

Corporate social responsibility report

Introduction

Operating our business in a responsible way is fundamental both to the way we operate and to delivering sustainable profits and long-term value for our shareholders.

This corporate social responsibility report explains how the Group carries out its responsibilities with respect to the environment, employment practices and the community.

Environment

Part of the Company's strategy is to be the UK's greenest, most innovative and best value online grocer. Ocado aims to provide a greener, more sustainable alternative to store-based supermarkets.

A traditional supermarket requires deliveries first to be made to a regional distribution centre and then to the supermarket itself. Customers will often drive to the supermarket in order to shop, and the supermarkets themselves require energy to be lit and heated, and tend to have open fridges and freezers in an otherwise ambient environment. Ocado delivers from a Customer Fulfilment Centre (sometimes via a Spoke) to a customer's kitchen, which eliminates much of the carbon emissions generated by traditional supermarkets and their stores, and also reduces the number of cars on the road. Each Ocado delivery van replaces a significant number of car journeys every day.

This sustainable alternative has been reflected in awards made to the Company in recent years. Among the awards, Ocado was voted Green Retailer of the Year 2009 in The Grocer Gold Awards and received the Good Farm Animal Welfare Award 2011 in the Compassion in World Farming Awards for Ocado own-label eggs.

The Group has taken a number of other steps in response to new carbon reduction legislation and to address the lessening of its carbon footprint, as set out below.

Climate Change Agreement: Ocado has signed-up to the Climate Change Agreement (with the Carbon Trust), which places certain obligations on the Group to monitor and lower carbon usage.

10:10 campaign: In 2010, the Company signed-up to the 10:10 campaign, which is a campaign run by an independent UK charity, the 10:10 Trust, aimed at reducing carbon emissions by 10% in a year. The Company continues to support the campaign, and has signed up as a partner for 2012. The Company has not had its carbon emissions audited for the period since signing up to the 10:10 campaign, so cannot yet measure whether it has met this target. However, the Company measures its carbon emissions on an ongoing basis using a baseline measurement. These records show that it has been reducing its carbon emissions against previous periods when measured as a percentage of the Group's sales.

Electric vans: Ocado has co-developed electric powered vans, which are now part of our delivery fleet at our White City Spoke.

Green van deliveries: Customers can choose a 'green van slot' when booking a delivery time (that is, when a delivery van is already booked in that customer's area) which helps minimise the carbon impact of that customer's delivery.

Energy efficiency project: Ocado invested almost £0.2 million in the period on a project to improve the integrity of the chilled picking area in CFC1 by closing up small air escape holes, upgrading doors and building airlocks in order to reduce the loss of chilled air. These changes will help to provide the business with energy savings. Ocado makes it a standard requirement for new sites and new fit outs of existing buildings that they use energy efficient lighting, motion detectors and daylight controls as part of its energy saving commitments.

Environmental initiatives undertaken

The Group has taken a number of measures to reduce its environmental impact, as set out below.

Responsible bag recycling: The business has a closed-loop grocery bag recycling system, whereby when making a delivery, CSTMs offer to collect used carrier bags (both Ocado bags and any other company's plastic bags) from customers which are then recycled within the UK to make new Ocado grocery bags.

Reducing food wastage: The Directors believe that the Group's food waste as a percentage of revenue (0.70% of the revenue for the period) is significantly less than any of its competitors. Ocado also helps its customers reduce their food waste, by being the first online food retailer to show guaranteed product life on the website and by including 'use-by' dates on each order receipt. Some food that is beyond the guaranteed product life but within the use-by date is donated to various charities including Vineyard in Southend, YMCA in Watford and New Hope Trust in Watford. Any food that isn't fit for Ocado's company shop or charities, but is suitable for animals, is sent to Paradise Wildlife Park in Broxbourne along with some allocated fresh produce. Ocado also donates cat food and cat litter to Cat Protection, a cat sanctuary based in Welwyn.

Anaerobic digestion: Ocado uses a process called "anaerobic digestion", which is a process whereby some of Ocado's food waste is sent to Biogen Greenfinch, an operator of anaerobic digestion plants, to be mixed with bacteria and burnt to produce electricity and biofertiliser. The Company receives a regular report which outlines the estimated amount of power that has been created through this process. For example, in January 2012 the process generated an estimated 11,606 kilowatt hours of electricity, and made a carbon saving of about 21,883 kilograms.

Meat Free Monday: The Company supports the "Meat Free Monday" campaign which raises awareness of the climate-changing impact of meat production and consumption. The Meat Free Monday campaign encourages people to reduce their greenhouse gas emissions by having at least one meat-free day every week.

