

Annual Financial Report

RNS Number : 4274B
Ocado Group PLC
11 February 2022

ANNUAL FINANCIAL REPORT
OCADO GROUP PLC
11 February 2022

Ocado Group plc Annual Financial Report 2021

Ocado Group plc ("Ocado") has today submitted to the Financial Conduct Authority's national storage mechanism its annual report and accounts for the 52 weeks ended 28 November 2021 (as required by Listing Rules 9.6.1 and 9.6.3).

The annual report and accounts for the 52 weeks ended 28 November 2021 is available to view on Ocado's website: www.ocadogroup.com (in compliance with Disclosure Guidance and Transparency Rule 6.3.5(3)).

Ocado's annual report and accounts for the 52 weeks ended 28 November 2021 will also be available for viewing at the Financial Conduct Authority's national storage mechanism at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

This announcement follows Ocado's announcement on 8 February 2022 of its preliminary results for the same period. A condensed set of Ocado's financial statements and information on important events that have occurred during the year and their impact on the financial statements and related party information were included in Ocado's preliminary results announcement. That information together with the information set out below is the information provided in satisfaction of the requirements of Disclosure Guidance and Transparency Rule 6.3.5. The description of principal risks and uncertainties below is extracted in unedited full text from the annual report and accounts for the 52 weeks ended 28 November 2021. Reading this announcement and/or the preliminary results announcement should not be a substitute for reading the full annual report and accounts for the 52 weeks ended 28 November 2021. This announcement and the preliminary results announcement are available to view on Ocado's website: www.ocadogroup.com.

Principal risks and uncertainties

We have identified 12 principal risks and uncertainties facing Ocado. These risks, mitigations and changes during the year are summarised in the table below. They are not set out in priority order. Further information on risk is set out on pages 84 to 97 of the annual report and accounts for the 52 weeks ended 28 November 2021.

Principal Risks	What is the risk	How we manage it	Movement	Target tolerance	Emerging threats	Owner	ESG materiality reference	Strategic reference
Talent and Capability	Our business operations and growth plans could be at risk from a difficulty finding and retaining sufficient employees to support our growth, in filling key positions and critical roles, a loss of top performers, a potential shortfall of future leaders, and an inability to embed diversity and inclusion.	<ul style="list-style-type: none"> Developing and implementing strategic and tactical resourcing plans and monitoring the talent pipeline. Deploying talent development programmes and surveying employee opinions. Undertaking succession planning, periodically reviewing remuneration and incentives and proactively supporting diversity and inclusion. 	→	Flexible - To maintain our leadership position, we will take strongly justified risks and manage impact.	We operate in a competitive environment and risk will continue from existing sources e.g. the retention of Technology and Ocado Logistics employees. We anticipate threats will also evolve in areas such as integration of acquisitions.	Chief People Officer	Social - Talent Attraction and Development	Delivery of technology; client commitment; Development of scale-up capabilities
Cybersecurity and Data	We risk the loss of critical assets and sensitive information as a result of a cyber-attack, insider threat, or a data breach. This could result in business disruption, reputational damage, significant fines or the loss of confidential business information.	<ul style="list-style-type: none"> Structuring IT systems to operate reliably and securely. Testing by third party. Overseeing an information security governance programme by the Information Security Committee. Monitoring security issues and responding to security incidents by a dedicated information security team. No customer payment card data is held in Ocado Group's databases. Overseeing the Group's privacy 	↑	Minimal - We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.	Cyber risk is constantly evolving, driven by technology advances and developments in the geopolitical environment. We anticipate continued risk from existing sources and incrementally from areas such as supply chain, an increasingly remote workforce, the use of AI and machine learning.	CEO Ocado Technology	Governance - Cybersecurity; Data Privacy Management	Delivery of technology; transformation of technology

		<div>compliance programme by the Data Protection Officer.</div> <ul style="list-style-type: none">Planning Cyber incident contingency.						
Safety and Wellbeing	Health, safety and wellbeing risks that can lead to the harm, injury, death, or illness of a worker in a workplace or to a retail customer of our product.	<ul style="list-style-type: none">Overseeing a Health and Safety governance programme by the Safety Committee.Monitoring and audit compliance by experienced technical experts against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health, fire and construction.Preparing training, risk assessments and safe systems of work by qualified staff to raise awareness and knowledge.Monitoring actively of regulatory changes supported by external expertise and advice.	→	Minimal - We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.	We anticipate continued risk from existing sources, with incremental threats arising directly and indirectly from the Covid-19 pandemic, increasing proximity of human and robot operations, and as a result of significant increase in CFC construction and installation activity across our regions.	Group General Counsel	Social, Governance - Occupational Health and Safety	Delivery - client commitment - Develop scale-up capabilities
Legal and Regulatory Non-Compliance	Ocado must comply with legislative and regulatory requirements both locally and internationally. Failure to comply could negatively impact our business model, our ability to conduct business and	<ul style="list-style-type: none">Monitoring of regulatory developments to ensure that changes are identified.Performing due diligence, territory research and seeking specialist advice for regulatory issues.	→	Minimal - We are extremely conservative in selecting options that impact this risk. We will only accept options that come with a limited possibility of failure.	Listed company compliance is likely to increase in future as a result of new corporate governance regulations and TCFD reporting.	Group General Counsel	Governance - Business Ethics and Governance	Development - scale-up capabilities

the viability of our Solutions deals, and also risks damage to our reputation, loss of stakeholder support and financial penalties.

