

# Annual Financial Report

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Ocado Group PLC  
09 February 2021

ANNUAL FINANCIAL REPORT  
OCADO GROUP PLC  
9 February 2021

## **Ocado Group plc Annual Financial Report 2020**

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 29 November 2020 (as required by Listing Rules 9.6.1 and 9.6.3).

The annual report and accounts for the 52 weeks ended 29 November 2020 is available to view on Ocado's website: [www.ocadogroup.com](http://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 29 November 2020 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 today 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 29 November 2020. 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 29 November 2020. This announcement and the preliminary results announcement are available to view on Ocado's website: [www.ocadogroup.com](http://www.ocadogroup.com).

### **Principal risks and uncertainties**

We have identified 13 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 60 to 71 of the annual report and accounts for the 52 weeks ended 29 November 2020.

Objective	Risks	Mitigation Action/Control	Change During The Year
IMPROVING THE PROPOSITION	Risk of decline in high service levels in the retail business. Covid-19 related disruption adds an additional element of risk <sup>(1)</sup>	<ul style="list-style-type: none"> <li>· Ongoing monitoring of the key performance indicators and regular review meetings with Operational Management and Ocado Retail Management.</li> <li>· Continuing initiatives to improve operational performance of the CFCs and scaling of operations at Erith. These arrangements help reduce the impact of operational problems in CFCs on customer service levels.</li> <li>· Covid-19 mitigations in place, as described on page 61.</li> </ul>	↑ The risk has increased during the period from the impact of Covid-19 on the operations.
	Risk of failing to maintain a retail proposition which appeals to a broad customer base and sustains growth rates <sup>(2)</sup>	<ul style="list-style-type: none"> <li>· Continuing to refine and monitor the pricing and value to customers.</li> <li>· Development of own-label range.</li> <li>· Closer supplier arrangements on product range and terms.</li> <li>· Continuation of investment and optimisation of the marketing channels to acquire new customers.</li> <li>· Continued improvement of webshop and apps.</li> <li>· Development and roll-out of further immediacy sites.</li> </ul>	→
	Risk that current Solutions pricing levels may not provide both acceptable returns for our shareholders and attractive long-term cost of ownership for our clients, whilst delivering a viable fully operational end-to-end customer experience	<ul style="list-style-type: none"> <li>· Full review of projected financial impact undertaken before signing any new partnerships.</li> <li>· Periodic review of financial model and delivery costs and close relationship with our partners provides oversight. The amount of capital invested in our platform is carefully controlled to manage costs.</li> <li>· Regular review of rate of software development and regular platform steering meetings.</li> <li>· Resources and capabilities are scaled and reallocated to help meet Ocado Solutions project deadlines.</li> <li>· There is an ongoing programme of design improvements for the platform.</li> </ul>	→
MAXIMISING EFFICIENCY	Risk of failing to deliver a sustainable operational infrastructure able to execute effectively the requirements for multiple Ocado Solutions	<ul style="list-style-type: none"> <li>· The Group transformation team supports the business in the implementation of the new operating model and transformation roadmap, which includes people, process and systems, to transform the business.</li> <li>· Development of cross-functional programme</li> </ul>	→

	contracts, simultaneously in many international locations, and risk of failing to develop suitable management, technological and engineering capabilities	<ul style="list-style-type: none"> <li>governance committees to provide programme oversight and regular management oversight meetings.</li> <li>Increased hiring of key skills.</li> <li>Review of reward frameworks, performance management and succession planning for all parts of the Group is underway.</li> </ul>	
	Risk of delays in the generation of additional capacity in the UK and delivery of the international OSP programme <sup>(3)</sup>	<ul style="list-style-type: none"> <li>Capacity is increasing as Bristol CFC becomes operational. Further capacity is under development at CFC5 (Purfleet) and CFC3 (Andover).</li> <li>Dedicated resources continue to work on modularising technology to enable faster replication and reduced build times.</li> <li>Regular Steering and cross-functional implementation meetings and Management oversight for new CFC projects, including managing programme risks, milestones and actions.</li> <li>New programme management framework, tools and process mapping for improved project delivery.</li> </ul>	→
<b>UTILISING PROPRIETARY KNOWLEDGE</b>	Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers	<ul style="list-style-type: none"> <li>Establishing our identity as a technology business, international platform provider and innovation factory.</li> <li>Engagement with a wide number of international grocers to understand market needs.</li> <li>Experienced teams in place who understand the current solutions and are aware of global alternatives used in other industries.</li> <li>Horizon scanning over a five year timeframe to identify new opportunities.</li> </ul>	→
	Risk of failing to protect Ocado'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 IP, financial damages or harm to the Company's reputation or relationships <sup>(4)</sup>	<ul style="list-style-type: none"> <li>Conducting "freedom to operate" searches on selected technologies in selected jurisdictions and monitoring IP filings by a large number of companies.</li> <li>Ongoing effort to innovate and patent new inventions.</li> <li>Expansion of IP team to help with IP protection work and training of key staff.</li> <li>Where necessary, we take steps to protect our IP from unauthorised use.</li> <li>Where appropriate, obtaining specialist or legal advice, including to help ensure our ability to use our IP is not restricted by infringement claims.</li> <li>Combined internal and external legal counsel</li> </ul>	↑ The risk has increased during the period given the ongoing patent litigation and other proceedings, see page 56.

management over litigation and other proceedings.

