



Section 172(1) statement

Under the Companies (Miscellaneous Reporting) Regulations 2018, we are required to publish a statement which sets out how the Board of Directors fulfils its duties under s.172 of the Companies Act 2006 to have regard for the long-term success of the Company (Direct Wines Limited) and the interests of its stakeholders. The Board's approach to fulfilling these duties is set out below.

The role of the Board

The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable value to shareholders. The delivery of the business's long-term plan relies on building and maintaining positive relationships with a wide range of stakeholders (examples of relevant activities are set out below). The Board seeks to achieve this plan by formally setting out its strategy during the annual budget and long-term planning process, monitoring performance against those targets and reviewing the implementation of the strategy by the executive management team.

Board Governance

We aim to establish and maintain Board structures which conform with corporate governance best practice while remaining appropriate to the size and structure of the Company.

Following Barbara Laithwaite's resignation as a director in March 2023, the Board of Directors includes four of our five shareholders, two Independent Non-Executive Directors and two Executive Directors. Our Non-Executive Directors are independent at the time of their appointment and their independence is also monitored throughout their tenure – selection is carried out through an open search conducted by reputable firms against a full brief. The size and composition of the Board remains appropriate to our business, reflecting the family heritage and ownership as well as benefiting from wider experience in large and small business, including publicly-owned and family-owned companies.

The Board has two Co-Chairs, one of whom is a family member and one of whom is an Independent Non-Executive. The role of the Co-Chairs is separate from that of the Chief Executive, in order to ensure that there is an effective balance of responsibilities, decision-making and accountability.

Directors undergo appropriate training to ensure they are aware of and equipped to meet their statutory duties as well as possessing an appropriate level of knowledge of new and emerging legislation to be able to lead the business effectively and in a compliant way. In recent years, the Board has completed a number of targeted training sessions in response to new legislative requirements and developments in the wider trading environment. These include matters which are specific to their role as company directors and their s.172 duty, legislation which presents specific risk to a direct-to-consumer wine merchant, such as the Modern Slavery Act and the General Data Protection Regulation, and matters of specific concern to our business such as cyber-security.

While many key decisions which affect the day-to-day management of the business are appropriately delegated to executive management, Board oversight is always maintained, with each Board member having a clear understanding of their individual accountability and responsibility for decisions which are taken.

Some of the duties of the Board are also executed via subcommittees chaired by Board members. These include the Audit Committee and the People Committee, which covers the functions of a remuneration committee and a nominations committee, as well as considering succession planning both within the shareholders' family and in the key executive management roles in the wider business. We believe that these subcommittees allow the Board to challenge and directly influence a broad range of areas across the business.

We have an Internal Governance Policy which sets out items which are reserved for Board-level decision-making, items which may be delegated and the level of delegation. This ensures that the key areas for decision-making and compliance are considered in a structured and timely way. The policy is reviewed at every Board meeting to ensure it remains appropriate. During 2023, following a major review process, the policy was amended to reflect the changed composition of the Board following Barbara Laithwaite's resignation, and to provide increased clarity on voting thresholds on certain categories of decision.

All Board meetings are scheduled at least a year in advance. The programme of Board meetings has changed slightly, reducing the number of formal Board meetings from six to five, although Board documentation continues to be prepared and circulated monthly, irrespective of whether there is a meeting. This documentation seeks to provide information on all key aspects of business performance, and includes standard elements such as financial results, non-financial KPIs, relevant industry/market news, updates on opportunities, risks and strategic initiatives (which are agreed by the Board as part of the annual Budget and Three-Year Planning process) and some regular compliance matters (for example a health and safety report and a whistleblowing report). Board documentation may also include one-off papers to cover specific agenda items as required, for example our bi-annual payment practices reporting, gender pay statistics and other compliance matters. The agenda and standard board documentation have been simplified, to ensure that discussions are focussed, and that decision-making is effective. The schedule continues to include a "deep dive" session on each of our businesses, in which the executive management teams present an overview of the business and its operations directly to the Board. This provides a regular opportunity for the Board to ensure they are fully aware of significant developments and ask questions directly. The Co-Chairs and the Executives meet regularly to ensure that the Board agenda is complete and that all appropriate topics are covered.

