

16. Statement of Corporate Governance

Introduction

This Statement of Corporate Governance 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 80 to 117. The Group's risk management and internal control framework and the Group's principal risks and uncertainties are described on pages 38 to 41. These sections form part of this Statement of Corporate Governance. The Directors' Remuneration Report on pages 80 to 117, the Directors' Report on pages 70 to 77 and the going concern and viability statements on page 39 also contain information required to be included in this Statement of Corporate Governance, and so are incorporated into this statement by reference.

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 Disclosure 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 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.

Code Provision	Area	Explanation
D.1.1 and Schedule A	Design of performance-related remuneration	As explained on page 105, Directors are not required to retain shares from share incentive schemes for a holding period after vesting or exercise or for a period after leaving the Company.
D.2.2	Senior management remuneration	As explained on page 83, the Remuneration Committee monitors, but does not make recommendations concerning, the level and structure of remuneration for senior management of the Company.

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. 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.

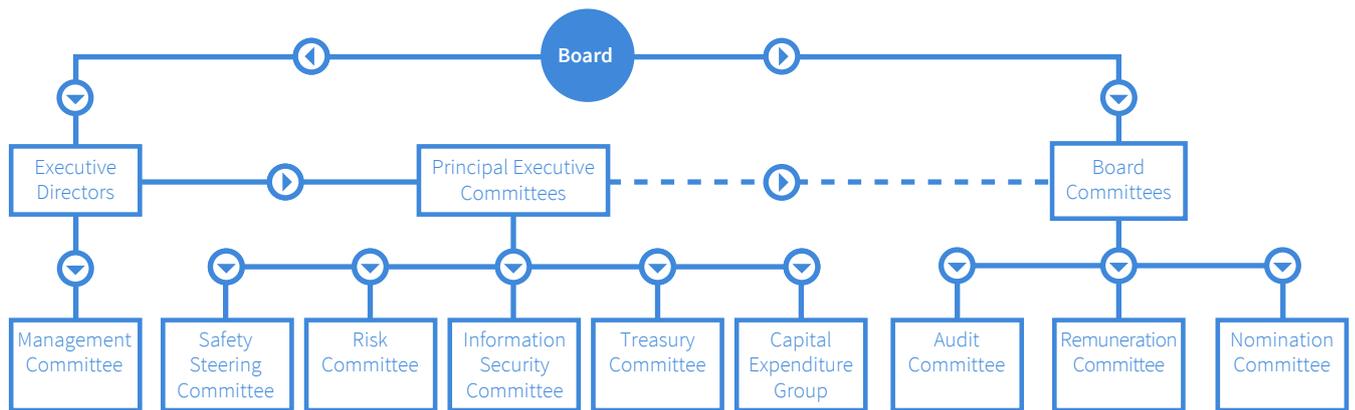


Further information on the Code can be found at www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx

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.



Board Responsibilities

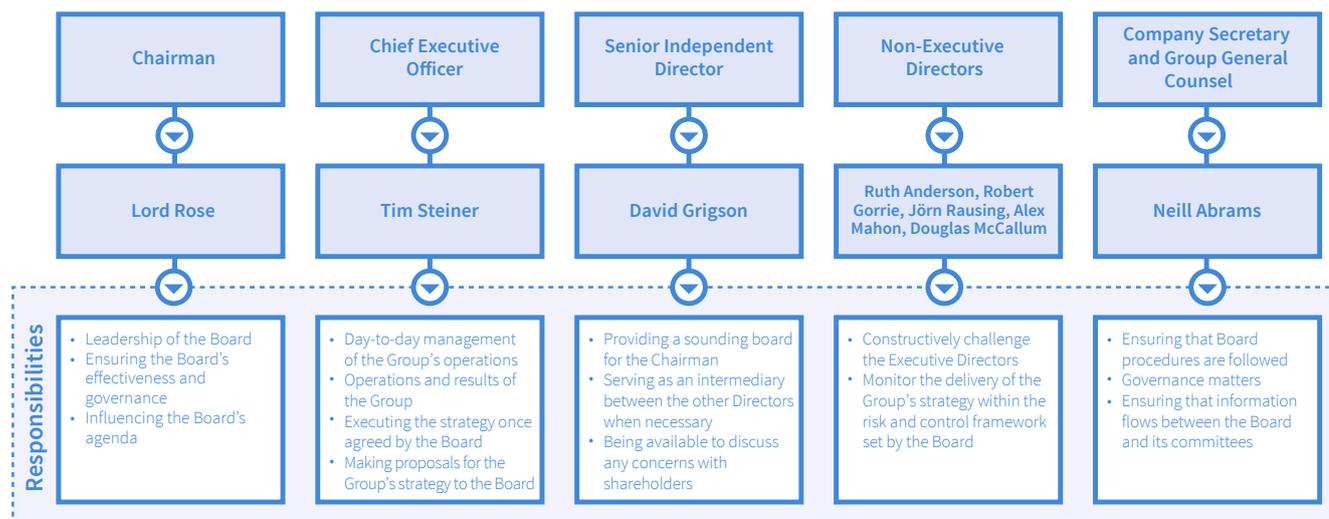
The Board is collectively responsible for the long-term success of the Company. Subject to its Articles and the Companies Act, the business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board’s main responsibilities and some of the key actions carried out during the period are set out below. The Board delegates certain matters to the Board committees, and delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Executive Directors.

