



Lord Rose
Chairman

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15. Chairman’s Governance Introduction

Dear Shareholder,

On behalf of the Board, I am pleased to present Ocado’s Statement of Corporate Governance for 2016.

As I have reported in previous years, the entrepreneurial behaviour at Ocado underpins the growth of our business and enables the Company to lead the online grocery retail market. Importantly, this is supported by the Group’s robust governance framework and its values. The Board takes overall responsibility for the Group’s governance and culture. When discussing reports from management and functions such as Internal Audit & Risk the Board looks for alignment between the Group’s culture and values and the behaviours shown by employees and other stakeholders.

Leadership and Board Effectiveness

The Board provides entrepreneurial leadership to the Company and oversees the strategy of the Group, as well as having overall responsibility for the Group’s performance, creating accountability, and managing risks that face the Group. As the business grows and meets new challenges and opportunities, the smooth operation of the Board is key. We are mindful that it is important for the Board to be composed of those personnel that are best placed to provide the appropriate constructive debate on the Group’s strategic direction with a diverse range of skills and experiences which collectively are both complementary and directly relevant to Ocado’s strategy. This year’s annual Board performance review was facilitated externally and provided a good opportunity for the Board to take an in depth look at its effectiveness and composition.

On 18 November 2016 we announced some changes to the Board. Firstly, the appointment of Emma Lloyd as Non-Executive Director with effect from 1 December 2016. Emma brings to the Board significant experience in technology and strategic partnerships, at a time when the Group is positioning itself to grow the platform business. In addition, Robert Gorrie will step down from the position of Non-Executive Director with effect from the AGM on 3 May 2017. Robert Gorrie has made a very significant contribution to the Board during almost 17 years of service, first as an Executive Director and then as a Non-Executive Director and he leaves with our sincere thanks and best wishes. These recent Board changes follow the appointment of Andrew Harrison in early 2016. Andrew has significant experience in the technology and retail sectors and with establishing international ventures, which should provide valuable insight as the Group pursues partnerships with overseas retailers. David Grigson retired from the position of Senior Independent Director in May 2016, having made a significant contribution to the Board since 2010. Further details are set out in the report on the activities of the Nomination Committee found on pages 64 and 65.

Accountability and Risk

The Board periodically discusses risk management and the principal risks facing the Group. The Audit Committee has played an important role in monitoring the Group’s risk and assurance systems, including in relation to strategically important projects such as the new CFCs. The Audit Committee reviewed the reporting framework on controls being used by the business, including for the Ocado Smart Platform, which was an important step both for the retail business and in readiness for the platform business.

Remuneration and Engagement with Shareholders

Our Executive Director remuneration arrangements are designed to incentivise and support the achievement of our business objectives and sustain long-term value for shareholders. The Remuneration Committee oversees the 2014 Directors' Remuneration Policy and this year has made a number of minor changes to it in order to further align it with best practice from a corporate governance perspective and with shareholder expectations. The Directors' Remuneration Policy will be put to shareholders at the AGM on 3 May 2017. The new 2017 Policy retains its emphasis on long-term incentives, aims to reward achievement of core financial objectives and outstanding growth in the value of the Group relative to the FTSE 100 over the longer term. Further detail and the new 2017 Policy can be found in the Directors' Remuneration Report on pages 80 to 96.

Statement of Corporate Governance¹

The Statement of Corporate Governance for 2016 covers the following areas:

- the structure and role of the Board and its committees;
- the Board's effectiveness;
- relations with the Company's shareholders and the AGM; and
- the reports of the Nomination Committee and the Audit Committee.

The report of the Remuneration Committee is set out separately in the Directors' Remuneration Report on pages 76 to 115. The Group's risk management and internal control framework and the Group's principal risks and uncertainties are described on pages 34 to 37.

Lord Rose

Chairman
Ocado Group plc



1. These sections form part of this Statement of Corporate Governance. The Directors' Remuneration Report on pages 76 to 115, the Directors' Report on pages 66 to 73 and the going concern and viability statements on page 35 also contain information required to be included in this Statement of Corporate Governance, and so are incorporated into this statement by reference.