

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

Our values are based on our virtuous circle of "Doing the right thing" for our customers, people, suppliers and shareholders. The Board believes this is vital to creating a sustainable, growing business and is a key responsibility of the Group. This culture supports the Company's objectives to grow the business through acquiring and retaining customers rather than through opening stores.

We are committed to strong, ethical and fair business dealings, and promote a corporate culture which is non-sectarian, non-political and which is socially and environmentally responsible.

It is the Board's job to ensure that the Naked Wines Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

Ian Harding
Chairman

Corporate governance regime

The Board have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code") in line with the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. Our report sets out in broad terms how we comply with the QCA Code at this point in time. We will provide annual updates with our Annual Report.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company is a quality wine specialist, with nearly 600,000 active customers in our 3 markets, the UK, USA and Australia, making us a leading player in the fast growing direct-to-consumer wine market. Our goal is to try to beat the market by investing in customer relationships, rather than stores. We do that through:

- Investing in models that compound, i.e. models that get stronger with growth
- Investing with discipline, because we are able to test new opportunities before we roll them out



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- Using data and technology to continuously improve.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences, hosting capital markets days and our regular reporting.

Private shareholders

The Company's annual general meeting ("AGM") is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and our committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on our website and are also available in our Annual Report. Private shareholder events are held by the Head of Investor Relations.

To request any meetings please contact: investor.relations@nakedwines.com

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chairman, Chief Financial Officer, supported by the Chief Executive Officer, as appropriate. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. The Board is kept informed of the views and concerns of major shareholders by briefings from its Nominated Advisor. Any significant investment reports from analysts are also circulated to the Board. The Chairman and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them.

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Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider



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these issues in decision-making. Aside from our shareholders and suppliers and customers, our employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews the results of employee surveys as well as a number of any other feedback it receives to ensure alignment of interests.

Employees

We have:

- Shared of information relating to the business through regular communications (e.g. mid and year end results etc
- Completed regular engagement surveys to keep informed on the major issues our staff want us to change
- Given employees a say each year in the selection of our sponsored charity
- Consulted with specific groups or individual to ensure that their views can be taken into account in making decisions about matters that affect them
- Offered participation in the Company's share schemes to all staff
- Disclosed our gender pay gap and pay comparison
- Continued to be a Living Wage Employer in the UK Maternity pay changes: From the beginning of FY2019 the Board has approved to increase the level of maternity pay for female staff across the UK. Our maternity pay policy is now six weeks at 100% pay and a further eight weeks at 90% pay if employees commit to one full year of employment after their leave. In addition, current maternity policies are being reviewed in our international divisions.

Suppliers

- Our business model continues to seek out and support the world's best independent winemakers
- We support and invest in winemakers through advance commitment and funding of purchasing of wine
- We follow supplier guiding principles to make sure we are looking after our suppliers
- Our Responsible Supplier Policy encourages our supplier network to conduct their business in line with the same principles embraced by Naked Wines

Customers and communities

- We have invested in new customers through investments in paid search, video and onsite funnel optimisation
- We redesigned, rebuilt and launched our new app in nine months including using a new framework development tool
- We have invested in IT and product development and launched Never Miss Out and Wine Genie
- We have collected sizeable donations to support communities we work in, e.g. South African school children, Australia fire relief



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- We have supported Compline “Family Meals”, an initiative offering \$5 meals to anyone who lost their job in the local Napa hospitality, farming or wine community, and have subsidised two weeks’ worth of meals
- During the first few months of the COVID-19 pandemic we have taken several steps to serve our communities and to support the wider wine industry during challenging of times:
 - \$5m COVID Relief Fund, to buy wine from impacted winemakers and the most impacted people in the wine industry
 - In the UK has made £115,400 of charitable contributions including donating over 23,000 Meals for the NHS and given over 400 cases of wine to deserving key workers
 - In the US we have fed over 1,000 key workers and local families in partnership with local hospitality industry
 - In partnership with our winemakers in Australia and the US, we have produced hand sanitiser for distribution to front-line workers

Responsible drinking

The Group recognises that alcohol misuse, underage drinking and poor health are issues causing real concern in the UK today. Naked Wines takes these matters very seriously and we are committed to the responsible retailing of alcohol in order to help mitigate their impact. We have put even more energy into educating and supporting our customers, winemakers and employees. We also regularly invite local charities to provide lunch and learn sessions for staff to stay well informed. In 2020, in the UK we joined up to support The Drinks Trust, a drinks industry charity, which supports members of the UK drinks industry facing a variety of difficult circumstances including serious illness, disability, debt or family crisis. In the US we have taken several steps to ensure that only persons of 21 years of age and over are able to, enjoy our wine.

