

Corporate GOVERNANCE STATEMENT



JOHN NICHOLS

NON-EXECUTIVE CHAIRMAN

CHAIRMAN'S INTRODUCTION

I have pleasure in introducing Nichols' Corporate Governance Statement.

Due to the Covid-19 pandemic, 2020 has been an extremely challenging year for the Company. However our commitment to supporting high standards of corporate governance and our strong governance framework have enabled the Company to take appropriate actions expediently. This included action to ensure the welfare and safety of our employees, which was the Board's priority, whilst protecting our business. This culminated in our 'Build Back Better' programme.

In this section of the Annual Report, we set out our governance framework and describe the work that we have done during the year to ensure good corporate governance throughout Nichols plc and its subsidiaries ('the Group').

During 2020, we continued to follow the Quoted Companies Alliance Corporate Governance Code (the 'Code'). As an AIM listed company the Board considers that this is the most appropriate Code for the Company.

As in previous years, the report below is organised under headings which show how the Company has complied with the ten broad principles of the Code. Our Section 172 statement is included within the Strategic Report (the 's172 Statement'). The Section s172 Statement relates to the Directors' duty to promote the success of the Company, which is prescribed in Section 172 of the Companies Act 2006.

In the following sections, we have outlined how we apply the Code. Further detail on our approach to corporate governance can be found at www.nicholsplc.co.uk

John Nichols

Non-Executive Chairman
3 March 2021

STRATEGY AND BUSINESS MODEL

Principle 1 of the Code requires that companies establish a strategy and business model which promote long-term value for shareholders. Our strategy, business model and purpose are set out in the Strategic Report on pages 9 to 59.

The Annual Report also contains a Section 172 statement, on pages 50 to 57, which shows how the Directors have fulfilled their duties and obligations to ensure the long-term success of the business. The Group's Executive Directors and Senior Leadership Team (the "SLT") have a separate forum which meets throughout the year to focus on the delivery of the Group's three year rolling strategic plan, which is set by the Board. The progress in delivering the strategy is reported up to the Board, which both challenges and supports the SLT. The strategy is communicated to all staff members at corporate team briefs and separate team meetings.

SHAREHOLDER RELATIONS

Under Principle 2 of the Code, the Company must seek to understand and meet shareholder needs and expectations. In order to achieve this, the Executive Directors meet our shareholders on a number of occasions throughout the year and aim to have an open dialogue to receive feedback. During 2020, we have maintained a constant dialogue with our shareholders. We have recognised the importance of ensuring that shareholders have been kept fully informed via public announcements and, to the extent possible, we have engaged with our shareholders either via socially distanced meetings or via video conference.

Overall, feedback from our shareholders has been supportive during this challenging year. Following the release of our interim results, our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer attended investor meetings. These shareholders expressed complete support of the decision to cancel the 2019 final dividend, but were equally supportive of the payment of the 2020 interim dividend. Other matters discussed included succession planning, with shareholders pleased with the announcement

of Andrew Milne as Chief Executive Officer, following Marnie's decision to resign as CEO on 31 December 2020, the resilience of the Vimto brand and the Company's use of the UK Government's Job Retention Scheme.

In addition, Helen Keays, Chair of our Remuneration Committee, consulted with certain shareholders in December 2020 to obtain their feedback on a proposed new Long-Term Incentive (the 'LTIP') arrangement for the Executive Directors and certain members of the Senior Leadership Team. The LTIP awards will assist the Executive Directors to meet a recently announced shareholding guideline of 100% of salary introduced as part of the Company's revised remuneration policy. Directors will be given five years from the date of their appointment to meet this guidance. Shareholders were supportive of the new LTIP and the shareholding guidelines, which will help align the interest of the Executive Directors with our shareholders. We welcomed their feedback and support. Following this consultation, LTIP Awards were made to Andrew Milne, Chief Executive Officer and David Rattigan, Chief Financial Officer on 18 December 2020. Further details of these awards are provided on pages 82 to 87 of this Annual Report.

Due to the Covid-19 pandemic, and to protect the safety and wellbeing of both our shareholders and our employees, the 2020 AGM was held as a closed meeting. However, shareholders were given the opportunity to send in questions prior to the AGM, a representative sample of these questions were answered on the Company's website after the AGM.