Suppliers and products

Product range: The Ocado own-label was introduced in 2010 to broaden the choice for our customers and offers good quality products at competitive prices. One of the key criteria when developing the Ocado own-label range is that it must be responsibly sourced. The Company supports British and EU farming and, where possible, sources relevant Ocado own-label products from the British Isles when in season and available. Ocado fish is responsibly caught, Ocado fresh meat and poultry is raised to British, EU or New Zealand welfare standards, Ocado boxed eggs are free-range and all of the Ocado brand bread is made using British wheat. Ocado has now over 620 products in its own-label range.

Waitrose Foundation: Through its Sourcing Agreement with Waitrose, Ocado makes a donation to the Waitrose Foundation. The Waitrose Foundation is a partnership created in 2005 to help improve the lives of the farm workers and smallholders in South Africa, Ghana and Kenya who grow produce for the Waitrose Foundation range of products. A percentage of profits from the sales in this range is paid into a trust to fund projects chosen by the farm workers' and smallholders' committees. These include educational, social and healthcare projects. In 2010/2011, the Waitrose Foundation had launched over 200 projects, ranging from crèches to adult literacy programmes, and from sports teams to provision of equipment for medical clinics.

Duchy Originals products: During the period, Ocado made a donation of about £228,000 to the Prince's Charities Foundation, a group of 20 non-profit organisations, through its sales of Duchy Originals branded products.

Fair trade: Ocado aims to trade fairly with its suppliers and supports established schemes such as Fairtrade and Traidcraft, which contribute to the sustainable development of the communities where farmers and workers live. The Directors believe that Ocado has one of the largest Fairtrade range of products of all UK grocers.

Organic farming: Ocado has a large selection of organic groceries. Organic farming helps promote biodiversity by using crop rotation and clover to build soil fertility. With organic farming there are strict rules around animal welfare and how food is produced.

Soil Association: Ocado supports the Soil Association, a charity that campaigns for sustainable food and farming.

Tetanus Vaccines for UNICEF: Ocado makes donations to UNICEF, the children's charity, in the form of tetanus vaccines through the sales to its customers of certain Fairy and Pampers products. In the last two years, Ocado customers donated nearly one million tetanus vaccines as part of the Pampers/UNICEF campaign. In 2012 Ocado hopes to bring this to a total of 1.5 million vaccines.

People

Ocado's employees are key to its business and are the most visible part of the business to its customers. Management is committed to high standards of employment practice and to providing equality of opportunity, training and development and a safe workplace, in addition to developing initiatives which encourage innovation.

Ocado aims to be an exceptional employer; one that recognises talent and develops people to the best of their abilities. In return, we ask our people to share our determination to succeed. We deliver superior customer service and business success through our people which is why it is important for us to appropriately reward, engage, listen to and develop our employees.

Rewarding our people

Since its commencement as a privately owned business, Ocado's policy has been to issue share options to its employees. The rationale is that we want to give all of our employees the opportunity to own a part of the business. We continue to grant share options in the Company to each new employee as part of their employee benefits package.

As part of Ocado's philosophy of employee share ownership, the Group also operates the Ocado Sharesave Scheme in which a large number of employees participate. The Sharesave Scheme is a savings-related share option plan where each participating employee is granted options over shares in the Company in proportion to the amount saved by that employee. Following period end, Ocado launched a second offer to employees to join the Ocado Sharesave Scheme.

We expect that in future, Ocado will introduce additional share schemes to both reward employees and to offer employees further opportunities to become shareholders in the Company.

In addition to share schemes, we provide a range of employee benefits including a staff discount on grocery orders (with free deliveries on certain days, encouraging our employees to be greener shoppers), discount shopping membership, a discounted staff shop, pension, life assurance, healthcare and an employee assistance programme.

Corporate social responsibility report continued

Engaging our people

Engaged staff help us to continue to be successful and grow. Ocado uses an annual formal employee survey administered across the whole business to measure levels of employee engagement and identify the areas where we can become a better employer.

We continue to hold regular events, such as our annual family fun day, inter-Spoke football tournament, charity golf day, Woodland Trust tree plant team days, business results briefings and our Christmas parties. These reinforce our informal, relaxed culture and promote our family and community focus.

Ocado's employees are kept well informed of the performance of the Group and key events concerning the business through regular staff briefings provided by management and through communications via the internet, email and video and audio recordings (which are particularly helpful for communicating with our large number of CSTMs). It is hoped that such briefings and information will help our employees become aware of the various factors that affect the Company's performance.

Giving our people a voice

The Ocado Council, which is the Ocado employee representative body, helps facilitate employee participation and consultation in our rapidly growing business. The Ocado Council was formed in January 2010 and currently comprises 51 council representatives from across the business. The Ocado Council's achievements over its two years of existence include a review of incentives, involvement in changes to terms and conditions of employment, performance reviews, organisational changes and physical working environment improvements. A new Ocado Council registrar was appointed in the period.

