

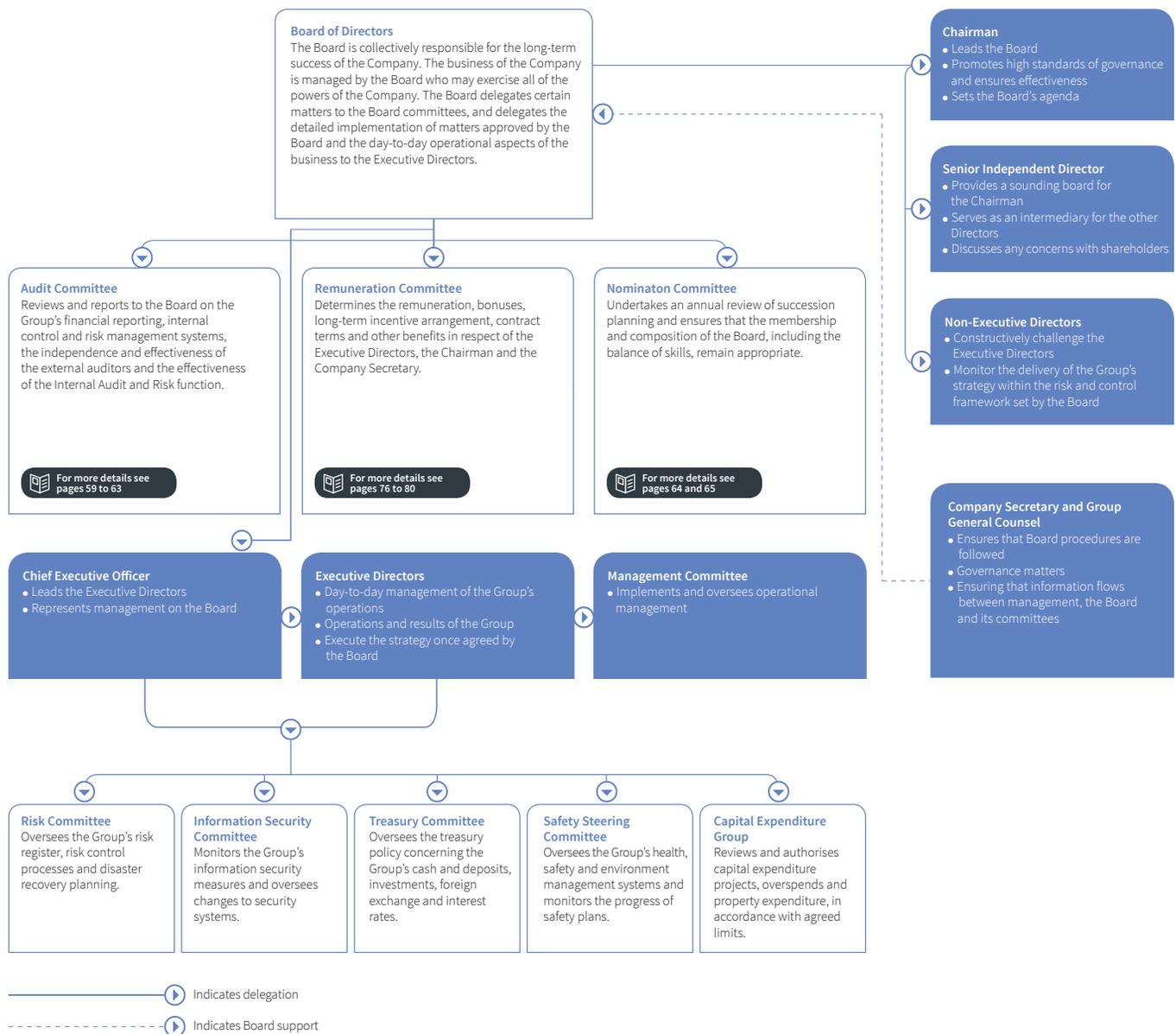
17. Statement of Corporate Governance

Leadership

Board Structure

The structure of the Board is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, risk and control issues.