Modern slavery

As part of our Company mission to disrupt the wine industry for the benefit of our customers, winemakers and our people, we oppose modern slavery in all its forms and will try to prevent it by any means that we can. We expect anyone who has any suspicions of modern slavery in our business or our supply chain to raise their concerns without delay. We promise that we will keep any information provided completely confidential. As a Group Naked Wines plc maintains relationships with many different organisations in its supply chain, as well as directly employing c. 400 people in our 3 markets. In light of the Modern Slavery Act 2015, we annually review internal measures to ensure we are doing what we can to prevent slavery and human trafficking in our businesses and in our supply chains. Our policy is available on the plc website: www.nakedwinesplc.com

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation



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Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board as part of an ongoing assessment of significant risks facing the Company.

- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls, including the review of results of work performed by the Group controls function.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.
- The Company has a consistent system for prior appraisal of investments, overseen by the Chief Executive Officer and Chief Financial Officer, with defined financial controls and procedures with which each Business Unit is required to comply in order to be granted investment funds for development.
- Regular post-investment reviews are also carried out to check the delivered Return on Investment.

Non-financial controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget
- Central control over key areas such as capital expenditure authorisation and banking facilities
- A Group Controls Manager to oversee all internal controls policies and processes



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- A Group General Counsel to ensure legal risk is properly managed and legal rigour is enforced in all our business transactions.

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. The Group Controls Manager has internal audit as part of their role. Their role is also to carry out annual reviews of each Business Unit to ensure they are achieving a Group-wide minimum control standard, the results of which are reported back to the Board. They also investigate any significant breaches of control and recommend how to prevent such breaches in future. To continue the improvement in this area we are adding a permanent role to our existing controls function, have expanded the team in the US to ensure we remain compliant with all state regulations and have implemented tight control on investment as it increases over the coming years.

As part of the Group's review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate social responsibility (including ethical trading, supplier standards, environmental concerns and employment diversity) have been assessed. The key elements of those non-financial controls are set out below.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the Anti Modern Slavery Policy and employee Code of Conduct. All policies are underpinned by our strong ethical culture of transparency, respect and fairness. Senior managers are responsible for the implementation of these policies and compliance is monitored.

Approval process

All material contracts are required to be reviewed and signed by a senior director and reviewed by our General Counsel.

Re-assessment

The Company has a Business Risk Register with business continuity plans to address key risks that have an immediate impact. Risks facing the business are re-assessed, and potential mitigating actions are considered and implemented to help protect against those risks. Each Business Unit has a weekly and monthly checklist that reviews key KPIs and other business measures to ensure alignment to the plan.



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Code of Conduct

Our Code of Conduct includes guidance on anything that could get our employees into trouble, (including business integrity, anti-bribery, gifts, intellectual property and design rights) they are sent to everyone in the Group and are visible in all workplaces. Every year all senior staff must declare compliance to this code.

Legal controls

The Company has a Company Secretary and Group General Counsel, who works for the Company but advises all three operating divisions. In addition, Naked Wines US employs a General Counsel who works exclusively on US legal matters. The US General Counsel is assisted by a compliance manager advising on all legal and regulatory aspects of trading in the US.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Non-Executive Chairman, two Executive Directors and four Non-Executive Directors, one of whom also acts as Senior Independent Director. Justin Apthorp has been classified as non-independent due to his time working with the Company. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

The last year saw significant changes to the Board with the appointments of a new Non-Executive Director, new Chairman and new CEO. In May 2019, we announced the appointment of Katrina Cliffe as a Non-Executive Director. We appointed John Walden as Non-Executive Director in June 2019 and he became Chairman of the Company in August 2019, following the 2019 AGM. John subsequently resigned from the Board during the summer of 2020 and has been replaced by Ian Harding as Chairman of the Company. Finally, Nick Devlin replaced Rowan Gormley in the CEO role in January 2020.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required. During the year regular Board meetings took place. These were held at the Naked Wines headquarters in Norwich, the old Majestic Retail head office in Watford and in New York.

