

## **CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT**

26 August 2022

### **Overview**

As Chairman of the Board of Directors of Distil plc (**Distil**, or the **Company/Group** as the context requires), it is my responsibility to ensure that Distil has both sound corporate governance and an effective Board. My responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that information flows freely between Executives and Non-Executives in a timely manner.

In line with the requirements upon AIM companies, Distil adopted the Quoted Companies Alliance Corporate Governance Code (**QCA Code**) as the recognised corporate governance code against which we report. This report follows the structure of these guidelines and explains how we have applied the guidance along with any areas where the Board does not comply with the Code's recommendations. We will continue to provide annual updates on our compliance with the QCA Code.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature, and current stage of development of the Company, and will disclose any areas of non-compliance in the text below or the Company's website. Distil understands that the application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

### **QCA Principles**

#### **1. Establish a strategy and business model which promotes long-term value for shareholders**

The Board has concluded that long-term value can most effectively be delivered to its shareholders by the adoption of the following strategy for the Company: the marketing and selling of RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka, Blavod Black Vodka and TRØVE Botanical Vodka, both domestically and internationally.

The Company intends to deliver long-term shareholder value by maintaining or growing investments in proven brand-building activities and investing in our four growth levers:

- *Brand activation and marketing at the point of sale:*

- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

- *Innovation in liquid & packaging development:*

- Pack sizes & formats, new brands, liquids and flavours.

- *Route to consumer:*

- Build long term relationships with capable local distributors in each key market.
- Build strong direct relationships with major customers in major markets.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

- *Access to new production and design:*

- Across all aspects of distilling, bottling, packaging.

For more information on Distil's strategy and future developments, please see page 7, "Strategic Report" of the [2022 Distil Annual Report](#).

The Company intends to deliver shareholder returns for the foreseeable future through capital appreciation. Challenges to delivering capital appreciation include uncertainty in relation to consumer spending on our brands and competition within our chosen markets, although the Board takes steps to mitigate these risks. Further challenges to Distil's strategy and long-term goals are highlighted in the Risk Management section below.

## **2. Seek to understand and meet shareholder needs and expectations**

The Company places great importance on the need for effective communication and constructive dialogue with investors and the media by providing communications through the Annual and Interim Reports, along with Regulatory News Service announcements.

The Company's website, [www.distil.uk.com](http://www.distil.uk.com), is used for both financial and general news relevant to shareholders. The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. The Executive Chairman is the Company's principal spokesperson with investors, fund managers, the press and other interested parties and acts as a general liaison for all shareholders.

Shareholders can contact the Company by email through our website and relevant queries are passed to the Board for discussion. The Company also engages the services of an independent Research Analyst, who publishes regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

All Directors attend the AGM, where private investors are given the opportunity to question the Board. The AGM provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to participate.

Following two years in which shareholders were not able to attend our AGM due to government restrictions introduced in response to the COVID-19 pandemic, shareholders were able to attend our 2022 in person. Additionally, shareholders were given the opportunity to submit questions in advance of the 2022 AGM to the Board via email so that engagement between the Board and its stakeholders was not impeded. We were pleased that all 2022 AGM resolutions were passed, and we will continue to actively engage with shareholders on any resolutions that attract a significant vote against.

The Company is open to receiving feedback from key stakeholders and will take action where appropriate. Shareholders can contact the Company by email through its website and relevant queries are passed to the Board for discussion.

The Company also engages the services of an independent Research Analyst, who publishes regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

## **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, and many other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which

considers a wide range of key resources including staffing, clients, suppliers, production lines and opportunities.

All employees within the Group are valued members of the team, and the Company is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin. The Company has less than 10 employees so is in constant contact with the same, seeking to provide continual opportunities in which issues can be raised, and allowing for the provision of feedback through one-to-one contact and support. This feedback process helps to ensure that new issues and opportunities that arise may be used to further the success of the Group.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company values feedback received from customers and listens to customer feedback in relation to the taste, packaging and appearance of our products. Our Annual Report and Accounts includes further information on who the Board considers to be our key stakeholders, alongside our methods of engaging with such stakeholders, and some of the themes emerging from such engagement.

The Company has no significant environmental or community impact in its current stage of development but will continue to monitor and review for a change in status in line with regulatory and further developments.

#### **4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment, and monitoring of Distil's principal risks.

The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved before being formally adopted. Other key procedures that have been established and are designed to provide effective control are as follows:

- management structure - where the Board meets regularly to discuss all issues affecting the Company; and
- investment appraisal - the Company has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and no weakness in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for Directors on reporting on internal financial control.

Whilst the Board oversees and regularly reviews the current risk management and internal control mechanisms, it has also delegated this responsibility to the Audit Committee, who keep the adequacy and effectiveness of the Company's financial internal controls and internal control and risk management systems under review.

Principal Risks and Uncertainties are outlined in the Strategic Report section of the 2022 Annual Report and Accounts at page 8.

The Board considers an internal audit function is not necessary or practical due to the size of the Company and the day-to-day control exercised by the Executive Directors. However, the Board will monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.

#### **5. Maintain the Board as a well-functioning, balanced team led by the Chairman**

The Board comprises the Executive Chairman, Don Goulding, the Finance Director, Shaun Claydon (who also serves as the Company Secretary), Non-executive Directors, Roland Grain and Michael Keiller, and Marketing Director Kate O'Connell.