OUR STAKEHOLDERS

Principle 3 of the Code requires that the Company takes into account wider stakeholder and social responsibilities and their implications for long-term success. We consider that our stakeholders are: our shareholders (as detailed above), our employees, our customers, our suppliers, our community and the environment.

Information on how the Company engages with these key stakeholders is provided on pages 50 to 57.

OUR EMPLOYEES

Regular meetings take place with staff groups to share Group strategy and seek feedback. The Company also conducts a biennial staff engagement survey with current staff engagement measured at 72%. 96% of respondents felt very well supported by the business during the Covid-19.

Throughout the Covid-19 pandemic, the Senior Leadership Team presented to all employees every two weeks, and latterly every month, via a live webinar to update them on key issues. This also included a live 'Question and Answer' session. Feedback from employees was extremely positive. The monthly presentation also included an outline of the Group's plans for 2021 and beyond.

We also launched a well-being hub for employees during August 2020.

The Senior Leadership Team have held a number of workshops, including engaging with an external partner to help us accelerate the development of our Diversity & Inclusion Strategy.

The spirit and application of our people during this challenging year has been outstanding.

Further details of how we engaged with our workforce throughout 2020, including how we regularly communicated with our furloughed employees is detailed in our section 172 Statement on page 55 of this report.

OUR CUSTOMERS

Communications with our customers is a fundamental ingredient to our success. The Nichols plc team have continuous communications with customers to understand their needs, share our plans and nurture collaborative working practice.

During the Covid-19 pandemic, we supported customers across our Out of Home trading division by replacing out of date stock and extending credit terms. In turn, we sought support from our partners to enable us to do this.

OUR SUPPLIERS

Given Nichols' outsource manufacturing model, having long-term partnerships with our suppliers and co-packers is essential. The Nichols plc supply chain team

and senior management have regular review meetings with our supplier base.

OUR COMMUNITY

The Group cares about its community, in particular Nichols plc supports Warrington Youth Club, which provides facilities opportunities and support to children in our community.

During the year, we made donations to a number of charities including the London Ambulance Service, NHS Trust Manchester and Warrington Hospital. In addition, and in support of our NHS workers, the Company provided a number of free vending machines.

THE ENVIRONMENT

Nichols plc is aware of its environmental responsibilities and whilst all its current packaging is already recyclable, the Company is working with suppliers and customers to reduce waste. As stated in our 2019 Annual Report we have committed to increasing the proportion of recycled plastic which is already at 51% in our cordial range. Nichols plc is an active member of the British Soft Drinks association which has reducing plastic waste high on its agenda.

The Board recognises that a long-term plan built around sustainability is vital in ensuring our business is successful for many years to come. Our Happier Future is an essential part of our strategy in this respect. Details of this programme are on pages 24 to 39 of this Annual Report.

RISK MANAGEMENT

The fourth principle of the Code requires that the Company embed effective risk management, considering both opportunities and threats, throughout the organisation.

During the year, and as part of our continuing commitment to enhance the Group's internal control processes and management of risk, the Company relaunched a new risk approach within the business. This has evolved throughout the year. A Risk Management Team ('RMT') was created comprising members of the SLT, the Risk Controller and both a legal and H&S representative. The RMT has met regularly throughout 2020. The RMT reports to the SLT who will provide an update to the Audit Committee three times a year.



Considerable focus was given to certain areas during the year, including Brexit and cyber security. With regards to Brexit, our Working Group and Steering Committee have continued to evaluate the Brexit risk to the business, ensuring that appropriate robust mitigation plans were prepared and were ready to implement. Cyber security remains a high risk and the Group has taken appropriate mitigating action. Other actions taken during the year included the appointment of an HSE Manager.

After consideration by the Audit Committee, the Company has entered into a co-sourcing relationship with EY for the provision of certain internal audit services from 2021. This will provide further assurance to members of the Committee and additional specialist resource to our in-house teams. Further details are included in the Audit Committee Report on pages 78 to 81.

A culture of challenge and continuous improvement is encouraged to ensure that risk management and controls evolve with the business.

The Group's significant risks and related mitigation/control are disclosed in the Strategic Review on pages 44 to 49.

THE BOARD

Principle 5 of the Code requires the maintenance of the Board as a well-functioning, balanced team led by the Chair.

