

## Annual Report on Remuneration – 2016

### Introduction

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of the 2016 financial year. It sets out the payments to Directors and details of the link between Company performance and remuneration of the Chief Executive Officer. This part, together with the "Description of the Remuneration Committee" section on pages 78 to 80 constitutes the Annual Report on Remuneration, and will be put to an advisory shareholder vote at the Company's AGM.

### Highlights for 2016 (audited)

This table briefly summarises the highlights of the Directors' remuneration arrangements for the financial year.

Base Pay and Benefits	Pension	AIP	Long-Term Incentives	All-Employee Schemes
<p>Base pay increase of 3% for the Executive Directors, in line with other employees.</p> <p>Fee increases of 4.2% for the Non-Executive Directors (except the Chairman) in the period.</p> <p>No change to taxable benefits.</p>	<p>Company contributions to pensions for Executive Directors are currently significantly below the maximum provided for under the 2014 Policy.</p>	<p>Total bonus earned by Executive Directors for 2016 based on achievement of 43.7% to 44.1% of performance target, was £759,953 (2015: £1,115,370).</p>	<p>Awards were granted under the LTIP.</p> <p>For the 2014 LTIP awards, which are due to vest in March 2017, achievement was 42.76%.</p>	<p>ESOS options vested during the period.</p> <p>Ongoing participation in the SIP and Sharesave schemes.</p>
Further Information:				
See page 98.	See page 99.	See page 99.	See page 101.	See pages 101 and 108 to 110.

### Total Director Remuneration (audited)

The total remuneration paid to all of the Directors during the period was £4,856,000. The detailed remuneration breakdown for the Executive Directors and the Non-Executive Directors is set out separately.



# 21. Directors' Remuneration Report

## Executive Directors

### Total Remuneration (audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below. Total cash-based remuneration paid to the Executive Directors was £2,472,000 in 2016, which was 11% lower than in 2015 (£2,773,000). The decline in cash-based remuneration is largely attributable to the lower payments under the AIP in 2016.

	Tim Steiner		Neill Abrams		Duncan Tatton-Brown		Mark Richardson		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Salary</b>	572	557	297	289	354	345	354	345	1,577	1,536
Taxable Benefits	2	3	1	1	1	1	1	1	5	6
Pensions	46	45	26	23	28	19	31	28	131	115
<b>Total Fixed Pay</b>	<b>620</b>	<b>605</b>	<b>324</b>	<b>313</b>	<b>383</b>	<b>365</b>	<b>386</b>	<b>374</b>	<b>1,713</b>	<b>1,657</b>
AIP	315	459	132	194	156	232	156	231	759	1,116
<b>Total Remuneration in cash</b>	<b>935</b>	<b>1,064</b>	<b>456</b>	<b>507</b>	<b>539</b>	<b>597</b>	<b>542</b>	<b>605</b>	<b>2,472</b>	<b>2,773</b>
<b>Share Plans – requiring investment</b>										
JSOS	—	—	—	—	—	—	—	—	—	—
<b>Share Plans – awards</b>										
LTIP	206	4,034	75	896	113	2,017	113	1,380	507	8,327
GIP	—	—	—	—	—	—	—	—	—	—
ESOS	—	—	—	—	—	—	—	—	—	—
2014 ESOS	—	—	—	—	—	—	—	—	—	—
SIP	—	—	—	—	—	—	—	—	—	—
Sharesave	—	—	—	—	—	—	—	—	—	—
<b>Total for Share Plans</b>	<b>206</b>	<b>4,034</b>	<b>75</b>	<b>896</b>	<b>113</b>	<b>2,017</b>	<b>113</b>	<b>1,380</b>	<b>507</b>	<b>8,327</b>
<b>Recovery of Sums Paid</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Remuneration</b>	<b>1,141</b>	<b>5,098</b>	<b>531</b>	<b>1,403</b>	<b>652</b>	<b>2,614</b>	<b>655</b>	<b>1,985</b>	<b>2,979</b>	<b>11,100</b>

- The value of LTIP awards for 2013 included in the column for the 2015 financial year has been restated to show the actual vested amount (based on the vesting of the award on 31 March 2016 at a price of 294 pence per share). The actual vested amount is £1.53 million lower than the estimated vested amount stated in the 2015 annual report of £9.86 million. The estimated vested amount was based on the three-month average share price from 1 September 2015 to 27 November 2015 of 348.02 pence per share. No dividends were paid.
- The value of LTIP awards for 2014 included in the column for the Financial Year has been estimated based on 42.76% vesting and the three-month average share price from 1 September 2016 to 27 November 2016 of 275.42 pence per share, as these awards are not capable of vesting until after the end of the period, on 16 March 2017. This value assumes no dividends will be payable. The value assumes that the participant will not be required to pay an amount to acquire the conditional shares, being the nominal price of 2 pence per share. These estimated figures will be restated in next year's annual report.
- The award of 9,923 share options made to Duncan Tatton-Brown in 2013 under the ESOS vested during the period. The award became exercisable on 8 July 2016. The award was made at a value of 302 pence per share. At the time of vesting, the share price was lower than the exercise price, and therefore the award has no value shown in the table.
- Tim Steiner's taxable benefits have been restated for 2015 in relation to the use of a chauffeur to drive a car where such use was non-business related. Total remuneration for Tim Steiner has been restated accordingly.

An explanation of each element of remuneration paid in the table is set out in the following section.

The Company has obtained a written confirmation from each Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already disclosed in this report.

### Base Salary (audited)

During the period, the Remuneration Committee reviewed the salaries of the Executive Directors. After taking into account a number of relevant factors which are discussed in more detail below, the Remuneration Committee recommended that all basic salaries be increased. The following table shows the change in each Executive Director's salary.

Director	Salary 2016 (£)	Salary 2015 (£)	Effective from
Tim Steiner	577,830	561,000	1 April 2016
Duncan Tatton-Brown	357,204	346,800	1 April 2016
Mark Richardson	357,204	346,800	1 April 2016
Neill Abrams	300,000	290,700	1 April 2016

The changes to base salary were made in line with the 2014 Directors' Remuneration Policy. The Executive Directors received an increase in base pay of 3% which was in line with the percentage salary increases for the monthly paid employees of the Group in the period. The increases, which position the salaries broadly around the market median for a company of the Company's size and complexity, also aim to help retain the Executive Directors.

### Taxable Benefits (audited)

The Executive Directors received taxable benefits during the period, notably private medical insurance and travel insurance. The Executive Directors also received other benefits, which are not taxable, including income protection insurance, life assurance and Group-wide employee benefits, such as an employee product discount. The remuneration arrangements for the Executive Directors do not include a Company car or car cash allowance, but the Executive Directors have access to a chauffeur to drive a car for the purposes of attending business meetings. Non-business use of the chauffeur is tracked and is shown as a taxable benefit in the total remuneration table to the extent it was used for that purpose.

### 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 (the Company contributions being, for employees and Executive Directors joining the pension scheme before May 2013, from 3% up to 8%, and for employees joining the scheme after May 2013, from 3% up to 6%, depending on the number of years the employee or Executive Director has participated in the scheme). The contributions during the period made on behalf of the Executive Directors were 8% of base salary. These contributions were made in line with the 2014 Directors' Remuneration Policy which allows the Company to make employer contributions of up to 30% of base salary.