The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. Don Goulding is expected to dedicate 3-4 days per week to the Company, Shaun Claydon is expected to dedicate 4 days per month, Kate O'Connell is expected to dedicate 4 days per week and Roland Grain and Michael Keiller are expected to dedicate such time as is necessary for the proper performance of their duties.

During the 2022 financial year, there have been nine Board meetings, all of which were attended by Don Goulding and Shaun Claydon, eight of which were attended by Kate O'Connell and seven of which were attended by Roland Grain. Michael Keiller attended five meetings following his appointment in July 2021. There has been one Audit Committee meeting, which was attended by Don Goulding and Shaun Claydon and one Remuneration Committee meeting attended by Michael Keiller, Roland Grain and Don Goulding.

Meetings are open and constructive, with every Director participating fully. Senior management can be, and often are, invited to meetings, providing the Board with a thorough overview of the Company.

The Board recognises the long-term need for an Independent Non-Executive Chairman and shall continue to review this as the scale and complexity of the Company grows in the future and in proportion to costs. The Board also notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be two Independent Non-Executive Directors. The Board will take this into account when considering future appointments. All Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively. Therefore, the Board acknowledges that at its current development, it does not comply with Principle 5, as it does not currently have two or more independent Directors sitting on the Board. However, the Board maintains that its composition will be frequently reviewed as the Company develops.

In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board and Committee documents are made aware of proposed deadlines, allowing Board papers to be collated, compiled into a Board Pack, and circulated with sufficient time prior to each meeting, thus allowing time for full consideration and necessary clarifications before the meeting.

The Company has an Audit Committee and a Remuneration Committee. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively. The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of skills, experience and competencies in the Board's membership.

### **Directors' conflict of interest**

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its directors, and any relevant changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

### **6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

Biographical details of the Directors can be found on the Company's website, [www.distil.uk.com](http://www.distil.uk.com).

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, and notes the range of financial and managerial skills. The Non-Executive Directors maintains ongoing communications with Executives between formal Board meetings.

Since the end of the year, we have appointed Shaun Claydon, our Finance Director, as company secretary. The Company has also retained the services of ONE Advisory Limited to provide ad hoc advice on company secretarial, governance and compliance matters

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments in governance and AIM regulations, with the Company's NOMAD providing annual Board AIM Rules refresher training as well as the initial training as part of a new Director's onboarding.

The Directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

### **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change to Board practices and process would benefit the effectiveness and performance of the Board and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and any such Board expansion would represent an opportune moment to re-consider the need for a formal Board evaluation.

Succession planning recommendations are made by the Board as a whole, and all Directors submit themselves for re-election at the AGM at regular intervals. There are no specific terms of appointment for the Non-Executive Director.

### **8. Promote a corporate culture that is based on ethical values and behaviours**

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities is centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. An open culture is actively encouraged with regular communications to staff regarding progress and staff feedback is regularly sought both formally through annual staff appraisals and informally on a day-to-day basis. The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.

#### **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board reviews the Company's corporate governance arrangements regularly and expects these to evolve in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit. The Executive Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role, the day-to-day running of the business and developing corporate strategy, and primary contact with shareholders, clients and partners. The Non-Executive Directors have been tasked with ensuring that the strategies proposed by the executive Directors are fully considered, constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

No other Directors have any particular governance responsibilities beyond their role on the Board and Board Committees.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- The Group's strategy and vision
- Interim and full-year financial statements and reports
- Investments or disposals
- Corporate governance
- Appointment of new Directors

The Board delegates authority to two Committees to assist in meeting its business objectives, and the Committees meet independently of Board meetings.

### Audit Committee

The Audit Committee has two members, Michael Keiller as Chairman and Roland Grain. The Finance Director and external auditors attend meetings by invitation.

The remit of the Committee is to review:

- the appointment and performance of the external auditors
- the independence of the auditors
- remuneration for both audit and non-audit work and nature and scope of the audit with the external auditors
- the interim or final financial report and accounts
- the external auditor's management letter and management's responses
- the systems of risk management and internal controls
- operating, financial and accounting policies and practices, and
- to make related recommendations to the Board.

The Audit Committee meets at least once a year.

### Remuneration Committee

The Remuneration Committee has two members, Michael Keiller, as Chairman and Roland Grain. Other members of the Board may attend the Committee's meetings at the request of the Committee Chairman.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the Directors. The contract terms, remuneration and other benefits for Kate O'Connell, Roland Grain and Michael Keiller were decided by Don Goulding and Shaun Claydon, given the constitution of the Board at the time of the appointments.

The Remuneration Committee meets as required.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board as a whole will review Board composition. The Chairman and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

### **10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Board is committed to providing effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both private and institutional shareholders and shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company, as well as to maintain regular contact with its advisers in order to ensure that the Board develops an understanding of the views of any other major shareholders.

In addition, all shareholders are encouraged to attend the Company's AGM. The Board already discloses the result of general meetings by way of RNS announcement and publishes the proxy voting results on its website to ensure transparency with shareholders. All 2022 AGM resolutions were passed comfortably. The Company notes that Special Resolution 6, which was in relation to the

disapplication of pre-emption rights had 75.99% votes cast in its favour. The Company recognises that some shareholders have concerns on this matter. As such, the Company will further engage with shareholders to ensure shareholder views are fully understood.

The latest Corporate Documents (including Annual Reports and Notices of AGMs) can be found on the Company's website.

Investors also have access to current information on the Company through its website, [www.distil.uk.com](http://www.distil.uk.com). The Company uses electronic communications with shareholders in order to maximise efficiency.