The following diagram shows the role of the Board and its committees and management.



The primary responsibilities of the Chief Executive Officer, the Chairman, the Senior Independent Director, the Company Secretary and the Non-Executive Directors are set out in writing and provide a system of checks and balances in which no individual has unfettered decision-making power.

Certain detailed aspects of the Board’s responsibilities are delegated to the Executive Directors. The Executive Directors carry out some of these responsibilities through executive-led committees. These committees, whose roles are set out above, formally report to the Executive Directors, and may provide reports to the Board or Board committees from time to time. The Management Committee, comprises the Executive Directors and nine members of management.

The full terms of reference for each Board committee are available on the Company’s corporate website (www.ocadogroup.com) and reports by each Board committee are given in this Annual Report.

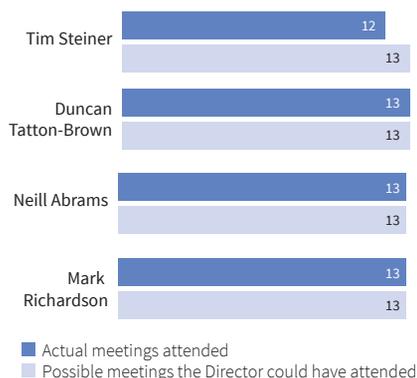
Board Responsibilities and Actions

Responsibility	Strategy, performance and financing	Reporting, risk management and accountability controls	Oversight of the Group’s operations and technology development	People, governance and corporate responsibility
Specific actions during the period	Annual strategy conference to review and set the Group’s strategy. Overseeing Ocado Smart Platform negotiations and discussions with Morrisons and Waitrose.	Annual review of key risks and risk appetite and reviewing reports of risk management. Review of reports on specific risk areas including OSP control environment.	Approving the annual budget, the business plan for the Group and individual capital expenditure projects.	Approving the Group’s human rights policy and modern slavery statement.
	Monitoring grocery retail competitor activity.	Reviewing and approving the Group’s regulatory results announcements and reports.	Receiving reports on patent protection of the Group’s technology.	Receiving report on people issues. Discussing Board composition.
	Receiving reports from senior management on trading, business performance and financing.	Reviewing reports on health, safety and environment, litigation, investor relations and legal and Company secretarial matters.	Site visit to Andover CFC to understand the operational and technology issues the business faces. Receiving regular reports on key projects including the new technology, the IT replatforming and the Andover and Erith CFCs.	Receiving various reports on governance and regulatory changes. Approving the Group’s new share dealing policy and processes.

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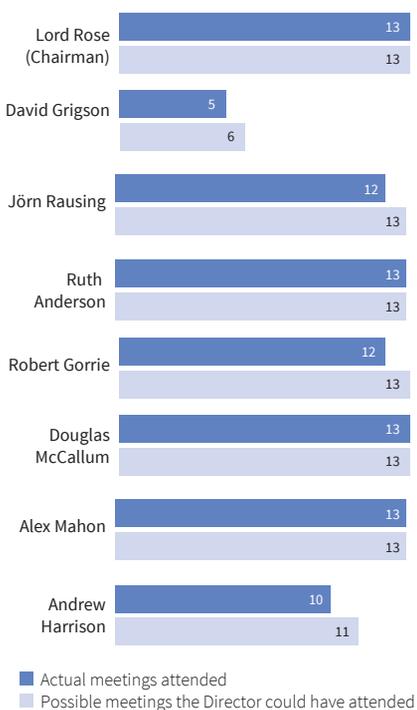
Board Attendance

Executive Directors



Board Attendance

Non-Executive Directors



- Where a Director has not attended a Board meeting, it was due to a conflicting prior commitment or illness.
- Andrew Harrison was appointed to the Board on 1 March 2016.
- David Grigson resigned from the Board on 4 May 2016.
- Emma Lloyd was appointed on 1 December 2016, after the period ended.

Board Attendance

The attendance record of the Directors at scheduled Board meetings during the period is set out in the chart on the left. The Board scheduled thirteen meetings during the period. Details of attendance at committee meetings are set out in the relevant committee report. During the period, the Non-Executive Directors held a number of meetings without the Executive Directors present.

