solutions direct operating costs.

Contribution margin – means Technology Solutions contribution divided by Technology Solutions revenue.

Corporate website – means www.ocadogroup.com.

CSDDD – means the EU Corporate Sustainability Due Diligence Directive.

CSRD – means the EU Corporate Sustainability Reporting Directive.

Customer Fulfilment Centre or CFC – means a dedicated, highly automated warehouse used for the operation of the business.

DE&I – means Diversity, Equity and Inclusion.

Deloitte – means Deloitte LLP, the Group's statutory auditor and advisor in respect of non-audit services.

Direct operating costs (% of site sales capacity) – means the direct costs of running our OSP CFC estate within Technology Solutions. Direct operating costs include engineering, cloud and other technology direct costs.

Directors – means the Directors of the Company, whose names and biographies are set out on pages 118 to 121, or the Directors of the Company's subsidiaries from time to time as the context may require.

Glossary continued

Disclosure Guidance and Transparency Rules or DTR – means the disclosure guidance and transparency rules made under Part VI of the Financial Services and Markets Act 2000 (as amended).

DNED – means the Designated Non-Executive Director for Workforce Engagement.

DP8 – means customer deliveries per standardised eight-hour shift.

EBT Trustee – means the Trustee from time to time of the Employee Benefit Trust, currently Ocorian Limited.

eNPS – means employee Net Promoter Score.

ESG – means environmental, social and governance.

Executive Directors – means Tim Steiner, Stephen Daintith, Mark Richardson, Luke Jensen, and Neill Abrams. Luke Jensen resigned from the Board with effect from 30 September 2023. Neill Abrams and Mark Richardson resigned from their positions as Executive Directors after the period end with effect from 2 February 2024.

Fabled or Fabled.com – means the Group's premium beauty online store in collaboration with Marie Claire and Time Inc., sold to Next Holdings Limited in 2019.

FCA – means the Financial Conduct Authority.

Fetch or Fetch.co.uk – means the Group's dedicated online pet store, sold to Paws Holdings Limited in January 2021.

Financial period – means the 52-week period, or 53-week period where relevant, ending on the Sunday closest to 30 November.

Financial year or FY – see financial period.

Flex – means Flex Ltd, a company incorporated in Singapore, whose registered office is 2 Changi South Lane, 486123, Singapore.

FRC – means the Financial Reporting Council.

GAAP – means generally accepted accounting principles.

GHG Protocol – means Green House Gas protocol. A global standard that was first published in 2001 to establish a global framework for companies to measure and report on their direct and indirect greenhouse gas emissions.

Gross liquidity – means cash and cash equivalents plus unused availability of revolving credit facility.

Group – means Ocado Group plc, its subsidiaries, significant undertakings and affiliated companies under its control or common control.

Groupe Casino or Casino – means Casino Guichard Perrachon SA, a company incorporated in France, whose registered office is at 24 Rue de la Montat, Saint-Etienne.

Haddington Dynamics – means Haddington Dynamics Inc., a company incorporated in Delaware, United States of America, acquired by the Group on 21 December 2020.

HMRC – means His Majesty's Revenue and Customs.

Hot House Word Scenario – a climate scenario defined by the Network for Greening the Financial System where surface temperature is predicted to increase within a range of 3-5 C.

IAS – means International Accounting Standards.

ICA – means ICA Gruppen AB, a company incorporated in Sweden, whose registered office is at Svetsarvägen 16, Solna.

IFRS – means International Financial Reporting Standards.

Inkbit – means Inkbit Corporation, a company incorporated in Delaware, United States of America, whose business address is 200 Boston Ave #1875, Medford, MA, 02155.

ISA (UK & Ireland) – means International Standard on Auditing in the United Kingdom and Ireland.

ISF – means in-store fulfilment.

Jones Food Company or JFC – means Jones Food Company Limited, a company incorporated in England and Wales with company number 10504047, whose registered office is at Old Forge Place, Lydney GL15 5SA.

Karakuri – means Karakuri Limited, a company incorporated in England and Wales with company number 11228129, whose registered office is at 25 Farringdon Street, London, England, EC4A 4AB.

Kindred – means Kindred, Inc., a company incorporated in Delaware, United States of America, acquired by the Group on 15 December 2020.

KPI – means key performance indicator.

Kroger – means The Kroger Co., a company incorporated in the United States of America, whose registered office is at 1014 Vine Street, Cincinnati, Ohio.

Listing Rules – means the Listing Rules made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended).