- Implementing a compliance framework of policies and procedures and employee training.

Supply Chain	Risks causing disruption to our extended and complex supply chain. Impacting responsible sourcing and adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue.	<ul style="list-style-type: none"> • Reviewing the risk matrix by supply chain and procurement areas to manage key suppliers and components. • Taking an agile approach to manufactured products, including the ability to divert any product to sites with the most pressing requirements. • Undertaking supplier assessments, due diligence and site audits during the development process. • Monitoring supply chain demand against supply capacity constraints by the steering group. 	↑	Flexible - We take strongly continuing to justified risks, accept some uncertainty and manage the impact.	The threat is increase, as a result of the ongoing impact of the Covid 19 pandemic, increasing demand and complexity of the supply network and regulations, and shortages in key components.	Chief Operations Officer	Social, Governance - Responsible Sourcing	Grow o - revenue Optimis econom Deliver client commit Develo scale-u capabil
Business Interruption and Catastrophic Events	Major service disruption, customer confidence and increased costs arising from a failure at key locations caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental means.	<ul style="list-style-type: none"> • Structuring IT systems to operate reliably and securely. • Providing dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment. • Progressing and updating our disaster recovery and business 	→	Flexible - We will only take risks that are strongly justified and we expect some periods of uncertainty.	Potentially arising from our operations, suppliers, customers or service providers, with increased interdependence across multiple sites and geographies, there is an increased complexity and scope for disruption.	CEO Ocado Technology and Chief Operations Officer	N/A	Deliver client commit

		<ul style="list-style-type: none"> continuity plans. Providing for a high level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks. 						
Product (OSP) Proposition and Commercial Viability	Our OSP offer, pricing and contractual terms do not provide adequate and sustainable returns for us and our shareholders and an attractive commercial proposition for our clients.	<ul style="list-style-type: none"> Undertaking a full review of projected financial impact before signing any new partnerships. Monitoring periodically the financial model and delivery costs plus close relationship with our partners. Controlling the capital invested in our platform to carefully manage costs. Reviewing regularly the rate of software development via platform steering meetings. Scaling and reallocating our resources and capabilities to help meet Ocado Solutions project deadlines. Ongoing programme of design improvements for the platform. 	↓	Cautious - We accept a limited tolerance for uncertainty in the management of our Commercial Viability and the selection of commercial terms. We will only accept risk if limited and heavily outweighed by benefits.	Threat levels are being heightened by increasing raw material and component scarcity, lead times and costs. This is compounded by demand for incremental functionality, risking early assumptions on efficiency gains. This is compensated by increased maturity of modelling and operational experience.	CEO Ocado Solutions	N/A	Grow o revenu Optimis econom
Product (OSP) Delivery and Service	Implementation and service delivery do not provide the client with timely, consistently reliable performance at	<ul style="list-style-type: none"> Ongoing monitoring of the key performance indicators and regular review meetings with Operational Management 	→	Cautious - we have a preference for safe delivery. We accept a limited tolerance for uncertainty,	The threat evolves with our growth and the requirement to deploy improvements across a larger footprint, increasingly	Chief Operations Officer	N/A	Deliver client commit Develo scale-u capabil

a level of quality to meet the needs of their end customers. This could lead to increased costs, reduced revenue and penalties.

- Continuing initiatives to improve operational performance of the CFCs and scaling of operations.

and the end customer.

in selecting options that risk our ability to deliver on our service levels. We will only accept change if heavily outweighed by benefits.

balanced product obsolescence, and a dependency on acquiring and retaining skilled employees in a competitive recruitment market. This is balanced by our increased experience in delivery.