During the period, the Company changed its GPP pension administrators from Standard Life to Legal & General following a pension provider review. As part of that transition, pension arrangements were changed to allow for pension contributions to be made by all employees on a salary sacrifice basis in accordance with the rules of the scheme.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director (or employee) has reached either the HMRC annual tax free limit or HMRC lifetime allowance limit for pension contributions as provided for in the 2014 Directors' Remuneration Policy. In accordance with this policy, Tim Steiner, Duncan Tatton-Brown and Neill Abrams have elected to receive their pension contributions as an equivalent cash allowance for part and all of the year respectively.

### Annual Incentive Plan (audited)

The Remuneration Committee re-examines the design of the AIP each year to incentivise the delivery of key business objectives and individual performance for that financial year. The 2016 AIP was based on the performance targets and weightings set out below. Financial performance measures, namely Gross Sales (Retail)<sup>A</sup> and EBITDA<sup>A</sup>, were the primary targets, with 70% of the annual bonus being determined by performance against targets set by the Remuneration Committee at the start of the financial year, by reference to the Company's budget for the period. Of the balance, 30% related to individual objectives for each of the Directors, largely independent of the financial objectives. The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. A bonus is not payable unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a financial performance measure, 8.75% of total bonus is payable and at "maximum" performance, 35% of total bonus is payable. A straight-line sliding scale will apply in relation to the intermediate points between the "threshold" and "maximum". Each target was discrete and could be earned separately. The Chief Executive Officer had a maximum bonus opportunity of 125% of salary and the other Executive Directors had a maximum opportunity of 100% of salary.

		Tim Steiner	Duncan Tatton-Brown	Mark Richardson	Neill Abrams
<b>Financial objectives</b>					
<b>EBITDA (% of total target)</b>		35	35	35	35
<b>Gross Sales (Retail)<sup>A</sup> (% of total target)</b>		35	35	35	35
<b>Individual objectives</b>					
<b>(% of total target)</b>		30	30	30	30
<b>Examples of business area objectives</b>	1.	Deliver/progress key projects including new CFCs and technology	Drive sufficient cost challenge for operational programmes	Increase capacity at Dordon and Hatfield CFCs	Support all OSP contractual negotiations
	2.	Develop and drive long-term strategy	Continue to operate an efficient and effective finance and risk function	Progress Erith CFC and technology projects and keep them on schedule	Expand patent function and IP protection

# 21. Directors' Remuneration Report

## Financial Targets and Individual Targets

Each Executive Director had four to five individual objectives, with different weightings, under the plan. They related to specific programmes relevant to each Executive Director's business area for which they have primary responsibility. All of the Executive Directors had an individual objective which concerned the strategic plans for the Ocado Smart Platform. The Remuneration Committee also considered environmental, social and governance issues when setting the individual objectives, in particular for Neill Abrams who has responsibility for the Group's CR policy. The Remuneration Committee reviewed the performance of each Executive Director against the measurable performance metrics and based their judgement on a scoring report by the Chief Executive Officer and the Chairman.

The Group's Gross Sales (Retail)<sup>(A)</sup> for the period were £1,267 million, which was above the "threshold" of £1,254 million set under the 2016 AIP. The Group's EBITDA (pre-exceptional items)<sup>(A)</sup> for the period was £84.3 million, which was above the "threshold" of £84.0 million set under the 2016 AIP.

The Remuneration Committee, in assessing performance, took into account the level of the Group's trading performance compared with UK grocery retail peers and the Group's progress against its strategic objectives. All Executive Directors met to some extent their individual objectives, with achievement being scored between 68% and 70% of maximum.

Director	Financial Targets					Individual Objectives				Total Payment					
	Gross Sales (Retail) <sup>(A)</sup>					Group EBITDA <sup>(A)</sup>									
	Target	Performance	Achievement			Target	Performance	Achievement							
Threshold	Maximum	Actual	% bonus	% salary	Threshold	Maximum	Actual	% bonus	% salary	% bonus	% salary	% salary	£'000		
Tim Steiner	£1,254m	£1,330m	£1,267m	13.37%	16.71%	£84m	£91m	£84.3m	9.88%	12.35%	Note 1	20.40%	25.50%	54.5%	£315
Duncan Tatton-Brown	£1,254m	£1,330m	£1,267m	13.37%	13.37%	£84m	£91m	£84.3m	9.88%	9.88%	Note 1	20.55%	20.55%	43.8%	£156
Neill Abrams	£1,254m	£1,330m	£1,267m	13.37%	13.37%	£84m	£91m	£84.3m	9.88%	9.88%	Note 1	20.85%	20.85%	44.1%	£132
Mark Richardson	£1,254m	£1,330m	£1,267m	13.37%	13.37%	£84m	£91m	£84.3m	9.88%	9.88%	Note 1	20.40%	20.40%	43.7%	£156

- There is no threshold or maximum target set for the individual objectives. Each objective is weighted and scored to provide a total score out of 30. Performance may range from zero to 30.
- The applicable salary used for calculating the bonus payment under the rules of the 2016 AIP is the applicable base salary on the date of payment.

## Disclosure of Targets

The threshold and maximum targets and achievement against the targets have been disclosed in respect of the financial targets for the AIP. A broad description of some of the Executive Directors' individual objectives has been provided, but specific details concerning the individual objectives and performance against them has not been disclosed in this report. Although the Remuneration Committee is conscious of the regulations and the Code requirement that performance targets should be transparent, it considers that the individual objectives were and remain commercially sensitive to the Company and if disclosed could damage the Company's commercial interests. These individual objectives mostly relate to important business strategies and actions and consequently could hinder the progress of the business or the Group's competitive advantage if publicly disclosed. The Remuneration Committee does not expect to disclose this information at a later date. The Remuneration Committee believes that the targets were stretching and have been rigorously applied.

## Summary of Bonus Earned

The Remuneration Committee has, in accordance with the 2014 Directors' Remuneration Policy and the rules of the 2016 AIP, recommended an aggregate bonus payment under the plan for the period of £759,953 (2015: £1,115,370), based on achievement between 43% and 44% of maximum (2015: achievement of 65% to 67% of maximum). The Remuneration Committee believes that this level of bonus payment appropriately reflects the performance of the business and individual performance during the period, which saw strong trading for the Group in a very competitive market. The table above summarises the bonus payments for each Executive Director for the 2016 AIP. The cash payments are expected to be made in February 2017. No amount has been deferred to a later date given that under the rules of the AIP deferral does not apply as all of the Executive Directors have met the minimum shareholding expectations under the 2014 Directors' Remuneration Policy.

## Share Plans

Awards granted under long-term incentive plans only count towards the total remuneration figure for the period in which they vest or where achievement of performance targets is determined in the period. Awards under most of the Company's share plans are subject to three-year vesting periods and therefore awards made or exercised during the period will not necessarily be reflected in the total remuneration figure for this period. Further details on all the existing share incentives held by the Executive Directors are set out below.

### ESOS

The award of 9,923 share options, made to Duncan Tatton-Brown in 2013 under the ESOS, vested during the period. The award became exercisable on 8 July 2016. This was a one-off award of options made to Duncan after joining the Group. The Group had, until mid-2013, a policy of issuing options to all new employees and the Executive Directors shortly after joining the Group. The options were not subject to performance conditions but were not exercisable before the third anniversary of the grant date. On the first date the award became exercisable, the Company's share price was below the exercise price and so the award had no value on vesting. The details of the ESOS option are set out in the table below.