Key Board activities this year included:

- Disposals of Majestic Wine businesses and Lay & Wheeler
- Remuneration Policy and remuneration matters
- Trading updates and financial performance
- External Reporting
- Board appointments, including succession planning
- Employee share scheme



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- Risk management and mitigation
- Budgeting and plans
- Strategy (financial and operational)
- Investor relations
- Auditor reports, appointment and fees
- Opportunities in the US
- Capital allocation
- Key policies and governance including
- Alternative Investment Market (AIM) compliance
- Sustainability

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 changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of retailing, wine, finance, innovation, international trading, ecommerce and marketing. In addition, the Board considers that the Non-Executive Directors bring an independent judgement to bear.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Contracts are available for inspection at the Company's registered office and at the AGM.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years;



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and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. David Stead, Justin Apthorp and Katrina Cliffe, Non-Executive Directors, resigned by rotation at the 2020 AGM and, being eligible, were re-appointed. Greg Hodder, previously Non-Executive Chairman resigned as Chairman at the 2019 AGM and was replaced by John Walden. Greg Hodder subsequently terminated his Non-Executive Director position in January 2020. Nick Devlin was appointed to the Board at the AGM as an Executive Director. Rowan Gormley stepped down as CEO in January 2020 and was replaced by Nick Devlin. John Walden resigned as Chairman and Non-Executive Director with effect from the conclusion of the 2020 AGM and was replaced by Ian Harding.

Independent advice

All Directors can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In 2019 the Company commissioned an external assessment which was undertaken by a performance specialist. The process included the compilation and confidential completion of a detailed questionnaire by all the directors as well as the Group Company Secretary. The responses were analysed for specific common trends and in-depth interviews took place between the assessor and the participants. The process included a less formal review of the Board Chairman and probed the relationship between the various directors, including between executive directors and non-executives. A report was compiled for the Board, together with recommendations for enhanced Board effectiveness. The report was presented to the Board in March 2019. The overall outcome was that the Board is effective with some corrective actions identified and recommendations made.

In FY 2019/20 the focus has mainly been on succession planning leading to the appointments of a new Chairman and a new CEO. The Company also addressed in part the shortcomings identified by the independent assessment and review of Board carried out in 2019.

The Company intends to undertake a Board evaluation annually, with an external assessment every third year. The focus during the between years will primarily be on the implementation and monitoring of corrective actions and recommendations as identification.

Principle 8: Promote a culture that is based on ethical values and behaviours



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The Board aims to lead by example and do what is in the best interests of the Company. We continue to work towards our goal to disrupt the wine industry for the benefit of our customers, winemakers and our people.

The culture of the Group is to go the extra mile for customers, suppliers, shareholders and people. In order to grow our customer base and maintain a culture of respect and fairness, it is vital that all our employees act in a way that reflects the values of the business. To this effect, we have a number of policies which underpin this approach including our Code of Conduct, Anti-Bullying and Harassment, Equal Opportunities, Anti-Bribery, Competitions, Maternity Benefits, Data Protection, Share Dealings, Anti-Money Laundering, Health and Safety, Substance Abuse, Recruitment and Discipline. We continually re-enforce the messages around behaviours and have a Whistleblowing Policy and procedure to assist with bringing transgressors to our attention.

The Group has a Code of Conduct which is rigorously implemented and compliance therewith monitored.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board meets at least eight times each year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision.

Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar on the one hand, and its trading calendar on the other, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the year to 30 March 2020, the Board met for all scheduled meetings.

The Board and its committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.



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Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company's various location offices giving, in particular to the Non-Executive Directors, access to the different divisions to gain a greater understanding of the Group's activities.

Executive Team

The Executive Team consists of Nick Devlin (Chief Executive Officer) and James Crawford (Chief Financial Officer) with input from the divisional directors and teams. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. The Executive Team also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit, Remuneration and Nominations committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of each committee are available at www.nakedwinesplc.com



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The Nominations Committee comprises not less than three members, all of whom are independent Non-Executive Directors. The Nominations Committee is chaired by the Chairman unless the matter under discussion is their own succession. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Nominations Committee is also assisted by executive search consultants as and when required. The Nominations Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. During the year the Nominations Committee considered a number of succession planning issues, and the appointments and/or resignations of Executive Directors.

The Committee meets at least once a year with the main topic being general succession planning for key senior executives.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders.

The Company continues to outsource the investor relations function and is supported by Equitory with respect to this activity. Equitory is an investor relations management company specialising in support to small to medium cap companies. The decision to outsource the investor relations function was taken in October 2018 as the Group felt a third party would be able to deliver a superior service to our capital markets stakeholders. In addition to having the consultancy services of Equitory to draw on, the Board and committees Chairpersons, the Chief Executive Officer, the Chief Financial Officer and Company Secretary are all engaged in day-to-day investor relations management and one-on-one engagements as and when.

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the Chief Executive Officer, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Company completes regular employee surveys to maintain an open dialogue with employees and has introduced new functionality on its websites to collate customer feedback and use this to improve service. Customer ratings and team retention remain KPIs for the Group.

August 2020



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