Composition of the Board

Review of Board and Board Committee Composition

As noted on page 46, a number of changes were made to the composition of the Board. In making changes to the Board, the Board's review of composition took into account various considerations including length of Director tenure, Board diversity, independence and the mix of skills and experience of the Directors. Some of these considerations are outlined below.

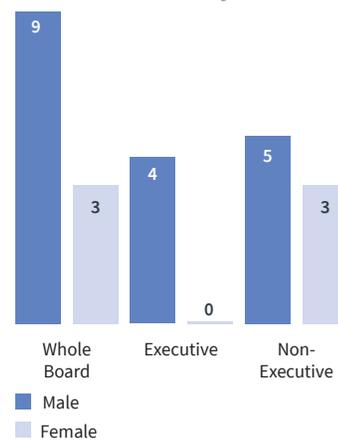
Board Diversity

The Board seeks to ensure that its composition, and that of its committees, is appropriate to discharge its duty effectively and to manage succession issues. To enable the Board to meet its responsibilities, it is important that the Board's composition is sufficiently diverse and reflects a broad range of experience, skills, backgrounds and perspectives. The Board's diversity policy includes a commitment to having a meaningful representation of women on the Board and in senior positions in the Company.

When the appointment of Emma Lloyd takes effect and after the resignation of Robert Gorrie, the Board will have 27% female membership. The Board has made significant progress in improving the gender balance on the Board. In 2009, the Board had no female representation. Despite this, the Board recognises there is further work to do to improve female participation in executive and senior management positions and to improve ethnic diversity on the Board. Whilst it has never been, in the Board's opinion, in the best interests of the Company and its shareholders to set numerical targets for gender (or ethnicity) on the Board, the Board is committed to increasing the percentage of women on the Board and in senior positions in the Company. Any future Board appointments will continue to be based on objective criteria to ensure that the best individuals are appointed for the role. For more information on diversity in respect of all the Group's employees, see the Our People section on pages 42 and 43. The chart above illustrates the diversity of the Board in terms of gender (as at the date of this Annual Report).

The policy also includes a commitment to engage only executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms. This includes Ridgeway Partners, who were engaged to help the Company secure new Non-Executive Directors for the Group. The Nomination Committee monitors these objectives.

Gender Diversity



- The chart includes Robert Gorrie, who will retire at the AGM on 3 May 2017, and Emma Lloyd, who was appointed on 1 December 2016.
- The chart excludes David Grigson, who retired at the AGM on 4 May 2016.

Board Tenure

The Board also takes into account the length of tenure of existing Directors when considering reappointment and succession planning. Ruth Anderson will have served seven years (in March 2017) as a Director and both Robert Gorrie and Jörn Rausing have served as Directors for over 13 years and accordingly their reappointments to the Board were subject to particular scrutiny (including the importance of maintaining Board continuity). The chart on the right illustrates the tenure of Directors (as at the date of this Annual Report).

Independence

The Code recommends that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. Since, excluding the Chairman, there are seven Non-Executive Directors all determined by the Board to be independent and four Executive Directors, the Board complies with this recommendation. The second chart on the right illustrates the current composition of the Board in respect of the independence of its members (as at the date of this Annual Report).

Similarly, the composition of the Audit Committee, Nomination Committee and Remuneration Committee comply in all respects with the independence provisions of the Code.

Scrutiny by the Board

The Board has scrutinised the factors relevant to its determination of the independence of Non-Executive Directors Jörn Rausing and Robert Gorrie, in particular.

Jörn Rausing

Jörn Rausing has been a Director for almost 14 years, although less than seven of these have been in the era of the Company as a listed company. Jörn is a beneficiary of the Apple III Trust, which owns Apple III Limited, a material (approximately 11%) shareholder of the Company. He is not a representative of the Apple III Trust, nor does the Apple III Trust have any contractual or other right to appoint a Director to the Board.