Director	Date of Grant	Number of options	Exercise price (£)	Price on date of vesting (£)	Value on date of vesting (£)
Duncan Tatton-Brown	08/07/2013	9,923	3.02	2.306	0

The options have not been exercised and are exercisable until July 2023.

### LTIP

The LTIP is the primary long-term incentive for the Executive Directors. The LTIP awards help reward the Executive Directors for the delivery of long-term business objectives.

The three-year performance period for the 2014 LTIP awards expired at the end of the financial year. The Remuneration Committee reviewed the performance against the two equally weighted performance conditions, namely diluted and adjusted earnings per share and Group Revenue, for the 2015/2016 financial year.

The diluted and adjusted earnings per share for the period was 3.075 pence per share. Accordingly, achievement against this performance target was 42.76%. As noted on page 125 of this Annual Report, the Group's diluted earnings per share was 1.96 pence per share (2015: 1.91 pence per share). The EPS used as a performance criteria for the LTIP is adjusted to exclude exceptional costs and additional share scheme awards made since the 2014 award as agreed at the time of the award.

Group Revenue represented the other half of the award. As noted on page 125, the Group's Revenue for the period was £1,271.0 million, which was an increase of 14.8% on 2015 and an increase of 34% between 2014 and 2016, but which fell below the threshold of £1,385.5 million set under the LTIP award. Consequently, achievement against this performance target was 0%.

Accordingly, the Remuneration Committee has, in accordance with the 2014 Policy and the rules of the LTIP, recommended overall vesting of 42.76% for the 2014 LTIP awards. The Remuneration Committee believes that this level of vesting appropriately reflects the performance of business during the performance period. Details of performance are set out in the table below.

The value of the 2014 LTIP awards in the total remuneration table is estimated based on the average Company share price for the final three months of the period, being 275.42 pence per share.

The expected vesting date of the 2014 LTIP award is 16 March 2017 (which was changed from 31 March 2017, with the approval of the Remuneration Committee during the period, for administrative ease). Subject to the continued satisfaction of the award conditions, final vesting will be determined.

Director	Revenue				EPS				Total vesting	
	Target		Performance Achievement		Target		Performance Achievement		% of Maximum	£'000
	Threshold	Maximum	Actual	% of Maximum	Threshold	Maximum	Actual	% of Maximum		
Tim Steiner	£1,385.5m	£1,492.7m	£1,271.0m	0%	1.3pps	3.5pps	3.075pps	42.76%	42.76%	£206
Duncan Tatton-Brown	£1,385.5m	£1,492.7m	£1,271.0m	0%	1.3pps	3.5pps	3.075pps	42.76%	42.76%	£113
Neill Abrams	£1,385.5m	£1,492.7m	£1,271.0m	0%	1.3pps	3.5pps	3.075pps	42.76%	42.76%	£75
Mark Richardson	£1,385.5m	£1,492.7m	£1,271.0m	0%	1.3pps	3.5pps	3.075pps	42.76%	42.76%	£113

- The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. An award will not vest unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a financial performance measure, 12.5% of the total award will vest and 50% vesting will occur for achieving or exceeding "maximum" performance for a condition. A straight line sliding scale applies in relation to the intermediate points between the "threshold" and "maximum".
- Details of the number of conditional shares awarded to each Director for the 2014 LTIP awards are shown in the table on page 106.

## Recovery of Sums Paid (audited)

No sums paid or payable to the Executive Directors were sought to be recovered by the Group.

# 21. Directors' Remuneration Report

## Non-Executive Directors

### Total Fees (audited)

The fees paid to the Non-Executive Directors and the Chairman during the period are set out in the remuneration table below. With the exception of the Chairman (who has received the Chairman's Share Matching Award, which is noted below) and Robert Gorrie (who receives other remuneration as set out below), the Non-Executive Directors received no remuneration from the Group other than their annual fee.

Non-Executive Director	Fees		Taxable Benefits		Pension Entitlements		Annual Bonus		Long-Term Incentives		Recovery of Sums Paid		Total Remuneration	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Lord Rose	200	200	—	—	—	—	—	—	1,334	—	—	—	1,534	200
Ruth Anderson	61	60	—	—	—	—	—	—	—	—	—	—	61	60
Robert Gorrie	49	48	—	—	—	—	—	—	—	—	—	—	49	48
Jörn Rausing	49	48	—	—	—	—	—	—	—	—	—	—	49	48
Douglas McCallum	61	60	—	—	—	—	—	—	—	—	—	—	61	60
Alex Mahon	56	48	—	—	—	—	—	—	—	—	—	—	56	48
Andrew Harrison	37	—	—	—	—	—	—	—	—	—	—	—	37	—
David Grigson	30	70	—	—	—	—	—	—	—	—	—	—	30	70
<b>Total</b>	<b>543</b>	<b>534</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,334</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,877</b>	<b>534</b>

- Andrew Harrison joined the Board on 1 March 2016.
- David Grigson resigned from the Board with effect from the 2016 annual general meeting on 4 May 2016.
- For further details on the long-term incentive payment see the Chairman's Share Matching Award below.
- Emma Lloyd was appointed on 1 December 2016, after the period end. Emma's fees are in line with the 2014 Directors' Remuneration Policy.

The remuneration arrangements for the Non-Executive Directors (except the Chairman) were reviewed by the Executive Directors and the Chairman during the period and the basic fees for non-executive directors were increased to £50,000 (2015: £48,000) per annum.

The review was carried out by the Executive Directors and Chairman in accordance with the 2014 Directors' Remuneration Policy and accordingly took into account the responsibility and time commitments of the roles of the Non-Executive Directors and Board committee chairmen, the financial position and trading performance of the business, and the appropriate benchmark data (provided by Deloitte) for comparable roles for companies of equivalent size and complexity to the Group.

The Chairman's fees were not subject to review in 2016 as it was agreed on appointment that the Chairman's fee would not be reviewed by the Remuneration Committee for a minimum of three years from appointment.

### Other Remuneration for the Non-Executive Directors (audited)

In addition to the fees, the Non-Executive Directors are entitled to a staff shopping discount in line with the Group's employees.

Robert Gorrie chairs the meetings of the Ocado National Council and occasionally provides advice on various employee matters, in addition to his role as a Non-Executive Director. He provides these services through Robert Gorrie Limited (of which he is the sole shareholder) and is paid a per diem fee for these services. These fees are included in the related party transactions with key management personnel in Note 5.4 to the consolidated financial statements.

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.

### Chairman's Share Matching Award

The Chairman's Share Matching Award, which was awarded to Lord Rose on his becoming Chairman in May 2013, vested in May 2016.

Director	Date of grant	Number of shares	Value at grant (£)	Vesting date	Value on vesting (£)
Lord Rose	17/05/2013	452,284	400,000	10/05/2016	1,334,238

- The value at grant of the award was calculated using a price of 88.44 pence per share, being the volume weighted average share price of the Company's ordinary shares on the three trading days prior to 22 January 2013 (the date of the announcement of the Chairman's appointment). The basis for the award was to match up to £400,000 of Company shares where such shares were acquired by the Chairman.
- The value on vesting was calculated using the closing share price of 295 pence per share on the day of vesting.

The vesting of the award was subject to the condition that the Chairman remained a Director of the Company. There were no performance criteria to which vesting was subject. Lord Rose may not dispose of the vested shares until the first anniversary of his ceasing to be a director of the Company.