Product (OSP) Innovation, Quality and Safety	Failure to build a quality product in terms of performance, security, availability, safety and overall OSP economic model. Failure to meet emerging client needs or support growth in client operational volumes. Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers.	<ul style="list-style-type: none"> • Establishing our identity as a technology business, international platform provider and innovation factory. • Engaging with a wide number of international grocers to understand market needs. • Understanding the current solutions and awareness of global alternatives used in other industries. 	→	Open - We will take justified risks to maintain our pace of innovation, and choose options delivering highest returns, accepting the possibility of some failure.	Threat levels are rising with increased competition driving alternative solutions, and the drive to balance headline performance and financial improvements with reliability.	CEO Ocado Technology	Environment, Social - Product Quality and Safety, Equipment Lifecycle and Circularity	Optimised economic Delivering transformational technology
Intellectual Property	Failure to protect Ocado Group's own IP or risk of infringing a third party's IP (including the risk of an adverse outcome in current litigation or patent office opposition/review proceedings), which could result in loss of use of the Group's assets, financial damages or harm to the Company's reputation or relationship.	<ul style="list-style-type: none"> • Conducting Freedom to Operate searches on relevant technologies and in selected jurisdictions. • Monitoring IP filings and grants by a large number of competitor companies. • Continuing to develop and innovate and protecting the results through specialist patent attorneys dedicated to individual 	→	Cautious - We accept a limited tolerance for uncertainty in the management of our IP. We will only accept risk if limited and heavily outweighed by benefits.	The threat is increasing with increased development work and investment. The visibility of the Autostore litigation also raises our profile with other competitors, compensated by greater proactive protection at an earlier stage.	Group General Counsel	N/A	Delivering transformational technology

		business areas.				
		<ul style="list-style-type: none"> Expanding the IP team thereby helping to protect the output of research and development work and training of all staff. Protecting our IP from unauthorised use. Obtaining specialist or legal advice, including to help ensure our ability to use our IP is not restricted by infringement claims. Combining internal and external legal counsel management of litigation and other IP proceedings. 				
Geopolitical and Economic Uncertainty	Our UK and international operations are dependent on access to a range of people, resources, markets and suppliers. Economic and political disruption and uncertainty could disrupt our business model, preventing the delivery of new capacity or undermining our operations.	<ul style="list-style-type: none"> Performing extensive risk assessments prior to entering new geographic markets or undertaking new ventures. Scanning the horizon for emerging threats. Maintaining financial reserves to cushion the operational impact for an extended period. 	→ Flexible - WeThis is an will only take externally driven risks that are risk and the strongly threat is justified and continually expect some changing, periods of increased uncertainty. operations in new territories compounds the risk.	Chief Financial Officer	N/A	Optimis econom Deliver client commit Develo scale-u capabil

Climate Change - Transition and Physical	Climate change and governmental actions to reduce such changes may increase our costs and/or disrupt our operations.	<ul style="list-style-type: none"> Overseeing our ESG and Climate programmes by our ESG Committee. Reducing our climate change contributions through a roadmap of activities and achieving our emission reduction targets. Monitoring governmental developments and taking proactive steps to minimise the impact on our operations. 	↑	Flexible - We take strongly justified risks, accept some uncertainty and manage the impact.	The threat level is increasing, driven in the short term by increasing regulation. Our assessment of physical climate risk is in progress.	Chief Financial Officer, Group General Counsel	Environment - Energy Efficiency and Carbon Emissions	Delivery - transform technology to deliver client commitments and develop scale-up capabilities
	Further detail can be found on this risk within the TCFD disclosure section above.							

Key: ↑ Risk has increased ↓ Risk has decreased → No change

For further information on the financial risks see pages 278 to 282 of the notes to the consolidated financial statements in the annual report and accounts for the 52 weeks ended 28 November 2021.

Directors' Responsibility Statement

Ocado's annual report and accounts for the 52 weeks ended 28 November 2021 contains the following statements regarding responsibility for the financial statements and the annual report in compliance with DTR 4.1.12. This responsibility statement is repeated here (below) solely for the purposes of complying with Disclosure Guidance and Transparency Rule 6.3.5. It is not connected to the extracted information presented in the preliminary results announcement or this announcement.

Each of the Directors who held office at the date of the approval of this Annual Report (included in the biographies of the Directors on pages 102 to 105) confirms, to the best of his or her knowledge, that:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the "Management Report" (as defined in the Directors' Report on page 202) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors of Ocado Group plc are listed on pages 102 to 105 of the annual report and accounts for the 52 weeks ended 28 November 2021 and are listed on the Ocado Group's corporate website: www.ocadogroup.com. The Directors of Ocado Group plc as at the date of this announcement are as follows:

Rick Haythornthwaite;
Tim Steiner;

Neill Abrams;
Stephen Daintith;
Mark Richardson;
Luke Jensen;
Jörn Rausing;
Andrew Harrison;
Emma Lloyd;
Julie Southern;
Michael Sherman;
Nadia Shouraboura; and
John Martin.

Enquiries

For further information contact:

Ocado Group plc
Company Secretary
Neill Abrams

email: company.secretary@ocadogroup.com

Investor Relations

David Shriver
+44 1707 228 000

investor.relations@ocadogroup.com

Person responsible for arranging the release of this announcement:

Neill Abrams
Company Secretary
Ocado Group plc
Buildings One & Two
Trident Place
Mosquito Way
Hatfield
Hertfordshire AL10 9UL
Fax: +44 (0)1707 227 997
email: company.secretary@ocadogroup.com

Ocado Group plc LEI: 213800LO8F61YB8MBC74

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

ACSGPUQWPUPPURG