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.	Annual review of key risks and risk appetite and reviewing reports of risk management. Review of reports on specific risk areas including cyber security.	Approving the annual budget, the business plan for the Group and individual capital expenditure projects.	Approving a new corporate responsibility vision statement and plan and the establishment of the Ocado Foundation charity. Receiving a report on corporate responsibility initiatives.
	Overseeing the Group’s strategy for monetising its IP and technology and Ocado Smart Platform negotiations.	Review and approve the Group’s regulatory results announcements and reports.	Receiving reports on and discussing the Group’s marketing and commercial initiatives.	Receiving report on people issues. Discussing management succession plans and Board composition. Reviewing report on IT resourcing plans.
	Receiving reports from senior management on trading, business performance and financing. Approving new financing including the terms of the amended and extended existing unsecured £210 million revolving credit facility.	Reviewing reports on health, safety and environment, litigation, investor relations and legal and company secretarial matters.	Site visit to Andover CFC and to the technology testing facility to assist in understanding 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.

16. Statement of Corporate Governance (continued)

Board Roles

The names and details of the current (as at the date of this Annual Report) Directors on the Board are set out in the Board of Directors section on pages 50 and 51. As at the date of this Annual Report, the Board comprises 11 members, including the Chairman, four Executive Directors and six Non-Executive Directors. Some of the key responsibilities are summarised below.



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.

Board Committees

Certain aspects of the Board's responsibilities have been delegated to committees to assist the Board in various areas. The chairman of each committee provides a report or update of each meeting of the respective committee to the Board at the subsequent Board meeting.

Committee	Role and Terms of Reference	Required Under Terms of Reference		
		Membership	Minimum Number of Meetings per Year	Committee Report on pages
Audit	Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems, the independence and effectiveness of the external auditors and the effectiveness of the Internal Audit and Risk function. Makes recommendations to the Board for a resolution to be put to shareholders of the Company in relation to the appointment and remuneration of the external auditors.	At least three members. All members should be independent Non-Executive Directors.	Three	63 to 67
Remuneration	Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chairman and the Company Secretary.	At least three members. All members should be independent Non-Executive Directors.	Two	80 to 117
Nomination	Undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of skills, remain appropriate. Makes recommendations for the membership of the Board, the Audit Committee and the Remuneration Committee.	At least three members. All members should be Non-Executive Directors with a majority of independent Non-Executive Directors.	Two	68 and 69