The Chairman's Share Matching Award was approved by shareholders at the Company's annual general meeting on 10 May 2013. It was a one-off award made on Lord Rose's appointment as Chairman of the Board. On joining the Board, Lord Rose had already acquired 750,000 of the Company's ordinary shares on his own account. Lord Rose subscribed for the 452,284 ordinary shares at their nominal value, that is £9,046, on grant. No payment was required on vesting.

### Recovery of Sums Paid (audited)

No sums paid or payable to the Non-Executive Directors were sought to be recovered by the Group.

## Other Remuneration Disclosures

### Executive Directors' Service Contracts (audited)

Each of the Executive Directors has a service contract with the Group. The terms of these contracts are consistent with the 2014 Directors' Remuneration Policy, though the contracts provide for payment in lieu of notice of one times basic salary only (and do not include other fixed elements of pay, which are permitted by the policy). The service contracts for each of the Executive Directors are continuous until terminated by either party (on 12 months' notice if terminated by the Company, or six months' notice if terminated by the Director).

### Non-Executive Directors' Letters of Appointment (audited)

The Chairman and the Non-Executive Directors do not have service contracts and were appointed by letter of appointment for an initial period of three years, subject to annual re-appointment at the annual general meeting. There are no provisions in the letters of appointment for payment for early termination. A Non-Executive Director appointment may be terminated by either party giving to the other not less than one month's notice, except in the case of the Chairman, which requires six months' notice by either party. A copy of a pro forma Non-Executive Director letter of appointment is available on the Company's corporate website. Copies of the letters of appointment and the service contracts of the Executive Directors are available for inspection at the Company's registered office.

### Deferral or Holding Periods (audited)

The current Executive Director share scheme awards do not contain any requirements for Directors to retain shares for a period after leaving the Company. However, the Remuneration Committee feels that their absence is materially mitigated by the existing large shareholdings held by the Executive Directors in the Company and by the lengthy five-year vesting period that applies to the GIP. Such factors help create a longer term focus from the Executive Directors and strong alignment with shareholders, as envisaged by Code principle D.1. Additionally, the 2017 Policy introduces a holding period of two years from the third anniversary of the date of grant under the LTIP. This is explained on page 80.

### Director Retirement Arrangements and Payments for Loss of Office (audited)

As announced on 28 January 2016 and 18 November 2016, it was determined in accordance with the 2014 Directors' Remuneration Policy that the arrangements set out below should apply in relation to David Grigson's and Robert Gorrie's remuneration on retirement, respectively.

Element of Remuneration	Treatment
Remuneration Payments	<p>All outstanding fees were paid to David Grigson up to 4 May 2016, in accordance with the terms of his letter of appointment.</p> <p>All outstanding fees will be paid to Robert Gorrie up to 3 May 2017 in accordance with the terms of his letter of appointment.</p> <p>No payments are expected after the date of retirement for either Director. Although Robert Gorrie may continue to be paid a fee for services to the Group not in a Director capacity (as explained on page 53).</p>
Payment for Loss of Office	No payment for loss of office or other remuneration payment was made or is expected to be made to either Director.
Share Schemes	At the time of retirement, neither David Grigson nor Robert Gorrie were participants in a Group share scheme.

### Director Appointment Arrangements (audited)

As announced on 28 January 2016, Andrew Harrison was appointed to the Board as a Non-Executive Director with effect from 1 March 2016. Andrew Harrison's remuneration is in line with the 2014 Policy. On appointment, Andrew Harrison's basic annual fee was £48,000, which increased to £50,000 in April 2016 in line with the other Non-Executive Directors. Andrew Harrison will not receive any other benefits or payments, in line with the 2014 Policy.

### Payments to Past Directors

The Company does not have any arrangements for payments to any former Directors of the Company.

### Enforcing the Directors' Remuneration Policy

The Company has not made any payments to a Director outside of the 2014 Directors' Remuneration Policy. All of the Remuneration decisions regarding

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executive remuneration for the period have been made in line with the 2014 Directors' Remuneration Policy.

No Director has options over Company shares outside one of the Company's recognised share schemes.

## External Remuneration for Executive Directors

As at the date of this Annual Report:

- In addition to his role as Executive Director of the Company, Neill Abrams is an alternate non-executive director of Mr Price Group Limited, listed on the Johannesburg Stock Exchange. The role does not involve any remuneration paid or payable to Neill.
- In addition to his role as Executive Director of the Company, Duncan Tatton-Brown is an independent non-executive director, senior independent director and audit committee chairman of Zoopla Property Group plc, listed on the London Stock Exchange. For his services to Zoopla Property Group plc Duncan was paid a fee of £62,500 in 2016, which will increase to £65,000 in 2017.
- In addition to his role as Executive Director of the Company, Mark Richardson is a non-executive director of Paneltex Limited. This role does not involve any remuneration paid or payable to Mark.

## Director Shareholdings (audited)

The beneficial interests in the Company's shares of Directors serving at the end of the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts, were:

Director	Ordinary Shares of 2 Pence each held at 27 November 2016		Ordinary Shares of 2 Pence each held at 29 November 2015	
	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
Tim Steiner	15,205,557	14,292,464	14,478,423	14,291,200
Lord Rose	1,202,284	–	750,000	–
Duncan Tatton-Brown	561,363	61,247	97,865	60,650
Mark Richardson	243,808	6,328	–	694
Neill Abrams	754,386	1,319,048	597,007	1,314,339
Alex Mahon	17,355	–	11,099	–
Ruth Anderson	80,000	–	80,000	–
Robert Gorrie	415,660	–	415,660	–
Andrew Harrison	11,500	–	–	–
Douglas McCallum	100,000	–	20,000	–
Jörn Rausing	–	69,015,602	–	69,015,602

- The indirect holding for Neill Abrams includes holdings of Caryn Abrams (wife of Neill Abrams) who holds 79,701 (2015: 79,745) ordinary shares, Daniella Abrams (daughter of Neill Abrams) who holds 1,363 (2015: nil) ordinary shares, Mia Abrams (daughter of Neill Abrams) who holds 1,363 (2015: nil) ordinary shares, Joshua Abrams (son of Neill Abrams) who holds 1,363 (2015: nil) ordinary shares and as a discretionary beneficiary of a trust holding 133,100 (2015: 133,100) ordinary shares.
- The indirect holding for Duncan Tatton-Brown includes a holding by Kate Tatton-Brown (wife of Duncan Tatton-Brown) who holds 59,934 (2015: 60,000) ordinary shares.
- The indirect holding for Mark Richardson includes a holding by Rebecca Richardson (wife of Mark Richardson) who holds 4,970 (2015: nil) ordinary shares.
- 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 109. There have been no changes in the Directors' beneficial interests in trusts holding ordinary shares of the Company.
- No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.
- Tim Steiner has granted a security interest over his ordinary shares in the Company. The security interest has been granted in connection with a loan made to him. For further details, refer to the Company's announcement made on 28 November 2016. The security interest was granted over 15,197,812 ordinary shares in the Company and any further ordinary shares held by Tim Steiner from time to time. Arthur Seligman as trustee of the Steiner 2008 Millennium Trust, of which Tim Steiner is one of a number of discretionary beneficiaries, has granted a security interest over 14,291,200 ordinary shares in the Company.
- On 13 May 2016, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Tim Steiner delayed the date on which completion under the contracts for transfer would take place to 30 June 2019, or such later date as the parties may agree. As a result of the security interest granted over Tim Steiner's ordinary shares in the Company, (see footnote 6) the completion of these contracts is conditional on the release of the security interest.
- On 11 May 2016, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Neill Abrams delayed the date on which completion under the contracts for transfer would take place to 30 June 2019, or such later date as the parties may agree.
- On 23 November 2016, Jörn Rausing notified the Company of a transfer of 69,015,602 shares in the Company from Hamilton Trust Company Limited as trustee of the Apple II Trust (of which Jörn Rausing is a beneficiary) to Apple III Limited (which is owned by Apple III Trust, of which Jörn Rausing is a beneficiary).
- Where applicable, the above indirect holdings include SIP Partnership Shares held under the SIP, which are held in trust.
- The Executive Director shareholdings have increased during the period primarily due to the vesting of the 2013 LTIP awards. For more details, see pages 106 and 107.
- Emma Lloyd was appointed on 1 December 2016, after the period end. Emma has not purchased Company shares at the date of this Annual Report.
- During the year, Non-Executive Director David Grigson retired from the Board. David Grigson held 35,000 ordinary shares at 29 November 2015 and on the date of his retirement on 4 May 2016.