Lotte – means Lotte Shopping Co., Ltd, a company incorporated and registered in the Republic of Korea with registered number 5298500774 whose registered office is at Lotte World Tower, 26th floor, 300, Olympic Street, Songpagu, Seoul, Republic of Korea.

Marks & Spencer or M&S – means Marks & Spencer Group plc, a company incorporated in England and Wales with company number 04256886, whose registered office is at Waterside House, 35 North Wharf Road, London, W2 1NW, or one of its subsidiaries.

McKesson or McKesson Canada – means McKesson Canada Corporation, a company incorporated in Canada and whose registered office is at 4705 Dobrin Street, Montreal, Quebec, H4R 2P7.

MHE – means mechanical handling equipment.

MHE JVCo – means MHE JVCo Limited, a company incorporated in England and Wales with company number 08576462, jointly owned by Ocado Holdings and Morrisons, whose registered office is at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

Modules ordered – the maximum capacity of sites for which a contractual agreement has been signed with a partner and an invoice has been issued for the associated site fees.

Morrisons – means Wm Morrison Supermarkets Limited, a company incorporated in England and Wales with company number 00353949, whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire, BD3 7DL.

Myrmex – means Myrmex, Inc., a company incorporated in Delaware, United States of America, whose registered address is 251 Little Falls Drive, Wilmington, New Castle, Delaware 19808.

Net finance cost – means finance costs less finance income. Finance costs are composed primarily of interest on borrowings and lease liabilities. Finance income is composed principally of bank interest.

Net Zero – means a target to completely negate greenhouse gases produced by an organisation, predominantly through the actual reduction of the emissions, but with a small amount covered by other methods such as offsetting.

Net Zero Roadmap or Net Zero Programme – means the key programmes of work needed for the business to achieve net zero GHG emissions.

Non-Executive Directors – means the Non–Executive Directors of the Company whose names and biographies are set out on pages 118 to 121.

Notice of Meeting – means the Notice of the Company's AGM.

NPS – means net promoter score.

Number of modules live – means modules that are fully installed and available for use by our partners..

Ocado.com – means the Group's online retail business serviced from the Ocado.com website and excludes the Zoom by Ocado business.

Ocado Council – means a network of elected employee representatives who feedback on challenges and successes to senior management and cascade information to their employees.

Ocado Re:Imagined or Re:Imagined – means a series of innovations and changes to the technology powering our Ocado Smart Platform (OSP).

Ocado Retail or ORL – means Ocado Retail Limited, a joint venture between Ocado Holdings Limited and Marks & Spencer Holdings Limited, which is incorporated in England and Wales, and whose registered office is at Apollo Court, 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9NE.

Ocado Smart Platform or OSP – means the end-to-end solution for operating online in the grocery market, which has been developed by the Group.

Operating costs – means all costs incurred in the continuing operations of the group.

Orderly Transition Scenario – means a climate scenario defined by the Network for Greening the Financial System which assumes climate policies are introduced early and become gradually more stringent, and both physical and transition risks are relatively subdued.

OSP leadership club – means the collective group of Ocado Group and its global Solutions Partners.

Participants – means eligible staff who participate in one of the Groups' employee share schemes.

Partner – means a client of Ocado Group that has purchased the Ocado Smart Platform Solution or part of the OSP Solution to deliver their operations.

PDMRs – means persons discharging managerial responsibility.

PwC – means PricewaterhouseCoopers LLP, the Group's external advisor on remuneration.

RCF – means revolving credit facility.

RSP – means the Restricted Share Plan.

Senior unsecured convertible bonds or convertible bonds – means the Company's offerings of £600m senior unsecured convertible bonds due 2025 at a coupon of 0.875% and an issue price of 100.0%, and of £350m senior unsecured convertible bonds due 2027 at a coupon of 0.750% and an issue price of 100.0%.

Senior unsecured notes or notes – means the Company's offering of £500m senior secured notes due 2026.

Shareholder – means a holder of ordinary shares of the Company.

Glossary continued

SID – means Senior Independent Director.

SIP – means the Share Incentive Plan.

SPP – means the Employee Share Purchase Plan.

SKU – means stock-keeping unit; that is, a line of stock.

SOC – means System and Organisation Controls, as defined under the Association of International Certified Professional Accountants Trust Services Principles and Criteria.

Sobeys – means Sobeys Inc., a wholly-owned subsidiary of Empire Company Limited incorporated in Canada, whose registered office is at 115 King Street, Stellarton, Nova Scotia.

Spoke – means the trans-shipment sites used for the intermediate handling of customers' orders.