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



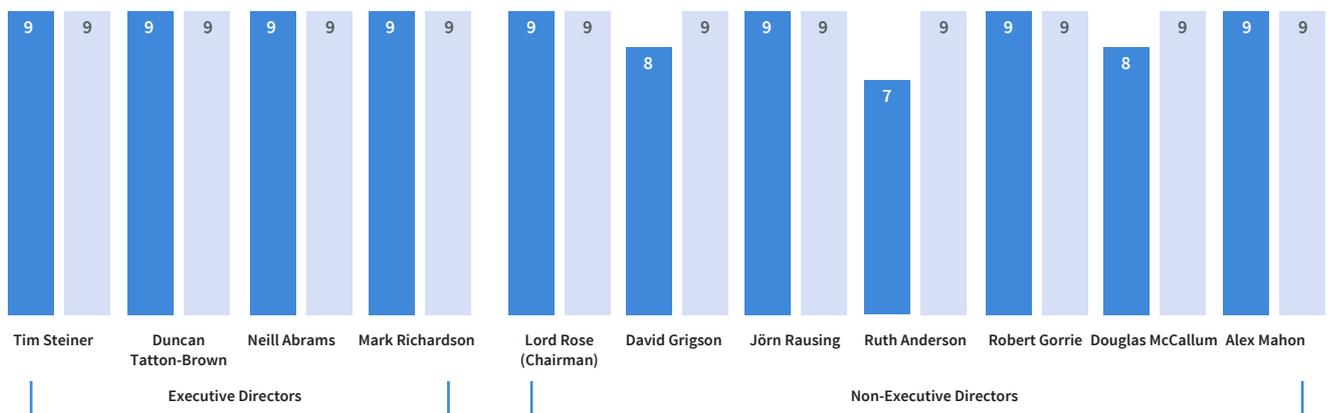
Other Committees

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 below, formally report into the Executive Directors, and may provide reports to the Audit Committee from time to time. The Management Committee, comprising the Executive Directors and nine members of management, implements and oversees operational matters.



Board Attendance

The attendance record of the Directors at scheduled Board meetings during the period is set out in the chart below. The Board scheduled nine 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.

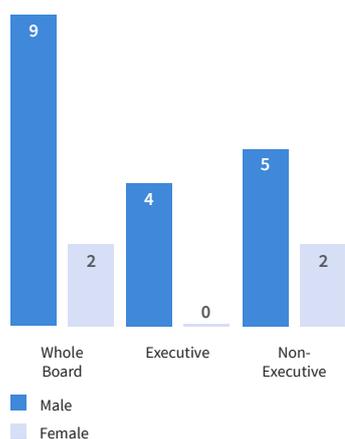


■ Actual meetings attended
 ■ Possible meetings the Director could have attended

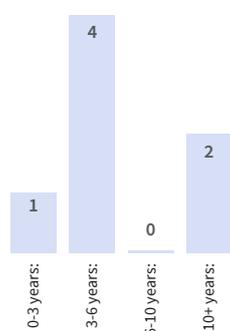
¹ Where a Director has not attended a Board meeting, it was due to a conflicting prior commitment or illness.

16. Statement of Corporate Governance (continued)

Gender Diversity



Length of Tenure of Chairman and Non-Executive Directors



Composition of the Board

Board Changes

Following the period end, the Company announced that David Grigson will step down from the position of Senior Independent Director with effect from the AGM on 4 May 2016. The Company announced also the appointment of Andrew Harrison, as Non-Executive Director with effect from 1 March 2016. As a result of the Board changes, the Nomination Committee agreed some changes to the composition of the Board committees, as outlined in the respective committee reports.

Andrew Harrison has been Deputy Chief Executive Officer of Dixons Carphone plc since August 2014. Prior to this, Andrew built his career at Carphone Warehouse, holding a number of different roles from 1995, and becoming a member of the board in 2006. In 2010, Andrew was appointed Chief Executive Officer of Best Buy Europe, a joint venture between Best Buy Co., Inc. and Carphone Warehouse plc. Following this, he was appointed Group Chief Executive of Carphone Warehouse plc. Andrew is a trustee of both Techknowledge for Schools and Get Connected.

Review of Board and Board Committee Composition

The Board changes were a result of a review carried out during the period by the Board and the Nomination Committee of the composition of the Board and the Board committees. Details of this review can be found in the Nomination Committee report on pages 68 and 69. The review takes into account various considerations including length of Director tenure, Board diversity, independence and the mix of skills and experience of the Directors. 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 knowledge, skills and experience. 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. 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 a new Non-Executive Director for the Group. The Nomination Committee monitors these objectives.