## Director Shareholding Requirement (audited)

The table below shows current compliance with the Director shareholding requirements in the 2014 Directors' Remuneration Policy as at the date of this Annual Report. All Directors comply with the Director shareholding requirements.

Director	Minimum Shareholding Requirement (% of Base Salary or Fee)	Complied with Shareholding Requirement?	Basis for Compliance
Tim Steiner	150	Yes	Indirect and direct shareholdings
Duncan Tatton-Brown	100	Yes	Indirect and direct shareholdings
Neill Abrams	100	Yes	Indirect and direct shareholdings
Mark Richardson	100	Yes	JSOS and SIP interests
Lord Rose	100	Yes	Direct shareholdings
Robert Gorrie	100	Yes	Direct shareholdings
Douglas McCallum	100	Yes	Direct shareholdings
Ruth Anderson	100	Yes	Direct shareholdings
Alex Mahon	100	Yes	Direct shareholdings
Jörn Rausing	100	Yes	Indirect shareholdings
Andrew Harrison	100	n/a	n/a
Emma Lloyd	100	n/a	n/a

- Andrew Harrison was appointed on 1 March 2016 and Emma Lloyd was appointed on 1 December 2016. 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 neither Andrew Harrison nor Emma Lloyd hold the requisite number of shares to comply with the shareholding requirement currently, both are compliant with the policy.
- During the year, Non-Executive Director David Grigson retired from the Board. David Grigson held 35,000 ordinary shares at 29 November 2015 and on the date of his retirement on 4 May 2016, therefore complying with the shareholding requirement up to this date. His shareholdings were held directly.

The assessment for compliance is based on the current annualised salary or fee (as set out in the total remuneration tables) which applied on 18 January 2017 (being the last practicable date prior to the publication of this Annual Report) and the higher of the original purchase price(s) or the current market price (being 264 pence per share on 18 January 2017), of the relevant shareholdings.

## Director Interests in Share Schemes (audited)

### JSOS (audited)

At the end of the period the Executive Directors' interests in ordinary shares in the Company pursuant to the Group's JSOS were as follows:

Director	Type of interest	Date of issue	Number of share interests	Hurdle Price (£)	Vesting Date
Tim Steiner	Joint interest in shares	03/02/10	2,513,100	1.73	01/01/11
	Joint interest in shares	03/02/10	2,513,100	1.91	01/01/12
	Joint interest in shares	03/02/10	2,513,100	2.08	01/01/13
	Joint interest in shares	03/02/10	2,513,000	2.28	01/01/14
Neill Abrams	Joint interest in shares	03/02/10	1,017,200	1.73	01/01/11
	Joint interest in shares	03/02/10	1,017,200	1.91	01/01/12
	Joint interest in shares	03/02/10	1,017,200	2.08	01/01/13
	Joint interest in shares	03/02/10	1,017,100	2.28	01/01/14
Duncan Tatton-Brown	Joint interest in shares	01/11/12	365,000	1.70	01/01/13
	Joint interest in shares	01/11/12	1,100,000	1.80	01/01/14
Mark Richardson	Joint interest in shares	03/02/10	223,300	1.73	01/01/11
	Joint interest in shares	03/02/10	223,300	1.91	01/01/12
	Joint interest in shares	03/02/10	223,300	2.08	01/01/13
	Joint interest in shares	03/02/10	223,200	2.28	01/01/14
	Joint interest in shares	30/11/12	711,975	1.70	01/01/13
	Joint interest in shares	30/11/12	776,700	1.80	01/01/14

# 21. Directors' Remuneration Report

**Granted:** No awards of JSOS share interests were made during the period. The Remuneration Committee does not, as at the date of this Annual Report, have any intention of making a further award of share interests under the JSOS scheme to the current Executive Directors. The JSOS scheme, which was put in place prior to the Company's Admission in 2010, involves the Executive Directors investing their own funds to purchase a shared interest in the Company's shares at the market value at that time. These investments were made in 2010 (in the case of Tim Steiner, Neill Abrams and Mark Richardson) and in 2012 (in the case of Duncan Tatton-Brown and Mark Richardson again). The Executive Directors invested from their own resources. The purchased interests entitle the Executive Directors to a return only if, in the future, the share price exceeds the relevant hurdle rate. The Executive Directors would lose their investment if the share price were not to exceed the hurdle price. For a detailed description of the JSOS scheme refer to pages 249 to 252 of the Prospectus.

**Vested:** No JSOS share interests vested during the period.

**Sold:** No JSOS share interests have been sold by an Executive Director since inception of the scheme.

**Lapsed:** No JSOS share interests lapsed during the period.

## LTIP (audited)

At the end of the period the Executive Directors' total LTIP awards were as follows:

Director	Type of Interest	Date of Grant	Basis on Which Award is made (% of Salary)	Number of Shares	Face Value of Award (£)	End of Performance Period	Expected Vesting Date
Tim Steiner	Conditional shares	05/02/14	200	174,588	900,000	27/11/16	16/03/17
	Conditional shares	13/03/15	200	291,005	1,100,000	03/12/17	13/03/18
	Conditional shares	17/03/16	200	429,885	1,122,000	02/12/18	17/03/19
Mark Richardson	Conditional shares	05/02/14	150	96,023	495,000	27/11/16	16/03/17
	Conditional shares	13/03/15	150	134,920	510,000	03/12/17	13/03/18
	Conditional shares	17/03/16	150	199,310	520,000	02/12/18	17/03/19
Neill Abrams	Conditional shares	05/02/14	120	64,016	330,000	27/11/16	16/03/17
	Conditional shares	13/03/15	120	90,476	342,000	03/12/17	13/03/18
	Conditional shares	17/03/16	120	133,655	349,000	02/12/18	17/03/19
Duncan Tatton-Brown	Conditional shares	05/02/14	150	96,023	495,000	27/11/16	16/03/17
	Conditional shares	13/03/15	150	134,920	510,000	03/12/17	13/03/18
	Conditional shares	17/03/16	150	199,310	520,000	02/12/18	17/03/19