The Board is led by our Non-Executive Chairman, John Nichols and includes two independent Non-Executive Directors, John Gittins and Helen Keays, who both have significant experience of plc directorships.

In addition James Nichols was appointed as a Non-Executive Director on 22 July 2020. James also holds the position of Commercial Controller at Vimto Out of Home and has worked within the business for 16 years. James was appointed as a representative of the Nichols Family pursuant to a Relationship Agreement dated 22 July 2020 between the Company and the Nichols Family. The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst ensuring that the Company is capable of carrying on, at all times, its business independently. Further details of the terms of the Relationship Agreement are provided on page 63.

The Board also comprises of two Executive Directors, Andrew Milne and David Rattigan. Andrew was appointed as Chief Executive Officer on 1 January 2021, following the retirement of Marnie Mallard on 31 December 2020. Andrew has been a Director of the Company since 1 January 2016, and until his appointment as Chief Executive Officer held the position of Chief Operating Officer.

There are two Board Committees: the Audit Committee and the Remuneration Committee, which are chaired by the two independent Non-Executive Directors. Details of attendance at meetings of these Committees are disclosed in the Audit Committee Report and Remuneration Committee Report on pages 78 and 87 respectively.

There were 11 Board meetings held during the year. The following table sets out individual attendance by members:

DIRECTORS	MEETINGS ATTENDED & NUMBER OF MEETINGS ELIGIBLE TO ATTEND
P J Nichols	11/11
J A Gittins	11/11
H M Keays	11/11
J E Nichols	2/2
M J Millard	11/11
T J Croston	2/2
A P Milne	11/11
D T Rattigan	9/9

In addition, the Board held a Strategy Day at which all Directors were present.

CHAIR'S ROLE

Our Non-Executive Chairman is John Nichols who is the grandson of our founder, John Noel Nichols.

As Chair, Mr Nichols' primary responsibility is to effectively lead the Board and ensure that the Group's corporate governance is appropriate, is communicated and is adopted across the business activities. The Chairman is also responsible for ensuring the Board agenda concentrates on the key operational and financial issues effecting the delivery of Nichols plc's strategy.

During 2020, Mr Nichols had a pivotal role in ensuring the smooth running of the Board during the Covid-19 lock-down, such that it was able to make timely decisions during the pandemic including

taking appropriate mitigating actions to protect the Company. The Chair was also cognisant of the risk to both employees and the Company's shareholders of attending the 2020 annual general meeting to be held on 29 April 2020 and agreed with the Board that this should be held as a closed meeting.

Whilst Mr Nichols shareholding and long association with the business means that he is not regarded as an independent Chairman, he is not involved in the day to day operations of Nichols plc. Those responsibilities are managed by the Group's CEO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr John Gittins and Ms Helen Keays are considered by the Company as Independent Non-Executive Directors (NED). The NED role is to provide oversight and scrutiny of the performance of the Executive Directors. John and Helen chair the Audit and Remuneration Committees respectively.

Our Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties and normally expect to spend at least 12 days per annum on Company business, after the induction phase, normally including attendance at six board meetings, the AGM, committee meetings plus other events as required, including meetings with our employees and attendance at strategy meetings. However, the INEDs and the Company recognise that due to the nature of their role, it is impossible to be specific about the required time commitment, and additional time commitment required when the Company is undergoing a period of increased activity. In accordance with their appointment letter, our INEDs agree to commit sufficient time to perform their duties.

During 2020, and as detailed above, there were 11 Board meetings, at which all Directors were present. Several additional meetings were convened principally to consider issues relating to the impact of the Covid-19 pandemic on the Company and its business. This ensured that appropriate mitigating action was considered and approved, protecting our colleagues and customers and mitigating against the financial impact of the pandemic on our business. Further details of decisions taken by the Board are on pages 50 to 57.

EXECUTIVE DIRECTORS

Throughout 2020 the Company had three Executive Directors: the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. Following the retirement of Marnie Millard on 31 December 2020 and the appointment of Andrew Milne, formerly COO, as CEO, the Company now has two Executive Directors: Andrew Milne and David Rattigan.

Non-Executive Directors communicate with Executive Directors and senior management between formal Board meetings. Due to the Covid-19 pandemic and the requirement for the Board to act swiftly on certain matters, the Board met 11 times during 2020. In addition, the Board held a strategy day in October 2020 to review its medium term strategic plans.