The Board considers his continued membership of the Board to be in the best interests of the Group and supports the principles of the Code. His significant international business experience at Tetra Laval enhances the balance of skills and experience on the Board, especially at a time when the Group is starting to expand outside of the UK, and reinforces the long-term perspective of the Board's decision-making.

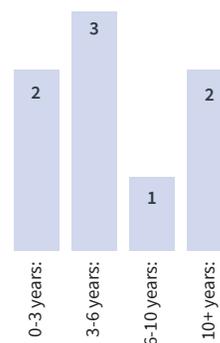
The Board considers Jörn to be independent in character and judgement and does not believe that the size of Apple III Limited's shareholding or the length of Jörn's tenure on the Board amounts to a relationship or circumstance which affects his judgement. Jörn has stood for re-election annually since 2011 and on each occasion has been re-elected by shareholders.

Robert Gorrie

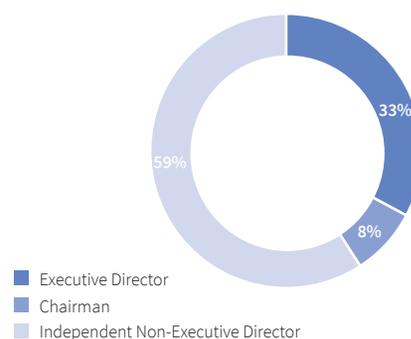
Robert Gorrie has been a Director for almost 17 years, but less than seven of these have been in the era of the Company as a listed company. Robert will retire at the 2017 Annual General Meeting, but during the period, the Board remained assured of Robert's independence. Robert has acted as the non-executive chairman of the Ocado National Council, an employee representative forum that was set up to provide primarily hourly paid employees with direct access to the Board. He received an additional £900 fee during the period for performing this role (2015: £6,000). Robert was employed by the Company until 2006, in an executive role as the Logistics Director.

The Board considers that Robert's knowledge of the Group's complex IT and logistics operations was of benefit to the Board in assisting it to formulate the Group's strategy, including its strategy for international expansion, and his prior experience of running a logistics operation in the USA was helpful in monitoring the execution of that strategy. The Board does not consider that the Ocado National Council constitutes a material business relationship with the Group, nor the additional consultancy fee to be material in the context of impacting Robert's judgement. Moreover, the Board considers his role on the Ocado National Council to have been a positive asset in the promotion of good governance, by providing a direct channel of communication between the Non-Executive Directors and employees and increasing the Board's understanding of the business. Robert has stood for re-election annually since 2011 and on each occasion has been re-elected by shareholders.

Length of Tenure of Chairman and Non-Executive Directors



Board Independence



1. The charts above include Robert Gorrie, who will retire at the AGM on 3 May 2017, and Emma Lloyd, who was appointed on 1 December 2016.
2. The charts above exclude David Grigson, who retired at the AGM on 4 May 2016.

17. Statement of Corporate Governance

Board Effectiveness

Review of Board Effectiveness

The effectiveness of the Board is important to the success of the Group, and the annual review provides a useful opportunity for the Directors to reflect on their collective and individual effectiveness and consider changes.



The Board review for 2016 was facilitated externally by Independent Audit Limited. The review followed two years in which an internally facilitated review had been conducted by the Company Secretary.

Independent Audit Limited (who have no other connection to the Company, and are considered by the Board to be independent) carried out a detailed Board review which included conducting individual interviews with the Directors and the Deputy Company Secretary and observing a Board meeting. The interviewees were asked their views on a range of subjects including the role of the Board and Board committees, the relationship between the Executive Directors and the Non-Executive Directors, and the quality of the Board and committee discussions on various topics such as strategy, risk, assurance, Board composition and succession planning.

Conclusions from this Year’s Review

The review concluded with a final report and feedback session with the Chairman and a presentation to, and discussion with, the Board at a Board meeting. The report contained extensive commentary on the effectiveness of the Board, the Board committees, the Non-Executive Directors, the Executive Directors as well as on the Company Secretariat and the support provided to the Board by management. Some of the findings and actions areas are shown below.