- The LTIP awards are conditional awards under the rules of the LTIP, which is a right to receive free shares in the Company, subject to the achievement of performance conditions over a three-year performance period.
- The 2014 LTIP award was determined based on a price of 515.5 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 5 February 2014 (being the LTIP grant date). The 2014 LTIP award is subject to two equally weighted performance conditions, which are the levels of diluted and adjusted earnings per share and Group Revenue, for the 2015/2016 financial year. For each target, at "threshold" performance, 12.5% of an LTIP award will vest and at "maximum" performance, 50% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum".
- The 2015 LTIP award was determined based on a price of 378 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 13 March 2015 (being the LTIP grant date). The 2015 LTIP award is subject to the achievement of four equally weighted performance conditions for the 2016/2017 financial year, being the third year of a three-year performance period. The performance conditions concerning the financial performance of the Group, both earnings before tax and revenue, will be focused on the Group's retail business performance and will be weighted 25% each. The new proprietary infrastructure solution performance conditions will each have a 25% weighting. The first concerns the operational efficiency of the Andover CFC in the 2016/17 financial year and the second concerns the capital cost for an Ocado Smart Platform module. In respect of a target, at "threshold" performance, 6.25% of an LTIP award will vest and at "maximum" performance, 25% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum".
- The 2016 LTIP award is outlined below.
- The 2014 LTIP awards are not capable of vesting until after the end of the period, on 16 March 2017 (which was changed from 31 March 2017, with the approval of the Remuneration Committee during the period, for administrative ease).

**Granted:** LTIP awards were made in respect of 2016 of up to 150% of annual base salary and in the case of the Chief Executive Officer, an LTIP award with a total market value of 200% of annual base salary. Such awards were made in accordance with the 2014 Directors' Remuneration Policy. The number of shares subject to an LTIP award was determined based on a price of 261 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 17 March 2016 (being the LTIP grant date).

The 2016 LTIP awards are conditional awards under the rules of the LTIP, which are a right to receive free shares in the Company, subject to the achievement of four equally weighted performance conditions for the 2017/2018 financial year, being the third year of a three-year performance period. The performance metrics relate to the retail business and the platform business. The Remuneration Committee believes that these performance conditions encourage the delivery of crucial strategic objectives of the Group. The performance conditions concerning the financial performance of the Group, both earnings before tax and revenue, will be focused on the Group's retail business performance and will be weighted 25% each. The new proprietary infrastructure solution performance conditions will each have a 25% weighting. The first concerns the operational efficiency of the Andover CFC in the 2017/2018 financial year and the second concerns the capital cost for an Ocado Smart Platform module.

The rationale for, and basis of measurement of, the performance metrics was as follows:

Performance target	Commercial rationale	Basis of measurement
Retail business (50%)	Rewards top line sales growth for the retail business in line with the Group's strategy and the creation of financial returns to shareholders.	Group Revenue and earnings before tax for the retail business for the 2017/2018 financial year.
Platform business (50%)	Rewards progress and achievement with the proprietary infrastructure solution, which is a key strategy objective.	Operational efficiency of Andover CFC and the capital cost per Ocado Smart Platform modules for the 2017/2018 financial year.

The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. No LTIP award will vest unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a performance target, 6.25% of an LTIP award will vest and at "maximum" performance, 25% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum". Each target is discrete and can be earned separately. Full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created.

The performance conditions for the 2016 LTIP awards will be tested in relation to the financial year ending in 2018 to determine what percentage of the LTIP awards has been achieved, and will vest during 2019 to the extent that the performance conditions have been achieved.

The specific performance conditions are not disclosed due to their commercial sensitivity on the basis that if disclosed it would be likely to damage the Company's commercial interests. The Company will disclose the performance conditions after the end of the performance period, to the extent that the targets are not considered commercially sensitive at the time.

**Vested:** The 2013 LTIP awards had a vesting date of 31 March 2016 for a three-year performance period that ended with the 2014/15 financial year. As explained in the previous annual report, the Remuneration Committee reviewed the performance against the 2013 LTIP performance target, which was the Group's earnings before interest and tax and pre-exceptional items and prior to the cost of the LTIP awards for management, for the 2014/15 financial year. The Group's earnings before interest and tax and exceptional items for the period was £21.4 million, which was an increase of 31.3% on 2014. The performance target also takes into account the share-based management incentive charges which were £7.8 million. The Group's earnings before interest and tax and pre-exceptional items and before the LTIP award costs for management was therefore £29.2 million, which exceeded the maximum performance target of £25.2 million for the 2013 LTIP awards. Accordingly, achievement against the performance condition was 100%.

The performance period for the 2014 LTIP awards finished in the year, although these awards are not capable of vesting until 16 March 2017 (as noted on page 101).

**Sold:** As a result of the vesting of the 2013 LTIP awards, the Executive Directors sold shares in the Company. The Directors sold sufficient of the shares that vested to cover the cost of the tax and National Insurance. The details of the LTIP vesting and resulting share sale for each Executive Director are set out below.

Director	Date of Grant	Grant price (£)	Number of Shares Vested	Date of Vesting and Sale	Share Price on Vesting (£)	Value of Shares Vested (£)	Shares Sold on Vesting	Shares Retained on Vesting
Tim Steiner	23/07/13	1.312	1,371,951	31/03/16	2.94	4,033,536	644,817	727,134
Duncan Tatton-Brown	23/07/13	1.312	685,975	31/03/16	2.94	2,016,767	322,409	363,566
Mark Richardson	23/07/13	1.312	469,512	31/03/16	2.94	1,380,365	220,671	248,841
Neill Abrams	23/07/13	1.312	304,878	31/03/16	2.94	896,341	143,293	161,585

1. For more details see the total remuneration table on page 98.

**Lapsed:** No LTIP awards lapsed during the period.

# 21. Directors' Remuneration Report

## GIP (audited)

At the end of the period the Executive Directors' total GIP awards were as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Face Value of Award (£)	End of Performance Period	Exercise Period
Tim Steiner	Option with nil exercise price	08/05/14	4,000,000	12,744,000	08/05/19	08/05/19 – 31/05/24
Mark Richardson	Option with nil exercise price	08/05/14	1,000,000	3,186,000	08/05/19	08/05/19 – 31/05/24
Duncan Tatton-Brown	Option with nil exercise price	08/05/14	1,000,000	3,186,000	08/05/19	08/05/19 – 31/05/24

1. The face value of the options which are the subject of a GIP award was determined based on a price of 318.60 pence per share being the price on date of grant. A condition of vesting is that each participant holds, and retains throughout the performance period, shares in the Company. The Chief Executive Officer is required to hold shares equivalent, at the date of the award, to the value of his annual salary. Both other participants are required to hold shares equivalent, at the date of the award, to the value of half of their annual salary. The GIP award is subject to the achievement of a single performance condition to be satisfied over five years commencing on the date of grant of the awards. The share price of the Company is the sole performance measure, and will be assessed relative to the growth of the FTSE 100 Share Index over that period assessed using a three-month averaging period. The performance schedule is set out in the table below:

Performance target	Percentage of award vesting (%)
Growth of less than the FTSE 100 Share Index +5% p.a.	0
Growth in the FTSE 100 Share Index +5% p.a.	25
Growth in the FTSE 100 Share Index +10% p.a.	50
Growth in the FTSE 100 Share Index +15% p.a.	75
Growth in the FTSE 100 Share Index +20% p.a. (or more)	100

**Granted:** No awards under the GIP were granted during the period.

**Vested:** No awards under the GIP vested during the period. The awards are expected to vest in May 2019 (if and to the extent that the vesting criteria are met).