During the year the Board received a report from a third-party governance specialist considering matters such as board composition, the role and number of non-executive directors, and the challenges and opportunities as the second generation of the Laithwaite family develops its role both at board level and in the day-to-day operations of the business. The review is a valuable benchmark for the strength of our governance arrangements, and the Board will act on its findings to improve matters where possible.

Activities of the Board during the financial period

All board decisions consider their potential impact on different stakeholders; board papers include stakeholder views that have been gathered to allow informed decision-making. We recognise that different groups of stakeholders are impacted by, or may benefit from, decisions made by the board in different ways. The Board recognises that directors must act both collectively and individually in a way that they consider, in good faith, to be most likely to promote the success of the business for the benefit of its members as a whole, with regard to all its stakeholders and to the matters set out in paragraphs (a) to (f) of Section 172 of the Companies Act 2006. Examples of these duties are set out below:

A director of a company must...have regard (amongst other matters) to:

a) The likely consequence of any decision in the long-term

In approving our annual Budget, the Board carried out a review of strategy to ensure that the business is responding appropriately to the changing commercial outlook and to our own performance. Given challenging trading conditions and ongoing cost pressures resulting from global factors such as inflation but also industry-specific matters such as the fundamental changes to the UK's Excise Duty regime, our approved strategy increases our focus on our cash position in addition to long-term profitability. The Board discussions and associated documentation included consideration (and rejection) of several options that would improve short-term performance but highlighted possible negative consequences in the longer-term.

During the year, the Board made the difficult decision to withhold funding for a proposed investment in solar panels at our UK Distribution Centre in Gloucester. Due to the ongoing volatility in the energy market, the business case for the investment (including the length of the payback period) had become less certain as energy prices fell from last winter's peak. Considering these circumstances as well as the wider trading outlook, the Board declined to authorise this project to proceed at this stage, on the basis that the long-term outlook is so uncertain that the benefits of proceeding with such a significant investment purely for environmental reasons do not outweigh the risks. The business case for solar panel investment will remain under review. The Board remains committed to our sustainability agenda and examples of progress made in this regard are given in section (d) below. However, this example illustrates the requirement for the Board to balance the sometimes competing demands of the different duties under s.172 when making decisions.

b) The interests of the company's employees

The Board's remains committed to promoting the wellbeing of our staff. Laithwaite's Wine holds Certified Workplace status from the Great Place to Work Institute, and is ranked for 2023 in the categories "UK's Best Workplaces (large business)" and "UK's Best Workplaces for Wellbeing (large business)". The certification is the result of independent accreditation based on employee feedback, which the Board considers to be a strong endorsement of our approach to employee interests.

This year, we engaged our financial wellness partner, Nudge, to provide a webinar for employees covering various aspects of personal financial management in direct response to concerns about increases in the cost of living. Our partnership also provides employees with access to resources from Nudge on an ongoing basis.

The Board also continues to support initiatives which demonstrate our commitment to promote equality, diversity and an inclusive business culture. In the last financial year we have held events to mark a number of national and international diversity celebrations, including Black History Month, Pride Month and International Women's Day. Just after the end of the financial year, in July 2023 we were pleased to celebrate South Asian Heritage Month for the first time. Our approach to these celebrations is to provide a forum for our employees to share personal experiences with colleagues of different backgrounds in an informal, relatable and thought-provoking way. The Board and executive management team fully support the principles of equality and inclusion within our workforce and also within our business partnerships – an example of the latter is our collaboration with Queer Britain through the Madame F wine brand.

c) The need to foster the company's business relationships with suppliers, customers and others

In May, we were delighted to welcome customers back through the doors of the Vintage Festival for the first time in three years. The Board and shareholders have always regarded our flagship event as an opportunity to connect our customers with the winemakers who create their favourite products, and an occasion to celebrate existing relationships as well as create new ones. Together with the return of smaller-scale tastings hosted by Board members at our retail premises, our events programme ensures that our Board remains visible and accessible to our enthusiastic customers.

