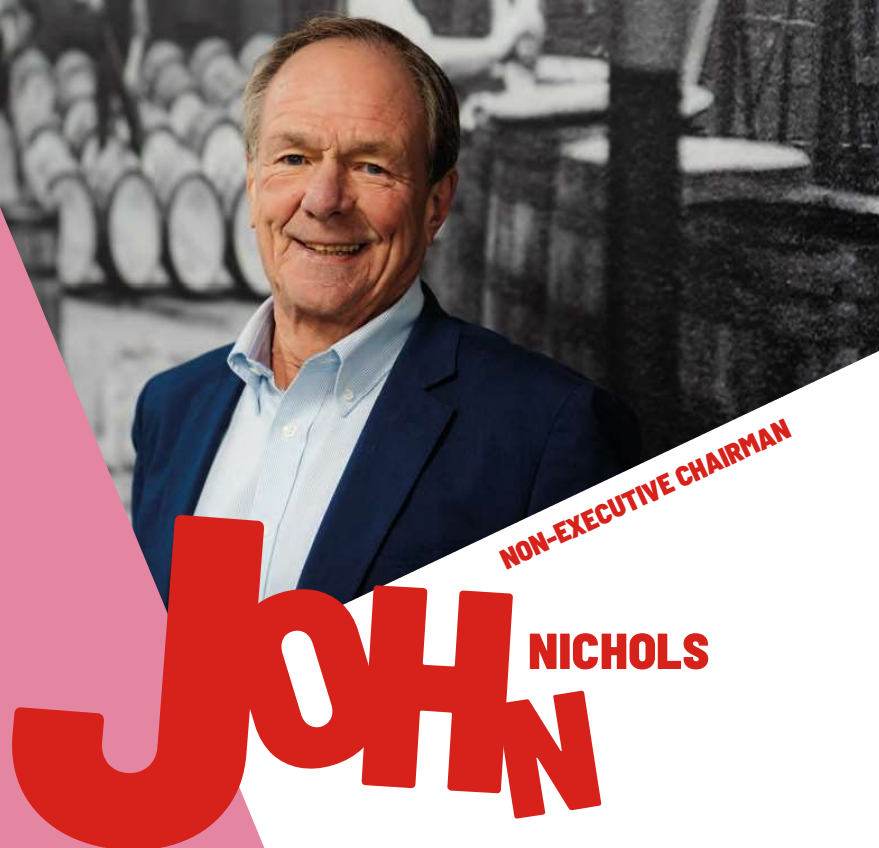


# CORPORATE GOVERNANCE STATEMENT



NON-EXECUTIVE CHAIRMAN

## CHAIRMAN'S INTRODUCTION

I have pleasure in introducing Nichols' Corporate Governance Statement.

Due to the ongoing Covid-19 pandemic, 2021 has been another challenging year for the Company. However, our commitment to supporting high standards of corporate governance and our strong governance framework have enabled the Board to act quickly and support the management team in making decisions and taking appropriate actions.

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 2021, we continued to follow the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). As an AIM listed company the Board considers that this is the most appropriate Code for the Company.

## COMPLIANCE WITH THE QCA CODE

The Board believes that it applies the ten principles of the QCA Code. We recognise the need to continue to develop our governance

practices and disclosures in order to ensure that they support the strategic progress of the Group and the effective application of the principles going forward.

Our governance structure provides a framework of clearly established roles, policies and procedures designed to support our compliance with the QCA Code, the AIM Rules and other legal, regulatory and compliance requirements which apply to the Group. Further details of our corporate governance structure and activities are set out on pages 76 to 83.

Further detail on our approach to corporate governance can also be found at [www.nicholsplc.co.uk/Home/Aim26](http://www.nicholsplc.co.uk/Home/Aim26).

John Nichols  
Non-Executive Chairman  
1 March 2022

## 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. The Board has collective responsibility for setting the strategic aims and objectives of the Group and our strategy, business model and purpose are set out in the Strategic Report on pages 16 to 71. In the course of implementing our strategy, the Board takes into account the expectations of the Company's stakeholders and wider social and environmental responsibilities.

Our Section 172 statement, on pages 66 to 71, sets out 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 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 senior leadership team. 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. The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results, enabling the Executive Directors to have an open dialogue and receive feedback. In normal circumstances, we encourage our shareholders to attend our Annual General Meetings ("AGMs") and we give them the opportunity to pose questions to our Directors. The Non-Executive Directors are also available to discuss any matter stakeholders might wish to raise.