**Sold:** No awards under the GIP have been exercised or sold by an Executive Director during the period.

**Lapsed:** No awards under the GIP lapsed during the period.

## ESOS (audited)

At the end of the period, the Executive Directors held options under the ESOS as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Exercise Price (£)	Face Value of Grant (£)	Exercise Period
Mark Richardson	Option	31/05/09	70,000	1.20	84,000	31/05/12 – 30/05/19
Duncan Tatton-Brown	Option	12/08/13	9,923	3.02	29,967	08/07/16 – 07/07/23

**Granted:** The Remuneration Committee does not, as at the date of this Annual Report, have any intention of making a further award of options under the ESOS scheme to the existing Executive Directors. Existing options held by the Executive Directors under the ESOS were granted prior to the Company's listing in 2010 (except those granted in 2013 to then new appointee Director, Duncan Tatton-Brown). None of the grants of ESOS options to the Executive Directors are subject to performance conditions.

**Vested:** For details of vested ESOS options, see page 101.

**Sold:** No awards under the ESOS have been exercised or sold by an Executive Director during the period.

**Lapsed:** No options under the ESOS lapsed during the period.

## 2014 ESOS (audited)

No awards have been granted to the Executive Directors under the 2014 ESOS, and the Remuneration Committee does not have any intention of making an award of options under the 2014 ESOS scheme to the existing Executive Directors. Accordingly, no value is shown in the total remuneration table for the period.

## SIP (audited)

At the end of the period interests in shares held by the Executive Directors under the SIP were as follows:

Director	Partnership Shares Acquired in the Year	Matching Shares Awarded in the Year	Free Shares Awarded in the Year	Total Face Value of Free Shares and Matching Shares Awarded in the Year (£)	Total SIP Shares Held 27/11/2016	SIP Shares that Became Unrestricted in the Period	Total Unrestricted SIP Shares Held at 27/11/2016
Tim Steiner	664	95	1,323	3,858	4,996	–	–
Duncan Tatton-Brown	663	95	1,312	3,829	4,938	–	–
Mark Richardson	664	94	1,312	3,825	4,990	–	–
Neill Abrams	664	95	1,102	3,256	4,436	–	–

1. Unrestricted shares are those which have been held beyond the three-year forfeiture period.
2. The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

**Granted:** The Directors continued their SIP participation during the period. The SIP scheme is made available to all employees. The SIP allows for the grant of a number of different forms of awards. An award of free shares was made to the Executive Directors in September 2016 under the terms of the SIP and the 2014 Directors' Remuneration Policy. "Free shares" of up to £3,600 of ordinary shares may be allocated to any employee in any year. Free shares are allocated to employees equally on the basis of salary, as permitted by the relevant legislation.

An award of matching shares was made to those Executive Directors who purchased partnership shares (using deductions taken from their gross basic pay) under the terms of the SIP and in accordance with the 2014 Directors' Remuneration Policy. "Partnership shares" are where employees are invited to purchase ordinary shares directly from their earnings. The market value of such partnership shares which an employee can purchase in any tax year currently may not exceed £1,800 (or 10% of the relevant employee's remuneration, if lower). "Matching shares" are additional free shares which may be allocated to an employee who purchases partnership shares. The rules of the SIP reflect current UK legislation and allow for a maximum match of two to one. The matching ratio adopted by the Company for the SIP during the period was a ratio of one matching share for every seven partnership shares purchased, considerably lower than the maximum permitted ratio.

There are no performance conditions attached to awards made under the SIP, although free and matching shares are subject to a three-year forfeiture period. Partnership shares are purchased by the employees and therefore forfeiture does not apply. Free and matching shares awarded under the SIP are subject to a holding period of no less than three years but no more than five years. Partnership shares purchased by employees will not be subject to a holding period.

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 18 January 2017, being the last practicable date prior to the publication of this Annual Report, the Executive Directors acquired or were awarded further shares under the SIP as set out in the table below:

Director	Partnership Shares Acquired	Matching Shares Awarded	Free Shares Award	Total Face Value of Free Shares and Matching Shares (£)	Total SIP Shares Held at 18/01/2017
Tim Steiner	116	17	–	44	5,129
Duncan Tatton-Brown	116	17	–	44	5,071
Mark Richardson	116	16	–	41	5,122
Neill Abrams	116	16	–	41	4,568

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:** No awards under the SIP vested during the period. Free 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 and matching shares will be forfeited. No shares awarded under the SIP have become unrestricted. 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. Accordingly, no value is shown in the total remuneration table for the period.

**Sold:** No shares held under the SIP have been sold by an Executive Director.

**Lapsed:** No shares held by an Executive Director under the SIP lapsed during the period.

# 21. Directors' Remuneration Report

## 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	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Neill Abrams	Options	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Duncan Tatton-Brown	Options	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Mark Richardson	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20

**Granted:** The Executive Directors elected to participate in the 2016 invitation under the Ocado Sharesave Scheme, where the Directors were granted options to purchase ordinary shares in the Company on the same terms as all other employees, at an exercise price of £2.28 per ordinary share, as set out in the table above. The exercise price for an option was the market value of the Company's shares for the five dealing days during the Sharesave application window, less a discount of 10%.

**Vested:** A savings contract under the Sharesave Scheme matured after period end, on 1 December 2016. Tim Steiner, Duncan Tatton-Brown and Neill Abrams each held 2,987 options at this date.

The value of the Directors' Sharesave awards at 1 December 2016 is the value of the savings made by each Director under the savings contract. At the time of vesting on 1 December 2016, the share price (of 264.00 pence per share) was lower than the exercise price (of 301 pence per share), meaning that the options had no value on vesting. Under the rules of the Sharesave Scheme, participants are able to withdraw their savings rather than exercising their options. The value of the savings made by each Director is £9,000. Participants are able to exercise their options until the end of the exercise period in May 2017.

**Exercised:** No awards under the Sharesave were exercised or sold by the Executive Directors during the period.

**Lapsed:** The Executive Directors elected to cancel their participation in the 2015 offer of Sharesave, resulting in the lapsing of the options originally granted to them on 1 April 2015 with an exercise price of 324 pence per share. The options would have become exercisable on 1 May 2018. Each had 2,777 options lapse, except in the case of Mark Richardson, who had 5,555 options lapse.

## Chairman's Share Matching Award (audited)

The Chairman's Share Matching Award vested during the period. For further details of the vesting, see page 102.

## Dilution

### Dilution Limits

Awards granted under the Company's Sharesave, ESOS, 2014 ESOS and SIP schemes are met by the issue of new shares when the options are exercised or shares granted. The allocation of awards under the JSOS were met by the subscription for new shares by the participant and the EBT. Awards granted under the GIP may be met by the issue of new shares, the transfer of shares from treasury, or the purchase or transfer of existing shares by the EBT. Awards vesting under the LTIP were satisfied by the issue of new shares and transfer of existing shares by the EBT. The Chairman's Share Matching Award was met by the new issue of shares on the date of grant. The share deferral provisions in the AIP have not been approved by shareholders and accordingly awards will be satisfied only by the purchase of existing shares by the EBT until such shareholder approval is obtained.

There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Remuneration Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

The dilution limits restrict the commitment to issue new ordinary shares or reissue treasury shares under all share schemes of the Group to 10% of the nominal amount of the Company's issued share capital and under the JSOS, the LTIP and the GIP (and any other selective share scheme) to 5% of the nominal amount of the issued share capital of the Company in any rolling ten-year period. These limits are consistent with the guidelines of institutional shareholders.

The JSOS rules have additional overriding limits on the number of shares that may be allocated under the JSOS. Up to 7.5% of the Company's ordinary issued share capital may be held under the JSOS.