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OPERATIONAL	Risk of supply chain disruption, in particular for single source equipment, adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue	<ul style="list-style-type: none"><li>· Actively managed risk matrix reviewed by supply chain and procurement areas to manage key suppliers and components.</li><li>· Agile approach to manufactured products, including the ability to divert any product to sites with the most pressing requirements.</li><li>· Supplier assessments, due diligence and site audits undertaken during development process.</li><li>· Supply chain demand monitored against supply capacity constraints by steering group.</li></ul>	→
	Risk of a safety incident	<ul style="list-style-type: none"><li>· Experienced technical experts monitor and audit compliance against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health and construction.</li><li>· Supplier approval and certification process.</li><li>· Training, risk assessments and safe systems of work prepared by qualified staff to raise awareness and knowledge.</li><li>· Active monitoring of regulatory changes supported by external expertise and advice.</li></ul>	→
	Risk of changes in regulations or noncompliance affecting our business model or the viability of Solutions' deals	<ul style="list-style-type: none"><li>· Regular monitoring of regulatory developments to ensure that changes are identified. Due diligence, territory research and specialist advice sought for regulatory issues.</li><li>· Compliance framework of policies and procedures and employee training.</li></ul>	→
	Risk of negative effects due to changes in the global economic and geopolitical environment, including Brexit, which may impact our business model	<ul style="list-style-type: none"><li>· Brexit committee and supply chain teams monitoring Brexit contingency plans include supply chain continuity and management and assessment of changes to trade arrangements. See further on page 61.</li><li>· As noted on page 61, the Group has a Covid-19 steering committee and many other mitigation plans in place to manage the disruption to the business from Covid-19.</li></ul>	→

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Risk of failing to prevent or respond to a major cyber attack or data breach that could result in business disruption, reputational damage, significant fines or the loss of confidential business information	<ul style="list-style-type: none"> <li>· IT systems are structured to operate reliably and securely and some third party testing.</li> <li>· An information security governance programme overseen by the Information Security Committee.</li> <li>· A dedicated information security team to monitor for security issues and respond to security incidents.</li> <li>· No customer payment card data is held in Ocado's databases.</li> <li>· Data Protection Officer oversees the Group's privacy compliance programme.</li> <li>· Cyber incident contingency planning.</li> </ul>	<p>↑</p> <p>The risk has increased during the period as a result of the increasing external threat environment, regulatory actions and Ocado's higher overall profile.</p>
Risk of business interruption	<ul style="list-style-type: none"> <li>· IT systems are structured to operate reliably and securely.</li> <li>· Dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment.</li> <li>· Disaster recovery testing and business continuity plans continue to be progressed and updated.</li> <li>· High level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks.</li> </ul>	<p>→</p>

- (1) The risk described in the 2019 Annual Report as "Risk of decline in high service levels" no longer includes reference to "the transitional period of change associated with the creation of the retail JV", whilst recognising that "Covid-19 related disruption adds an element of risk".
- (2) The risk described in the 2019 Annual Report as "Failure to maintain a retail proposition" no longer includes reference to "managing changes resulting from our new arrangements with M&S".
- (3) The risk described in the 2019 Annual Report as "Risk of delays in the generation of new capacity in the UK" has been expanded to include delivery of the international OSP programme.
- (4) The risk described in the 2019 Annual Report as "Risk of infringing a third party's IP" has been expanded to include the litigation and patent proceedings risk noted.

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

For further information on the financial risks see pages 246 to 249 of the notes to the consolidated financial statements in the annual report and accounts for the 52 weeks ended 29 November 2020.

### Directors' Responsibility Statement

Ocado's annual report and accounts for the 52 weeks ended 29 November 2020 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 (Biographies of the Directors are on pages 104 to 107) 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 178) 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 104 to 107 of the annual report and accounts for the 52 weeks ended 29 November 2020 and are listed on the Ocado Group's corporate website: [www.ocadogroup.com](http://www.ocadogroup.com). The Directors of Ocado Group plc as at the date of this announcement are as follows:

Lord Stuart Rose;  
Tim Steiner;  
Neill Abrams;  
Mark Richardson;  
Luke Jensen;  
Jörn Rausing;  
Andrew Harrison;  
Emma Lloyd;  
Julie Southern;  
Michael Sherman;  
John Martin; and  
Rick Haythornthwaite.

## Enquiries

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