Substitution – means an alternative product provided in place of the original product ordered by a customer.

TCFD – means the Task Force on Climate-Related Financial Disclosures.

TSR – means Total Shareholder Return, the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

UPH – means average units picked per labour hour.

VCP – means the Value Creation Plan.

Webshop – means the customer-facing internet-based virtual shop accessible via the website www.ocado.com.

Zoom by Ocado or Zoom – means Zoom by Ocado, the Group's immediacy delivery offering.

Shareholder information

Analysis of share register at 3 December 2023

By type of holder	Total no. of holdings	Percentage of holders	Total no. of shares	Percentage of issued share capital
Individual	989	51.51	2,478,732	0.30
Institutions and others	931	48.49	825,945,652	99.70
By size of holding				
1 – 500	606	31.56	105,387	0.01
501 – 1,000	192	10.00	146,671	0.02
1,001 – 10,000	566	29.48	2,077,036	0.25
10,001 – 100,000	308	16.04	10,925,611	1.32
Over 100,000	248	12.92	815,169,679	98.40
Total	1920	100	828,424,384	100

AGM

The AGM will be held at Deutsche Numis, 45 Gresham Street, London, EC2V 7BF at 1.30 pm on 29 April 2024. Further details can be found in the Notice of Meeting sent to shareholders, which is also available at www.ocadogroup.com.

Shareholder queries

Please contact our Registrar, Computershare, directly for all enquiries about your shareholding:

Online: www.investorcentre.co.uk (you will need your shareholder reference number which can be found on your share certificate)

By telephone: 0370 707 1080. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.30 am to 5.30 pm GMT, Monday to Friday excluding public holidays in England and Wales.)

By post: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom.

Electronic shareholder communication

We encourage our shareholders to opt for electronic communications as opposed to hard-copy documents by post. This has a number of advantages for the Company and its shareholders. Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as increasing the speed of communication and provision of information in a convenient form. Less paper also reduces our impact on the environment.

If you would like to receive notifications by email, you can register an account via www.investorcentre.co.uk and add your email address or notify our registrars by post by writing to Computershare using the address above. Please note that if you hold your shares corporately or in a CREST account, you are not able to use Investor Centre to inform us of your preferred method of communication.

Shareholder information continued

ADR administration

Ocado Group plc operates an American Depositary Receipts programme. ADRs are traded on the over-the-counter market under the symbol OCDDY. One ADR represents two ordinary Ocado shares. BNY Mellon maintains the Company's ADR register. If you have any enquiries about your holding of Ocado ADRs, you should contact BNY Mellon by post at 240 Greenwich Street, Floor 8W, New York, NY 10286.

Financial calendar*

26 March 2024	Q1 Trading Statement
29 April 2024	Annual General Meeting
16 July 2024	Half-Year Results Announcement
19 September 2024	Q3 Trading Statement
14 January 2025	Q4 Trading Statement
27 February 2025	Final Results Announcement

* Dates are provisional

Company information

Registered office:	Buildings One & Two Trident Place Mosquito Way Hatfield Hertfordshire United Kingdom AL10 9UL
Company number:	07098618
Company Secretary:	Neill Abrams
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ

Warning about share fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the United Kingdom Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk/scamsmart/share-bond-boiler-room-scams, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the United Kingdom or +44 20 7066 1000 if calling from outside the United Kingdom.

Share price information

The Company's ordinary shares are listed on the London Stock Exchange. The price of the Company's shares is available on the corporate website at www.ocadogroup.com. This is supplied with a 15-minute delay to real time.

Donating shares to charity – ShareGift

Small numbers of shares, which may be uneconomic to sell, can be donated to ShareGift, the share donation charity. ShareGift transfers these holdings into their name, aggregates them, and uses the proceeds to support a wide range of UK charities. If you would like further details about ShareGift, please visit www.Sharegift.org, email help@sharegift.org or telephone the charity on 020 7930 3737.

Shareholder information continued

Forward-looking Statements

Certain Statements made in this Annual Report are Forward-looking Statements. Such Statements are based on current expectations, forecasts and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these Forward-looking Statements. They appear in a number of places throughout this Annual Report and include Statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, objectives, strategies and the business. Nothing in this Annual Report should be construed as a profit forecast. All Forward-looking Statements in this Annual Report are made by the Directors in good faith based on the information and knowledge available to them as at the time of their approval of this Annual Report. Persons receiving this report should not place undue reliance on Forward-looking Statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake any obligation to update or revise publicly any Forward-looking Statements, whether as a result of new information, future events, future developments or otherwise.

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The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

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