During 2021, we have maintained a regular 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 continued to be very supportive during what was at the outset, another uncertain year in terms of financial performance due to Covid-19 restrictions. At the time of our 2020 Preliminary results presentation in March and our Interim results presentation in July, the Chief Executive Officer and Chief Financial Officer attended investor meetings with a full range of shareholders. Shareholders expressed understanding and support for the developed dividend policy of broadly 50% of adjusted after tax earnings and encouraged further development of the strategic agenda to ensure the Group realised the growth opportunities, both organically and through acquisition, within the soft drinks market, whilst recognising the need to ensure shareholder value. Shareholders expressed support for the Group's approach to Environmental and Social matters and welcomed the increased disclosure included in the 2020 Preliminary results presentation, 2020 annual report and Q3 trading update (2020, repeated in 2021). The Group discussed in detail the impact of Covid-19 on its Out of Home route to market and sought to understand more clearly how the Group would manage the period post the pandemic. The Group's focus on balance sheet management was appreciated.

The Company had hoped to be able to welcome shareholders in person to the 2021 AGM but due to the UK Government guidelines in place at the time of the meeting, shareholders were unable to attend and the AGM was held with the minimum attendance required to form a quorum. Shareholders were given the opportunity to send in questions prior to the AGM. We hope that we will be able to welcome all shareholders to our 2022 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. The Board recognises the importance of maintaining regular dialogue with our stakeholders to ensure, and receive and consider, their views.

Information on how the Company engages with its key stakeholders is provided on pages 66 to 71.

#### 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 55%. 94% of respondents felt very well supported by the business. (2020: 96%)

Throughout the Covid-19 pandemic, the Senior Leadership Team presented quarterly to all employees via a live webinar to update them on key issues. Feedback from employees was extremely positive. Through its health and safety arrangements, the Company has ensured it can provide a safe working environment to allow those individuals who wish, or were able, to return to office working, to do so safely during the year.

The well-being hub, which was launched in August 2020, provides employees with access to the Group Employee Assistance Programme (EAP), wellbeing news, mental health resources and financial wellbeing support.

The year has proved again to be a challenging time but the continued spirit and application of our people has been outstanding.

Further details of how we engaged with our workforce throughout 2021, including how we regularly communicated with our furloughed employees, is detailed in our section 172 Statement on page 69 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 practices.

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 facility opportunities and support to children in our community. The Group also supports Salford City FC and its Club Academy 92, to support aspiring football stars, developing their skills and education through a dedicated partnership. Our commitment to providing opportunities for young people extends to our international business, with our on-going support for the Waves For Change Initiative.

During the year employees participated in the Group's 'Day to make a difference' programme, in which employees volunteered time to give back to their local community and charities. Examples of activities undertaken include beach clean-ups, building community gardens, raising money through coffee mornings and decorating local community centres.

#### 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 2020 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 36 to 53 of this Annual Report.

#### RISK MANAGEMENT

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

The Board has ultimate responsibility for the systems of internal control and risk management. The Audit Committee reviews the Group's internal controls and risk management processes on the Board's behalf.

The Company's Risk Management Team ('RMT') which was created in 2020, comprises members of the Senior Leadership Team (the 'SLT'), the Risk Controller and both a legal and H&S representative. The RMT has met regularly throughout 2021. 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 cyber security and the financial impact of producer fees associated with the introduction of the Deposit Return Scheme (DRS). Cyber security continues to be a high risk and the Group has taken appropriate mitigating action. The introduction of the DRS poses a risk to the Group and as a result a dedicated working group has been established in order to prepare the Group for the initial roll out in Scotland during 2023. To mitigate against the risk of a single source supply of Vimto concentrate, the Group has been working closely with its strategic suppliers during the year in order to establish multi-production capability.

2021 was the first full year of the co-sourcing relationship with EY for the provision of certain internal audit services. The Company's management team has worked with EY to develop the Internal Audit Plan and agree areas of focus and review in 2021. The relationship provides further assurance to members of the Audit Committee and additional specialist resource to our in-house teams. Further details are included in the Audit Committee Report on page 87.

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 60 to 65.

#### 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 is a Non-Executive Director. James also holds the position of Commercial Controller at Vimto Out of Home and has worked within the business for 17 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 99.

The Board also comprises of two Executive Directors, Andrew Milne and David Rattigan.

The Board has delegated specific responsibilities to its three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee are chaired by the two independent Non-Executive Directors. John Nichols chairs the Nomination Committee. Details of the operation of the Board Committees are set out in their respective reports.

There were six Board meetings during the year. Details of Board and Committee meeting attendance of Directors during the year is set out below:

DIRECTORS	BOARD	AUDIT	REMUNERATION	NOMINATION
P J Nichols	6/6	4/4	4/4	2/2
J A Gittins	6/6	4/4	4/4	2/2
H M Keays	6/6	4/4	4/4	2/2
J E Nichols	6/6			
A P Milne	6/6			
D T Rattigan	6/6			

In addition, the Board held a Strategy Day in November 2021, to review its medium term strategic plans, 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 guide, develop and lead the Board and ensure that the Group's corporate governance framework 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 affecting the delivery of Nichols plc's strategy.