Focus areas	Some key findings and actions
Strategy Strategy development, review of performance against strategic objectives	<ul style="list-style-type: none"> The Board held a successful strategy day in June 2016, with good quality discussion. The strategy and its performance objectives are clear and have been agreed with management.
Performance Reporting of performance against strategic objectives	<ul style="list-style-type: none"> The Board should continue to have presentations from management, with presentations from more members of management and a broader range of topics so that the Non-Executive Directors gain more visibility and insight into the business.
Board composition Committees, skills, diversity, size, appointment, succession and tenure	<ul style="list-style-type: none"> The Board and its committees are of an appropriate size and mix of skills. The Board continues to focus on succession planning in the medium- and long-term.

Areas of focus for 2017
Some of the potential areas for the Board to consider in 2017 that were highlighted in the review include:
<ul style="list-style-type: none"> Continue to manage and plan succession for Board members. Maintain ongoing focus on strategy execution and review, following the successful strategy day. Ensure that the Board reviews culture and has greater visibility of people-related matters. The Board will consider opportunities for more informal meetings to encourage broad-ranging discussions between Board members.

The overall conclusion from the report was that the Board and its committees operate effectively, engaging in a high level of debate and constructive challenge.

The Board recognises that a continuous and constructive evaluation of its performance is an important factor in helping the Board realise its potential. The Board intends to continue to conduct annual performance reviews, with external oversight of the process at least every three years.

The Board and separately each of the committees discussed the report including the key considerations. Apart from the formal review of the Board's effectiveness, the Chairman and the Non-Executive Directors met without the Executive Directors being present to discuss the performance of the Board and the Executive Directors. The Senior Independent Director and the Non-Executive Directors also met to discuss the performance of the Chairman without the Executive Directors or the Chairman being present and subsequently met with the Chairman to provide feedback. The Chairman regularly met with the Executive Directors and the Deputy Company Secretary during the period, on a range of Company matters and responsibilities.

Director Election

Each Director is required under the Articles to retire at every annual general meeting (each Director may offer himself or herself for re-appointment by the members at such meeting). At the last annual general meeting on 4 May 2016, all of the current Directors (except David Grigson who was retiring, and Emma Lloyd who had not yet been appointed) stood for re-appointment, and were duly elected with a range of 83% to 99% of votes cast by shareholders in favour of re-appointment.

All Directors, except Robert Gorrie, will retire and seek re-election at the AGM. New Non-Executive Director, Emma Lloyd, whose appointment took effect on 1 December 2016, will also retire and seek re-election at the AGM. The explanatory notes set out in the Notice of Meeting state the reasons why the Board believes a Director proposed for re-election at the AGM should be re-appointed. The Board has based its recommendations for re-election, in part, on its review of the results from the Board evaluation process outlined above, on the reviews of the Chairman (led by the Senior Independent Director) and of the Executive Directors conducted at the meetings of the Non-Executive Directors, the Chairman's review of individual evaluations, and whether a Director has demonstrated substantial commitment to the role (including time for Board and committee meetings (noted below) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof (outlined in this Statement of Corporate Governance on page 56) during the period).

The rules that the Company has about the appointment and replacement of Directors are described in the Directors' Report on page 67.

Board Induction and Professional Development

Newly appointed non-executive directors follow a tailored induction programme, which includes a comprehensive overview of the Group, dedicated time with Group executives and key management personnel, and visits to customer fulfilment centres. The Chairman and the Company Secretary are responsible for reviewing, preparing and coordinating the induction programme.

The Board and committees receive training, including in specialist areas. Training is typically arranged by the Company Secretary in consultation with the Chairman or committee chairman. The members of the Remuneration Committee received updates from the Remuneration Committee's remuneration advisers, Deloitte LLP, including on the new remuneration reporting market practices. The members of the Audit Committee received training from the Company's external auditors, PwC, on new lease accounting requirements, the cyber security risks and the software as a service reporting framework. Members of the Audit Committee receive written technical updates from PwC to keep them abreast of the latest accounting, auditing, tax and reporting developments. The Company Secretary also provides updates to the Board and the committees on governance and regulatory changes impacting the Group (for example, the requirements of the new Market Abuse Regulations and the Statutory Audit Directive).