### 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 18 January 2017, 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



### Discretionary Share Plans



# 21. Directors' Remuneration Report

## Review of Changes in Remuneration and Company Performance

This part of the report provides some context for the Directors' remuneration arrangements including information concerning the Company's performance, shareholder returns and the Group's total expenditure on employee pay.

### Chief Executive Officer Historical Remuneration

The table below summarises in respect of the Chief Executive Officer the single figure of total remuneration, the AIP or bonus plan payment as a percentage of maximum opportunity, and the long-term incentives as a percentage of maximum opportunity for the current period and the previous six financial years.

Year	Chief Executive Officer Total Remuneration (£'000)	AIP or Bonus Payment as a Percentage of Maximum Target Achievement (%)	Value of AIP or Bonus Payment (£'000)	Long-Term Incentives as a Percentage of Maximum Opportunity (%)
2016	1,141	43.6	315	35.6
2015	5,880	65.0	459	100
2014	6,483	56.0	385	100
2013	1,011	98.3	528	0
2012	483	29.7	104	0
2011	987	0	0	100
2010	599	n/a	220	0

- The Chief Executive Officer total remuneration figures prior to the 2013 period represent the previously presented audited information with necessary adjustments for amounts required to be included in the single total figure of remuneration (such as pension amounts).
- From 2010, the Company had the JSOS as the main form of long-term incentive plan. For the 2012 and 2013 financial years, the JSOS interests did not have any value at the vesting date. In 2014, the final tranche of JSOS shares vested in that period (the value of such remuneration is noted in the single total figure of remuneration table). In 2011, the first tranche of JSOS shares vested in that period. The LTIP was implemented in 2013 and the first award had a performance period ending in 2015 and a vesting date in 2016. The GIP and SIP were both implemented in 2014, but have vesting dates in 2019 and 2017 respectively.
- For an explanation of JSOS and the theoretical remuneration represented in the Chief Executive Officer's total remuneration, see page 112 in the 2014 Annual Report.

### Chief Executive Officer Percentage Change Versus Representative Employee Group

To put the Directors' remuneration into context, the table below sets out the change in salary, benefits, and bonus of the Chief Executive Officer and of all of the Group's UK employees from the preceding period to the current period.

	Chief Executive Officer	All UK employees
Percentage change in salary from 2015 to 2016	3%	3.5%
Percentage change in taxable benefits from 2015 to 2016	(33.33)%	7.69%
Percentage change in AIP earned from 2015 to 2016	(31.43)%	n/a

- Most of the Group's employees are not entitled to earn an annual bonus payment as part of their remuneration.
- The change in salary data for the Group's UK employees is on a per capita basis.

### Relative Importance of Spend on Pay

The following table shows the Company's profit and total Group-wide expenditure on pay for all employees for the period and last financial year. The Company has not paid a dividend or carried out a share buyback in the current year or previous year. The information shown in this chart is:

- Profit – Group profit before tax as set out in Note 2.1 to the consolidated financial statements.
- 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 2.6 to the consolidated financial statements.

	27 November 2016 (£m)	29 November 2015 (£m)
Profit before tax	12.1	11.9
Total gross employee pay	287.7	239.9

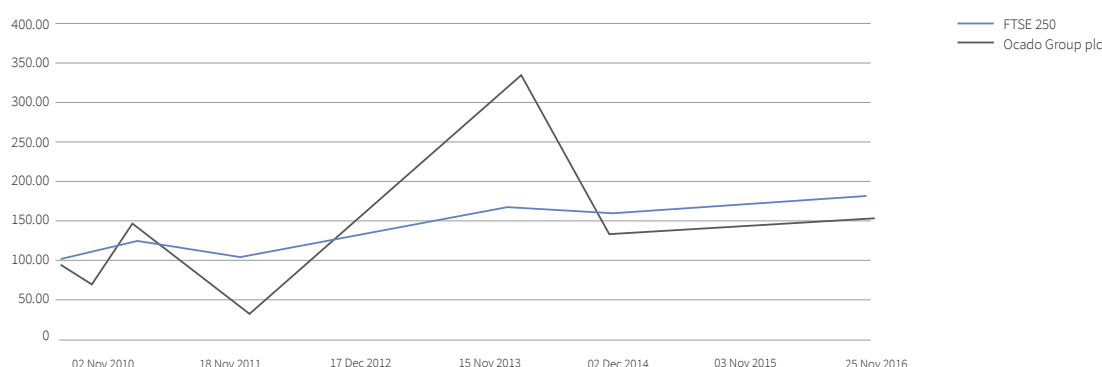
### Company Share Price

The closing market price of the Company's shares as at 25 November 2016, being the last trading day in the period ended 27 November 2016, was 275.8 pence per ordinary share (2015: 366.5 pence) and the share price range applicable during the period was 208.1 pence to 377.9 pence per ordinary share.



### Total Shareholder Return

The following graph shows the TSR performance of an investment of £100 in the Company's shares from its Admission to the end of the period compared with an equivalent investment in the FTSE 250 Index (which was chosen because it represents a broad equity market index of which the Company is a constituent). The TSR was calculated by reference to the movements in share price. The Company has not paid a dividend since its Admission so the Company's TSR does not factor in dividends reinvested in shares.



## Annual Report on Remuneration — Implementation of Policy for 2017

### Introduction

This part of the Directors' Remuneration Report sets out implementation of the Directors' remuneration for 2017.

### Summary of Changes for Executive Directors

This table briefly summarises the proposals for the Directors' remuneration arrangements for 2017 when compared to the arrangements for the period.

Base Salary and Benefits	Pension	AIP	Long-Term Incentives	All-Employee Schemes
Base salary will be subject to annual review.	No changes proposed.	No change to the maximum opportunity, measures or structure of 2017 AIP.	No change to the maximum opportunity for the 2017 LTIP awards. A change to one of the platform business targets.	Ongoing participation in the SIP.

### Base Salary and Benefits

The Remuneration Committee expects to finalise its annual review of the Executive Directors' base salaries later in 2017, in line with the timing of pay reviews for all of the Group's employees.

The benefits in kind offered to the Executive Directors are expected to remain unchanged.

### Pensions

No changes are proposed to the pension contributions for Executive Directors for 2017, which are expected to remain at the levels provided in the current period.

### 2017 AIP

The Remuneration Committee approved the implementation of an AIP for the Executive Directors applicable to the 2016/17 financial year. This plan broadly reflects the framework of the 2016 AIP and is in line with the 2014 Directors' Remuneration Policy.

The bonus potential for the Executive Directors is 100% and for the Chief Executive Officer is 125% of base salary for "maximum" performance, which is the same as the 2016 AIP.

The weighting of objectives in the 2017 AIP is the same as the 2016 plan, with 35% for a Gross Sales<sup>®</sup> target, 35% for a Group EBITDA<sup>®</sup> target and 30% for performance measured against role-specific objectives. The Gross Sales<sup>®</sup> target relates to the Group's Gross Sales (Retail) and does not include any income or benefits from the Morrisons operation. The rationale for setting these performance measures has not changed from 2016. For an explanation, see the Annual Report on Remuneration on page 99.

The actual performance targets are not disclosed due to their commercial sensitivity on the basis that if disclosed it would likely damage the Company's commercial interests. The Company will disclose achievement against the targets after the end of the performance period, provided such disclosure is not considered commercially sensitive at the time.