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 (NEDs). 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 NEDs are expected to devote such time as is necessary for the proper performance of their duties and normally expect to spend a minimum of 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 NEDs 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 NEDs agree to commit sufficient time to perform their duties.

#### EXECUTIVE DIRECTORS

The Company has two Executive Directors: Andrew Milne and David Rattigan. The Executive Directors are charged with the delivery of the business model within the strategy set by the Board.

NEDs communicate with Executive Directors and senior management between formal Board meetings.

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. 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 Group Chief Financial Officer in 2020, was also appointed as Company Secretary on that date. Prism Cospec 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 Group 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 Cospec, the Company's corporate governance advisor.

During 2021, the Nomination Committee undertook an exercise to understand and identify the core skills, experience and knowledge of the Directors. The exercise will assist the Board with its process for new appointments and with succession planning. More information can be found on page 97 of the Nomination Committee Report.

Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 74 to 75.

#### 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 and Committee performance evaluation was undertaken in November 2021, the outcome of which has been communicated to, and discussed by the Board. The performance evaluation was led by the

Group's People and Sustainability Director and took the form of a questionnaire completed by each member of the Board. The questionnaire specifically included matters relating to purpose and culture, ESG, Board and Committee composition and stakeholder engagement.

The evaluation also focussed on (i) the effectiveness of the Board, (ii) the Board process including professional development, (iii) strategy and leadership (iv) stakeholders (v) Board and Group performance and (vi)

purpose and culture. The review concluded that, during the year, the Board and its Committees had performed effectively. There were consistent improvements in several areas, in particular the effectiveness of the Board and Board and Group Performance.

Progress was found to have been made on the actions suggested in the 2020 review, as summarised in the table below:

2020 Performance Evaluation focus area	Progress against action
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.	Due to UK Government guidelines and the uncertainty relating to new Covid-19 variants, the Board was unable to hold any of its meetings at different locations during the year. The Board has agreed that, subject to restrictions, it will hold two meetings at different locations within the Group every year.
The role and responsibilities of the Remuneration Committee are 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 role and responsibilities of the Remuneration Committee were developed during the year, to include alignment with the Group's financial calendar. The Committee considered the performance of its incentive scheme at an appropriate time during the year. An advisor was appointed.
The importance of shareholder feedback was fully recognised by the Board and it was agreed that this should become a more formalised process.	Shareholder feedback is collected after each roadshow and shared with the Board.

The table below illustrates the key areas of focus that resulted from the 2021 review and the actions that are proposed for 2022:

2021 Performance Evaluation focus area	Proposed action
Consideration of the composition of the Board in respect of diversity and skill set for future appointments.	Current coverage of skills on the Board was reviewed. The Committee point of view was that the skills and experience were appropriate but would be reviewed further in 2022.
Review of arrangements for the 2022 AGM, taking into account the effects of Covid-19 on meeting format and stakeholder engagement.	AGM arrangements were reviewed, and appropriate plans put into effect for April 2022.
Incorporation of more feedback on individual performance into the annual cycle and Board evaluation process.	The appropriate process will be considered further in 2022.
Raising awareness of ESG matters amongst employees, ensuring alignment with purpose and culture.	Individual ESG objectives will be in place for all employees in 2022.



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. When making new appointments, the Company will engage a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability. Any potential candidate for appointment as a Non-Executive Director will be required to disclose their other commitments before being appointed as a Director.

Succession planning for the Board is an ongoing topic of discussion and more information is provided on the Company's approach to succession planning in the Nomination Committee Report on page 97. 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 promotes 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 36 to 53 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.
- **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 87 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](http://www.nicholsplc.co.uk).

As the Covid-19 pandemic continued in 2021, the most important objective of the Board was to protect the health and wellbeing of the Company's employees, customers and suppliers. The Board has continued to ensure that the measures implemented at the start of the Covid-19 pandemic continue to be effective, ensuring a safe and healthy environment for employees. The Health and Safety Manager ensures that management is kept informed of arrangements in place.

#### GOVERNANCE STRUCTURE

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

The challenges presented by the Covid-19 pandemic, including travel restrictions, social distancing and Covid-safe working environments has impacted the Board's

activities and format of Board meetings, during the year. The Board adapted to the changing UK Government guidelines to ensure meetings went ahead as smoothly as possible. The Board met six times during the year and was able to hold three meetings face to face.

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 externally by the Company's external audit provider, BDO LLP. In addition, the Company has 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 87.

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](http://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.

The plc website contains information about the business activities, access to all RNS announcements and copies of the Annual Report and Accounts. The plc website also includes historical announcements, as well as the Annual Report and Accounts for more than the minimum five years. The work of the Audit, Remuneration and Nomination Committees is described on pages 84 to 99.