Information for Directors

The Chairman is responsible for ensuring that all of the Directors are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information. To enable the Board to discharge its duties, all Directors receive appropriate information from time to time, including briefing papers distributed in advance of the Board meetings.

Directors can, where they judge it to be necessary to discharge their responsibilities as Directors, obtain independent professional advice at the Company's expense. The Board committees have access to sufficient resources to discharge their duties, including external consultants and advisers.

17. Statement of Corporate Governance

External Board Appointments and Conflicts

There have been a number of changes to the Directors' external appointments as set out in the table below. The Chairman and the Board are kept informed by each Director of any proposed external appointments or other significant commitments as they arise. Each Director's biographical details and significant time commitments outside of the Company are set out in the Board of Directors section on pages 48 and 49.

Director	Change in Commitment	Effective Date of Change
Lord Rose	Appointed Non-Executive Director of Time Out Group plc	June 2016
	Appointed Chairman of Open Britain Limited	December 2015
	Resigned as Chairman of Open Britain Limited	September 2016

Whenever a Director takes on additional external responsibilities, the Board considers any potential conflicts that may arise. The Board monitors any potential conflicts of interest. The Companies Act provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's articles of association permit (which the Articles do).

Each Director is required to disclose conflicts and potential conflicts to the Chairman and the Company Secretary. As part of his or her induction process, a newly appointed Director completes a questionnaire which requires him or her to disclose any conflicts of interests to the Company. Thereafter each Director has an opportunity to disclose conflicts at the beginning of each Board and Board committee meeting. No Director has declared to the Company any actual or potential conflicts of interest between any of his or her duties to the Company and his or her private interests and/or other duties, except in the case of the Executive Directors, each of whom holds the position of Director of the Company and Director of a number of Group subsidiary companies. The system in place for monitoring potential Director conflicts remained effective during the period.

Engagement with Shareholders

Investor Relations

The Company is committed to keeping shareholders informed of its strategy and progress. The Chairman has overall responsibility for ensuring that the Company has appropriate channels of communication with its shareholders and is supported in this by the Executive Directors. The Company regularly meets with its large investors and institutional shareholders who, along with analysts, are invited to presentations by the Company after the announcement of the Company's results. The Company conducts bi-annual investor roadshows and also addresses current and prospective shareholders at various investment conferences and other events, both in the UK and abroad. The Board regularly receives feedback from the Company's brokers and the Executive Directors on the views of major shareholders and the investor relations programme and also receives reports at each Board meeting on the main changes to the composition of the Company's share register.

Lord Rose, the Chairman, and Alex Mahon, the Senior Independent Director, are available to the Company's shareholders for discussions. The Chairman and Senior Independent Director met with some of the Company's shareholders following Alex's appointment as Senior Independent Director to discuss various matters including Group trading, strategy and developments, corporate governance and executive remuneration. The Chairman reports to the Board on these discussions. We held a number of investor days for our core shareholders at our new CFC in Andover in late 2016.

Directors' Remuneration Policy

This year the Remuneration Committee has proposed a number of minor changes to the 2014 Directors' Remuneration Policy. The new 2017 Policy will be put to shareholders at the 2017 AGM. The Company notified its largest shareholders of the key changes to the policy in order to illicit any feedback ahead of its publication. For more information on the Directors' Remuneration Policy, please refer to the Remuneration Committee report on pages 80 to 96.

Changes to the Company's Resolution Regarding Share Allotment

The Group also engages with shareholders in the event of a substantial vote against a resolution proposed at an annual general meeting. The Company Secretary had consulted some shareholders in recent years about the Company's share allotment shareholder authorities.

At the 2016 annual general meeting, the Company's share allotment resolutions received less support than expected by management. The Company consulted the large shareholders who did not support the resolutions. The Company Secretary received feedback from the shareholders that indicated the shareholders had governance policies that were not wholly aligned with the Pre-Emption Group's Statement of Principles and Investment Association guidance. In response to shareholder feedback the Company changed its approach to share allotment authorities for the 2017 AGM. For more information on the resolutions proposed for the 2017 AGM, please refer to the Directors' Report on pages 66 to 73.

