Chairman’s Governance Introduction

Dear Shareholder,

As Chairman of the Board, I am pleased to present the Company’s Statement of corporate governance on behalf of the Board.

This report sets out the Company’s governance policies and practices and includes details of how the Company applies the principles of the UK Corporate Governance (the “2012 Code”). The concept of publicly listed companies necessarily creates distance between the owners of companies and their operators, and the obligation of the board of each company is to ensure that the values of that company and the system by which it is directed and controlled gives assurance to the owners (and other stakeholders) that strategy is set, risks are evaluated and operations are carried out knowledgeably, transparently and with accountability. The 2012 Code sets out principles that provide guidance for achieving effective board behaviour. However, the 2012 Code is not a rigid checklist that can or should be applied mechanically, as it expressly recognises through its “comply or explain” approach.

There are a number of provisions of the 2012 Code that I believe are so important that they are worth repeating here:

- The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company.
- The “comply or explain” approach is the trademark of corporate governance in the UK.
- In providing an explanation of non-compliance, the company should aim to illustrate how its actual practices are consistent with the principle to which the particular provision relates, contribute to good governance and promote delivery of business objectives.
- In their responses to explanations, shareholders should pay due regard to companies’ individual circumstances and bear in mind in particular the size and complexity of the company and the nature of the risks and challenges it faces.
- The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.
- There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The Board is committed to maintaining and improving appropriate structures and processes to support the effective management of a growing business.

Leadership and effectiveness

This year an independent external evaluation of the Board, its Committees and individual Directors was carried out by Independent Audit Limited. A description of the exercise and outcomes is set out on page 63. The Board recognises the importance of continual and constructive evaluation of its performance, and will continue to conduct annual performance reviews internally with external input at least every three years.

The Board believes that a diverse culture is a key factor in driving the Company’s success. Diversity is discussed in this report on page 61.

Relations with shareholders

We are committed to maintaining an active dialogue with our shareholders. Further details regarding engagement with our shareholders are set out on page 68. David Grigson, the Senior Independent Director and I are available to the Company’s shareholders for such dialogue. Doug McCallum, the Chairman of the Remuneration Committee and I consult annually with our major shareholders on matters related to the remuneration of Executive Directors. Our Chief Executive Officer and Chief Financial Officer also maintain a regular dialogue with major shareholders.

Changes to the Board composition

Lord Grade retired as Chairman at the Group’s annual general meeting on 10 May 2013. The Board would like to thank Lord Grade for his valued contribution to Ocado. We are grateful for Lord Grade’s guidance and expertise during his six and a half years with Ocado and we wish him well in his retirement. Non-Executive Director, Wendy Becker, left the Company on 21 January 2013 to take up an executive role at Jack Wills Limited.

Annual General Meeting

I would like to encourage our shareholders to attend our Annual General Meeting which will be held at 3pm on 7 May 2014 at One Bunhill Row, London, ECIY 8YY. It provides an excellent opportunity to meet the Executive Directors and Non-Executive Directors on the Board.

Sir Stuart Rose
Chairman
Ocado Group plc