In November 2011, Ocado signed a voluntary union recognition agreement with the trade union, Union of Shop, Distributive and Allied Workers ("USDAW") in relation to our hourly paid employees, including our personal shoppers, CSTMs and LGV drivers. This means that USDAW representatives will participate on the Ocado Council to voice the views of our hourly paid employees on matters relating to pay, holiday entitlements and working hours.

Developing our people

Every employee plays a part in the Company's success and we are focused on developing our people to the best of their abilities. When joining the business employees undertake a thorough induction which includes training related to their role and orientation around different areas of the business.

Ocado's people have a range of skills and experience. We work hard to provide opportunities to move around the business where appropriate and provide training to develop skills for current and future roles. Our in-house training team deliver customer focused training that prioritises the health and safety of our people and meets individual needs. We have created and rolled-out a new management development programme, which gives our employees the opportunity to progress their careers. We have also implemented new appraisal processes and succession plans.

Attracting talent

We rely on talented people with drive and dedication to deliver excellent customer service. This is why we are careful to recruit the right people for the right roles. Our graduate programme plays an important part in developing talented people for our future, and our careers website and online applicant tracker system allows timely recruitment of talented people for business growth.

Ocado jobs

During the period, the average number of employees employed by the Group increased significantly to 5,180 employees, excluding agency workers (2010: 4,252).

Diversity of our people

We are committed to equal opportunities for all of our people, regardless of disability or background, from recruitment and selection, through training and development and promotion. We value diversity and through our equal opportunities policy we are dedicated to creating an environment that is free from discrimination, harassment and victimisation, where everyone is treated equally regardless of age, colour, disability, race, sexual orientation, marital status, political views or religious belief.

It is the policy of the Group that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled all reasonable effort is made to ensure that their employment within the Group continues. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of an able bodied person.

Social and community issues

Charitable donations

In 2010 Ocado established a charity committee made up of eight employees, which increased to twelve employees in April 2011. The chosen charity for the period was Macmillan Cancer Support, which was elected by Ocado employees through the annual employee survey (described above). During the period, the charity committee organised a number of events, including quiz nights, a summer charity ball, a cake sale and Christmas raffle.

Ocado employees raised almost £29,000 for a number of charities, including MacMillan Cancer Support (£24,056 donated), the British Heart Foundation (£2,770 donated), and made donations under £2,000 to the NSPCC and the Japan Appeal.

In addition to the money raised by its employees, Ocado made charitable donations during the period of £29,250 (2010: £14,000) which includes £20,000 to Peace Winds (described below), £5,000 sponsorship of a visit from Lech Walesa, the former first president of Poland, for Migrant at Home Magazine as well as donations (of less than £2,000) to Peace One Day, CTT, Credit Action, the PwC Partners Charity Walk and various charity events. Some of these charitable initiatives are described below.

Japan Appeal: Ocado established an appeal to raise money for a Japanese charity called Peace Winds, who were helping over 300,000 people affected by the Japan tsunami and earthquake and subsequent Fukushima power plant evacuation in March 2011 by providing emergency food and blankets. Ocado appealed to its customers and staff for donations and promised to match the first £20,000 raised. The Ocado appeal raised over £250,000 for Peace Winds.

Peace One Day: Peace One Day is a non-profit organisation which has established a ceasefire and non-violence day that occurs on 21 September each year. They are committed to raising global awareness of the “peace day” through education and encouraging the global community to take action. Ocado is supporting this organisation by funding Peace One Day’s “UK citizenship resource pack” for secondary schools. Ocado funded a full time “out-reach coordinator” for three months to help schools use these resources; which were delivered to 31,500 students. In the next year, Ocado intends to support the creation by Peace One Day of a new resource for primary school children.

Christmas food donations: Each Christmas, Ocado donates food for hampers to charities helping impoverished communities across the country. In the period, Ocado donated food to DENS, a charity based in Hemel Hempstead, SHOC based in Reading and Action for Children in Bristol.

Re-Wrap: Ocado is currently producing canvas tote bags for customers with Re-Wrap. Re-Wrap is a not-for-profit organisation which works with disadvantaged families in India who produce the bags. The materials used are sustainable and recycled textiles and eco-friendly dyes. Re-Wrap are also a member of the World Fair Trade Organisation. By working with Re-Wrap, Ocado is helping to sustain disadvantaged families in India, retaining traditional Indian craft and supporting fair trade practices.

JAMI: Ocado donated a significant number of desktop computers to the registered mental health charity, JAMI. The desktop computers were being replaced as part of the upgrades to the Ocado customer call centre.

The Group also donates money to the Waitrose Foundation and the Prince’s Charities Foundation, as noted above.

Political donations

No political donations were made by the Group to any political party, organisation or candidate during the period (2010: nil).