The Board also regards customer-facing events as ways to develop business partnerships in engaging ways. We invited our partners from Times Radio to broadcast live from the Vintage Festival, and also expanded our presence at partners' own events such as the BBC Good Food Show and the Blenheim Palace Food Festival.

Our success relies on us working with suppliers and other partners to ensure that we adapt as the trading environment changes. At present there is considerable regulatory change happening in our core UK market, specifically the changes to UK Excise Duty and proposed recycling initiatives such as Extended Producer Responsibility and Deposit Return Schemes. During the year, the Board approved the creation of a Corporate Affairs function with specific responsibility for engagement with industry bodies and lawmakers to ensure our voice is heard when policy is being shaped. Our Global Buying team is also working closely with our wine suppliers to ensure that we can address legislative changes in a practical way – for example exploring opportunities for targeted reductions in alcohol levels in our range to mitigate some impact of the new Excise Duty regime, or by increasing our use of alternative packaging material such as bag-in-box. Our long-standing relationships with our wine suppliers allow us to address these challenging issues in a mutually supportive way.

d) The impact of the company's operations on the community and the environment

Although the trading outlook is challenging, the Board remains committed to our sustainability programme. Our strategy and progress have been published on our website.

Our sustainability function (part of the Global Buying team) has day-to-day responsibility for driving change within the business and for engaging with suppliers to support their own sustainability initiatives and reduce emissions in our wider supply chain. During the year the team has begun to develop a carbon emissions calculator which will enable suppliers to measure their own carbon footprint, and we are working with suppliers to reduce bottle weights and increase volumes in low-carbon formats. Responding to customer demand, we have also expanded the "W/O" range of wines which are sold in 100% recycled glass bottles. The Board has also authorised funding in support of The Great Reserve, a project to plant Giant Sequoia trees in the UK which benefits the environment through carbon capture, the protection of an endangered species and the promotion of biodiversity.

Each of our offices raises funds for a local charity (the charities are selected on a two-year cycle, and are nominated by employees). The Board has allocated funds for the business to match donations made by employees to these nominated charities. We believe this is an appropriate way for us to support both the interests of local good causes and of our employees.

e) The desirability of the company maintaining a reputation for high standards of business conduct

For over 50 years we have been proud to hold ourselves to the highest standards of business conduct. This is underpinned by the Board's approval of long-term strategy and short-term financial plans, as well as their ongoing monitoring of progress against these plans through monthly Board reporting,

The Board continues to approve significant investment in our IT platforms and technical support which enable us to maintain the highest standards of customer service. Visible enhancements this year include new web search functionality, but we have also increased our internal resource dedicated to cyber-security (including cloud security). These measures contribute to our strong reputation among our customers (evidenced by our Trustpilot ratings), and this year we were also pleased to be awarded the ServiceMark with Distinction from the Institute of Customer Service – the first time we have achieved company-wide accreditation.

Board papers always include monitoring of our cash position and variances to budget – this enables us to ensure that we maintain our good performance in paying suppliers on time (which is demonstrated in our six-monthly Payment Practices Reporting results) and maintain our reputation with these key partners.

Beyond this financial decision-making and stewardship, the Board has an informal motto for the way we conduct ourselves – "Doing Things Beautifully". This means that we always seek to do the right thing for our customers, our partners and suppliers, and in so doing we will do the right thing for ourselves. Every employee, regardless of role, is in a position to build our reputation with stakeholders by embodying these values. For this reason the Board maintains a visible, approachable presence with employees, from the induction process right through to our day-to-day operations – this connection between Board members and employees, built on the sharing of values, is key to how we maintain our reputation in the wider world.

f) The need to act fairly as between the members of the company

The Group remains 100% family-owned and the founders and their three children are equal shareholders. During the year, Barbara Laithwaite resigned from the Board of Directors. As described above, the Board approved changes to the Internal Governance Policy to clarify voting thresholds for certain categories of decision – the policy specifically names matters which are reserved matters for all shareholders. The wider family is represented through a Family Council whilst the Board contains a number of Independent Non-Executive Directors. These arrangements ensure that the shareholders are fairly represented when the Board makes decisions.

On behalf of the Board

D B Gates
Director
18th October 2023