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman, so that their contribution can be included as part of the wider Board discussion. Due to the Covid-19 pandemic, and as detailed above, the Company convened 11 Board meetings during 2020 compared with five in 2019. All Directors attended every meeting which they were eligible to attend.

DIRECTORS' SKILLS AND CAPABILITIES

Principle 6 of the Code requires that the Directors ensure that between them they have the necessary up-to-date experience, skills and capabilities.

The current Nichols plc Board has significant sector, financial and plc experience and the Executive Directors have broad experience in the soft drinks industry and in manufacturing.

David Rattigan who was appointed as Chief Financial Officer on 2 March 2020, was also appointed as Company Secretary on that date. Prism Cosec Limited is engaged to provide certain company secretarial services to the Company to support David in this role. This includes the attendance at, and minuting of, Board meetings to ensure that David is able to fully participate in these meetings as a Director and Chief Financial Officer.



With the support of our NOMAD and our advisors, the Board training and development needs are met. The Company's in-house legal counsel presents to the Board regularly on legal and regulatory matters and a written report on governance developments is presented at each Board meeting by Prism Cosec, the Company's corporate governance advisor.

Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 68 to 69.

BOARD PERFORMANCE AND EVALUATIONS

Principle 7 of the Code requires that the Board and Committees evaluate their own performance based on clear and relevant objectives and seek continuous improvement.

A formal Board performance evaluation was undertaken in September 2020, the outcome of which has been communicated to, and discussed by the Board. The performance evaluation was led by the Group's People Director and took the form of a questionnaire completed by each member of the Board. The questionnaire specifically included matters relating to the effectiveness of the Board during the Covid-19 pandemic, particularly during the lockdown periods and the ability of the Board to be flexible and agile in these challenging times.

The evaluation also focussed on (i) the composition and effectiveness of the Board, (ii) the Board process including whether agenda items were appropriate, (iii) the quality of papers and appropriateness of meeting minutes (iv) formulation, review and consideration of strategy and (v) the Group's internal control process. The evaluation also considered progress against actions arising from the 2019 Board evaluation.

Further to the Board's consideration of the outcome of the evaluation, a number of actions were agreed and are being addressed. These include the following:

- Subject to Covid-19 guidelines, a number of the 2021 Board meetings will be held at different locations within the Group to enable the Board to visit and experience its diverse operations across the UK and engage more fully with members of its workforce.
- The role and responsibilities of the Remuneration Committee is being reviewed, to ensure that it has an appropriately focussed approach, aligning its

decision making with the Group's financial calendar. A tender process was undertaken to appoint advisers to this Committee.

- The importance of shareholder feedback was fully recognised by the Board and it was agreed that this should become a more formalised process.

The Remuneration Committee evaluates Executive Director performance, alongside remuneration and reward.

The Audit Committee engages with the Company's external auditors biannually and holds discussions on the financial systems, procedures and efficacy of management.

A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. Any potential candidate for appointment as a Non-Executive Director, will be required to disclose their other commitments before being appointed as a Director.

For the appointment of David Rattigan as Group CFO on 2 March 2020, the Board appointed a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability. From this shortlist, a number of candidates were interviewed by members of the Board, after which, the Board determined that David's significant experience, working in senior financial positions in the consumer sector, and his personal attributes made him an excellent candidate for the role and the Company's culture.

Succession planning for the Board is an ongoing topic of discussion. This is demonstrated by the recent appointment of Andrew Milne as Chief Executive Officer on 1 January 2021, following the retirement of Marnie Millard. The Board considers that Andrew is the right candidate to lead the business during the next phase of its development. In addition, the Executive Directors and other members of the SLT attend talent calibration meetings to ensure that the business has clear development and succession plans in place.

CORPORATE CULTURE

Principle 8 of the Code requires that the Company promote a corporate culture that is based on ethical values and behaviours.

Nichols plc is very proud of its warm and inclusive culture. It is our people and how they go about their business that has been fundamental to the sustained

success of the Group for many years. Our culture is reflected in our values and the overarching theme of our values is 'doing the right thing'.