The Board remains conscious of the fact that the number of women on the Board is currently below 20% of membership. 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 on the Board, the Board is committed to increasing the percentage of women on the Board and in senior positions in the Company. Further, diversity was an active consideration when changes were made to the Board's composition, and this will remain the case. Any future 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 46 and 47. The chart on the left illustrates the diversity of the Board in terms of gender.

Board Tenure

The Board also takes into account the length of tenure of existing Directors when considering reappointment and succession planning. Ruth Anderson has served six years (in March 2016) as a Director and both Jörn Rausing and Robert Gorrie have served as Directors for over 12 years and accordingly their reappointments to the Board are subject to particular scrutiny. The Board took into account the importance of maintaining Board continuity given other changes made to the Board. The chart on the left illustrates the tenure of Directors.

Mix of Skills and Experience

During the period, each Director assessed the current mix of skills and experience on the Board. The chart on the right provides an outline of some of the results from this review, indicating the main areas of knowledge and experience of existing Directors. Further details of the review process are set out in the Nomination Committee report on pages 68 and 69.

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 six Non-Executive Directors all determined by the Board to be independent and four Executive Directors, the Board complies with this recommendation. The chart on the right illustrates the current composition of the Board in respect of the independence of its members.

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 the Non-Executive Directors Jörn Rausing and Robert Gorrie, in particular.

Jörn Rausing

Jörn Rausing has been a Director for almost 13 years, although less than six of these have been in the era of the Company as a listed company. Jörn is a beneficiary of the Apple II Trust, a material (approximately 11%) shareholder of the Company. He is not a representative of the Apple II Trust, nor does the Apple II 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.

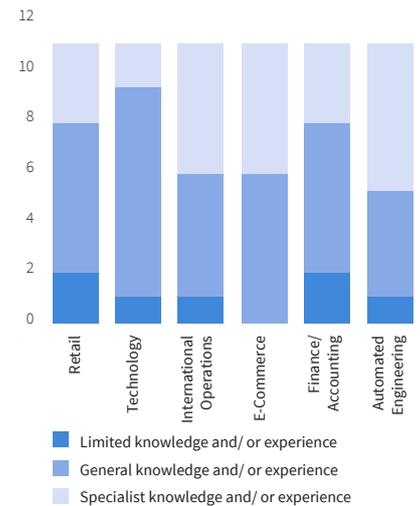
The Board considers Jörn to be independent in character and judgement and does not believe that the size of the Apple II Trust's shareholding or the length of Jörn's tenure on the Board amounts to a relationship or circumstance which affects his judgement. Jörn has stood for re-election annually since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

Robert Gorrie

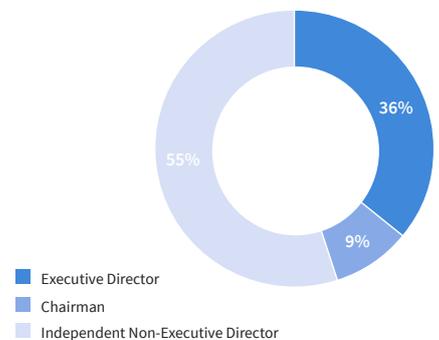
Robert Gorrie has been a Director for almost 16 years, but less than six of these have been in the era of the Company as a listed company. Robert acts as a non-executive chairman of the Ocado Council, an employee representative forum that was set up to provide primarily hourly paid employees with direct access to the Board. He received an additional £6,000 fee during the period for performing this role (2014: £7,100). 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 is 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 is helpful in monitoring the execution of that strategy. The Board does not consider that the Ocado 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 Council to be 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.

Levels of Knowledge and Experience on the Board



Board Independence



16. Statement of Corporate Governance (continued)

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 review for 2015 was carried out internally using two questionnaires. The online questionnaires were prepared by the Company Secretary with support from an external and independent consultant, Independent Audit Limited. One questionnaire asked questions to assess performance in a range of areas including Board strategy, leadership and culture and sought to gauge the extent of perceived progress of the Board and the Board committees in the areas of development identified in the external Board review from 2013 (which had been carried out by Independent Audit Limited). An assessment of each individual Director was also carried out using an online questionnaire.