Formal Reporting to Shareholders and Directors' Responsibility

The Company reports to its shareholders in a number of ways including formal regulatory news service announcements in accordance with the Company's reporting obligations, trading statements of sales performance published in March, September and December each year, the half year report, the preliminary announcement of annual results, the annual report, and investor presentations slides and videos. The Company makes available these documents, including this Annual Report and other information concerning the Company on its corporate website. All shareholders can choose to receive an 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' responsibility on pages 72 and 73 of this Annual Report is made at the conclusion of a robust and effective process undertaken by the Company 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 the disclosure requirements including those in the Companies Act, and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. In addition to this Annual Report, the Company's internal processes cover (to the extent necessary) the half year report, trading statements and other financial reporting.

The Company'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;
- focused 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 (for further information see pages 59 to 63);
- Board and Audit Committee review of management reports on assessments on going concern and viability;
- the Audit Committee regularly reporting to the Board on the discharge of its responsibilities;
- input from both internal and external legal advisers and other advisers to cover relevant regulatory and governance obligations;
- discussions between contributors and management to identify relevant and material information;
- detailed debates and discussions concerning the principal risks and uncertainties;
- review and approval by the external auditors; and
- separate approval by the Group General Counsel, the Board committees and the Board.

The statement by the external auditor on its reporting responsibilities is set out in the Independent Auditors' report on pages 118 to 124.

The Company's Annual General Meeting

Shareholders will have the opportunity to meet and question all of the Directors at the AGM, which will be held at 11 am on 3 May 2017 at Peterborough Court, 133 Fleet Street, London, EC4A 2BB.

A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Meeting, which will be sent to the shareholders before the AGM. 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 will be sent with the Notice of Meeting (if sent by post) or can be downloaded from the Company's corporate website.

At last year's annual general meeting, all resolutions were passed with votes in support ranging from 76.10% to 100%.

17. Statement of Corporate Governance

Compliance with the Code

This Statement of Corporate Governance explains how the Company applies the main principles and complies with all relevant provisions set out in the UK Corporate Governance Code, September 2014 issued by the Financial Reporting Council (the “Code”), as required by the Listing Rules of the Financial Conduct Authority and meets other relevant requirements including provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The Company’s obligation is to state whether it has complied with the relevant provisions of the Code, or to explain why it has not done so. The Company has applied the principles and complied with the provisions of the Code, except for provisions D.1.1 and Schedule A and D.2.2. These areas of non-compliance are explained below. The Company aims to explain how its practices are consistent with the principle to which the particular provision relates, contribute to good governance and promote delivery of business objectives.

Certain parts of this Statement of Corporate Governance have been reviewed by the Company’s external auditors, PwC, for compliance with the Code, to the extent required.

Code Provision	Area	Explanation
D.1.1 and Schedule A	Design of performance-based remuneration	As explained on page 103, Directors are not required to retain shares from share incentive schemes for a period after leaving the Company.
D.2.2	Senior management remuneration	As explained on page 80, the Remuneration Committee monitors, but does not make recommendations concerning, the level and structure of remuneration for senior management of the Company.

The Financial Reporting Council updated the UK Corporate Governance Code in September 2016 (the “2016 Code”). The 2016 Code applies to reporting periods beginning on or after 17 June 2016, and so does not apply to the Company’s reporting period ended 27 November 2016. However, the Board has, where appropriate and feasible, adopted the new provisions in the 2016 Code earlier than required and provides disclosure against these requirements in this Annual Report.

Further information on the Code and 2016 Code can be found at www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.

Board Approval of the Statement of Corporate Governance

This separate Statement of Corporate Governance is approved by the Board and signed on behalf of the Board by its Chairman and the Group General Counsel and Company Secretary.

Lord Rose

Chairman

Neill Abrams

Group General Counsel and Company Secretary

Ocado Group plc

Registered in England and Wales, number 07098618

31 January 2017