Our Values:

- **People:** We value and respect our employees. Their enthusiasm, ideas and hard work are fundamental to the success of our Company and we recognise that the education and development of our people is important. We believe that developing our talent at Nichols is essential to our success and we identify the development needs of all our employees through our appraisal programme. We support the professional development of our employees.
- **Sustainable Business:** We value our commitment to having a sustainable business. Our sustainable business strategy takes into account our wider corporate, environmental and social responsibilities. Further details are included in pages 24 to 39 of the Strategic Report.
- **Customers and Suppliers:** We believe in building long-term partnerships with our customers and suppliers.
- **Community:** We actively encourage our employees to give something back to the wider community.

The Company has adopted a Slavery and Human Trafficking Transparency Statement (the "Statement") and has an anti-bribery policy. These set out the ethical behaviour expected of our employees, with our Human Slavery Statement also including details of actions that we have taken to ensure that human slavery does not exist within Nichols or within our supply chain. We have a zero-tolerance approach for giving or receiving of bribes or corrupt payments in any form. In addition, to ensure that any of our employees can raise any matters of genuine concern without fear of any action being taken against them, we also operate a whistleblowing policy. Further detail of the anti-bribery and whistleblowing policies, which are monitored by the Audit Committee, is provided in the Committee's Report on page 81 of this Annual Report. In addition, these policies and the Human Slavery Statement are available on the Company's website at www.nicholsplc.co.uk.

During the Covid-19 pandemic, the most important objective of the Board was to protect the health and wellbeing of the Company's employees, customers and suppliers. At the beginning of the first UK lockdown

we were acutely aware of the mental well-being of our employees and a number of initiatives were instigated to help our colleagues cope. In April 2020, a start-up plan was developed to assist in a phased return to work with health and safety uppermost on our minds. We received very positive feedback from our employees as to how they have been treated throughout lockdown - this is testament to the culture that we have cultivated.

As detailed in 'Our Community' above, the Company also made donations throughout the year in recognition of our Key Workers and those charities who have provided supported during Covid.

GOVERNANCE STRUCTURE

Principle 9 of the Code requires that the Company maintain governance structures and processes that are fit for purpose and support good decision making by the Board.

2020 was an intense period for the Board due to the Covid-19 pandemic. The Board met 11 times, rather than the five meetings held during 2019. This ensured that the Board was kept fully informed and enabled the Board to react quickly during a period of global uncertainty. The Board was able to take appropriate mitigating actions to ensure that the business is able to 'Build Back Better' post the pandemic. The majority of these meetings were held remotely.

In addition the Audit Committee and Remuneration Committees met four and two times respectively.

Nichols plc has robust internal controls, delegated authorities and authorisation processes. The controls are subject to review, both internally by individual teams within the Company and external by the Company's external audit provider, BDO LLP. In addition, the Company has recently appointed EY, as its co-sourcing partner to assist management in the development of a 3-year internal audit strategy. Further detail of the Group's internal audit process is provided on page 80.

During 2020, and as part of the Board's continuing commitment to adhere to best corporate governance practice, the Board constituted a Nomination Committee. The Committee, constituted on 20 July 2020, comprises of John Nichols, as Committee Chair and John Gittins and Helen Keays, both Independent Non-Executive Directors. The Nomination Committee Report is on page 88 of this Annual Report.

The Board does not consider that the appointment of a Senior Independent Director is required at this time, although this will matter be kept under review. Shareholders have access to our Independent Non-Executive Directors, John Gittins, Chairman of the Audit Committee and Helen Keays, Chairman of the Remuneration Committee.

This culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business.

The Nichols plc website at www.nicholsplc.co.uk describes the roles and terms of reference for the Committees.

SHAREHOLDER AND STAKEHOLDER COMMUNICATIONS

Principle 10 of the Code requires communication on how the Company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders. Communications with shareholders are explained in Principle 2 above. In addition to the interim and full year investor roadshows, regular meetings are held with analysts, retail investor groups and prospective investors. In addition the Company issued several trading updates during 2020 to ensure that shareholders were kept fully informed of the impact of the Covid-19 pandemic on the Company's operational and financial performance.

The plc website contains information about the business activities, access to all RNS announcements and copies of the Report and Accounts (R&A). The plc website also includes historical announcements, as well as the R&A for more than the minimum five years. The work of the Audit and Remuneration Committees is described on pages 78 to 87.