The findings of the review were evaluated by the Company Secretary and the Chairman, and a Board evaluation report was provided to the Board. The results were benchmarked against those from the 2014 and 2012 Board evaluations to help assess progress. The Board discussed the results of the review, which indicated that the consensus view of the Board was that the Board performance was generally equivalent to, or stronger than that of prior years, in the areas assessed. However, while no areas of significant weakness were identified by Directors, the Board needed to spend more time discussing people development and succession plans. Directors were asked to identify areas of Board focus for 2016 and common among these were the importance of discussing the Group's Ocado Smart Platform strategy, opportunities and risks, and monitoring a number of important major projects including new CFCs and technology development. The Board concluded that it had operated effectively throughout the year. The Chairman of each of the Board committees separately discussed the Board review as it pertained to their committee. No actions were identified from these reviews. The Chairman separately reviewed the results of the individual Director performance evaluations.

The Board intends to continue to conduct annual performance reviews, with external oversight of the review scheduled for 2016.

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 15 May 2015, all of the current Directors stood for re-appointment, and were duly elected with a range of 90% to 99% of votes cast by shareholders in favour of re-appointment.

All Directors, except David Grigson, will retire and seek re-election at the AGM. New Non-Executive Director, Andrew Harrison, whose appointment takes effect on 1 March 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) during the period).

The rules that the Company has about the appointment and replacement of Directors are described in the Directors' Report on page 71.

Board Induction and Professional Development

The Chairman and the Company Secretary are responsible for preparing and coordinating an induction programme when new Directors are appointed to the Board (although there were no appointments in the period).

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 auditors, PwC, on corporate reporting, including the new viability statement requirements in the Code and on important technology risk areas, namely information security and data governance. 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 new Modern Slavery Act reporting requirements).

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.

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 50 and 51.

Director	Change in Commitment	Effective Date of Change
Douglas McCallum	Appointed Chairman of Photobox Holdco Limited, trading as photobox	5 May 2015
David Grigson	Resigned as Non-Executive Director of Standard Life Plc	12 May 2015
Alex Mahon	Resigned as Chief Executive Officer of Shine Group	11 February 2015
Alex Mahon	Appointed Chief Executive Officer of the Foundry Ironmongers Limited	10 November 2015

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 a 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.

Engagement with Shareholders

Investor Relations

The Company keeps shareholders informed of its strategy and progress. 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 a bi-annual investor roadshow and also addresses current and prospective shareholders at various investment conferences, 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 David Grigson, the Senior Independent Director, are available to the Company's shareholders for discussions. The Chairman met with some of the Company's shareholders during the period to discuss various matters including corporate governance and executive remuneration.

The Group also engages with shareholders in the event of a substantial vote against a resolution proposed at an annual general meeting.

Changes to the Company's Resolution Regarding the Authority to Allot Shares

At the 2015 annual general meeting, the Company's resolution seeking authority to allot shares received significant opposition, with 21.38% of votes against the resolution. The Company sought feedback from shareholders to understand the reasons behind the opposition. As a result the Group has revised the allotment resolution that it is seeking. At the 2016 AGM, the Directors will seek an authority to allot shares under two separate resolutions, rather than one, as in previous years. While the substance of each resolution will remain the same, the new structure will allow shareholders to more clearly express their views on the constituent elements of the previous, single, allotment resolution. For more information on the resolutions, please refer to the Directors' Report on pages 70 to 77.

The Directors' Remuneration Report also received a significant shareholder vote against at the annual general meeting in 2015. The Company sought feedback from shareholders to understand the reasons behind the dissent. For an explanation of this, see page 116 of the Directors' Remuneration Report.

16. Statement of Corporate Governance (continued)

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 page 76 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 the Annual Report by the Executive Directors and the full Board;
- focused review of specific sections of the 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 page 64);
- 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 120 to 126.

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 4 May 2016 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 78.62% to 100%.

The Company's Statement of Corporate Governance (which is set out on pages 54 to 62) is approved by the Board and signed on its behalf by

Lord Rose
Chairman

Neill Abrams
Group General Counsel and Company Secretary

Ocado Group plc
Registered in England and Wales,
number 07098618
2 February 2016