

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.

It is the Board's job to ensure that the Majestic 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.

Greg Hodder
Chairman

Changes to corporate governance regime

The Board have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's recent changes to 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 at this point in time. We will provide annual updates on our compliance with the code.

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

The Company is a quality wine specialist, with more than one million customers in the UK, France, USA and Australia. 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
- Using data and technology to continuously improve.

Every quarter we double up on our best performing investments, and cancel the worst performers. This is underpinned by the Board's values and principles of "doing the right thing".

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 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 all 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 the Company's corporate website. Private shareholder events are held by the Head of Investor Relations.

To request a meeting please contact: investor.relations@majestic.co.uk

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Head of Investor Relations and 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. In addition, over the summer of 2017 the Chairman and Senior Independent Director visited the top 10 shareholders in London in order to listen to their feedback and have a direct conversation on any areas of concern.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Head of Investor Relations. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them.

To request any meetings please contact: investor.relations@majestic.co.uk

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

Employees

Over the past year we have:

- Implemented a new Franchise-Lite programme for our store staff which allows them to earn a significant pay rise as their store performs better
 - Released a positive gender pay gap report and made changes to our maternity policy to support women as they move up our business
 - Continued WSET training for all employees
 - Were awarded the "Sunday Times Top 100 Companies to Work for" based on employee reviews
 - Completed regular engagement surveys to keep informed on the major issues our staff want us to change
 - 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

Over the past year:

- Naked Wines Angels raised over \$500,000 for winemakers who were impacted by the wildfires across Napa and Sonoma in 2017
- Naked Wines Angels have come to the rescue of people and winemakers in need more than seven times since its launch, from the Napa wild fires and earthquakes to lightning storms, vandalism and raising funds for winemakers to care for their ill child. Our customers truly are heroes.
- We launched an Annual Supplier Conference in 2016 and use this to have an open and two way conversation with our biggest suppliers about our business and strategy
- Supplier guiding principles to make sure we are looking after our suppliers

Customers and communities

Over the past year:

- We started a UK environmental group
- Reviewed our Modern Slavery Statement to ensure we are not inadvertently supporting any type of modern slavery
- Implemented a Code of Conduct for all our employees and suppliers to ensure everyone is acting in the best interests of the Company
- Improved our Customer helplines with dedicated Customer Happiness Teams for each business
- Updated and invested in each of our six business websites and our plc website
- Updated our websites to make it easier to leave customer feedback and as a result have committed to updating our range based on this
- Published a UK tax strategy under schedule 19 of the Finance Act 2016

Responsible retailing

The Group recognises that alcohol misuse, underage drinking and poor health are issues causing real concern in the UK today. Majestic Wine takes these matters very seriously and we are committed to the responsible retailing of alcohol in order to help mitigate their impact. We are a supporter of Drinkaware, the Government sponsored trust which promotes responsible drinking.

We operate a Challenge 25 scheme to ensure that minors cannot purchase alcohol at our stores. In addition, we have signed up to the Government's Responsibility Deal which aims to improve public health by encouraging responsible drinking. We ensure that customers have access to information about alcohol in-store, on our website and in our promotional literature. Staff training includes principles of social responsibility and alcohol misuse and all tasting events encourage customers to enjoy wine responsibly.

Modern slavery

As part of our Company mission to "Do the Right Thing for our People, Customers and Suppliers" 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 Majestic Wine plc maintains relationships with many different organisations in its supply chain, as well as directly employing over 1,400 people worldwide. In the 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.majesticwineplc.co.uk

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

Audit, risk and internal control

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 in light 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 of prior appraisal for investments, overseen by the Chief Financial Officer and Chief Executive Officer, with defined financial controls and procedures with which each business area 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 recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan. To continue the improvement in this area we are adding to our existing controls department, expanding the team in the USA to ensure we remain compliant with all state regulations and continued tight control on investment as it increases over the coming year.

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



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

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. 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 culture of "Doing the right thing for our customers, people and suppliers". Operating procedures for control of store operations are clearly documented and set out in operation manuals. Senior managers are responsible for the implementation of these procedures and compliance is monitored.

Approval process

All material contracts are required to be reviewed and signed by a senior Director of the Company 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.

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 senior managers and above declare compliance to this code.

Legal controls

In the past year the Group has hired an Independent Company Secretary and General Counsel. This was as a result of the Board deciding that the Group should separate the Chief Financial Officer and Company Secretary roles. The General Counsel now advises all four of our divisions. In addition, Naked Wines USA is currently recruiting a compliance officer to be based in house to advise on all legal and regulatory aspects of trading in the USA.

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 three Non-Executive Directors, one of whom also acts as Senior Independent Director. During the financial year to April 2018, Phil Wrigley, Non Executive Chairman, retired and was replaced by Greg Hodder. David Stead was appointed a Non-Executive Director and will become Chair of the Audit Committee with effect from 01 July. Anita Balchandani stepped down from her role after being appointed by McKinsey and the Company is looking at appointing a replacement. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. Justin Apthorp has been classified as non-independent due to his time working with the Company and current shareholding.

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.

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 eight Board meetings took place. These were held at the Majestic Retail head office, at one London based Majestic store, and at the Naked Wines UK office. All Board members attended all meetings they were invited to.

Key Board activities this year included:

- Input into the accelerating growth plan
- Continued an open dialogue with the investment community, including meetings with the new Chairman and Senior Independent Director
- Considered our financial and non-financial policies, including the policies around the gender pay gap
- Discussed strategic priorities
- Discussed the Group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the development of the supply chain projects across the Group
- Discussed internal governance processes
- Reviewed the Group risk register
- Reviewed feedback from shareholders post full and half year results
- Appointment of David Stead as Non-Executive Director and Greg Hodder as Non-Executive Chairman

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. 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 Annual General Meeting ("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; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Phil Wrigley, Non-Executive Chairman, stepped down from the Board at the conclusion of the 2017 AGM. Greg Hodder, previously Non-Executive Director, was appointed Non-Executive Chairman on the same date. A search process commenced for a new Non-Executive Director and David Stead was appointed Non-Executive Director on 10 October 2017. Anita Balchandani resigned from the Board on 14 March 2017, following joining McKinsey & Company as a full time partner, where they require no external positions to be held. As a result of this change, Ian Harding, Senior Non-Executive Director, was appointed chair of the Remuneration Committee and David Stead was appointed Chair of the Audit Committee with effect from 1 July 2018. A search for a replacement Non-Executive Director has now begun. Rowan Gormley and Justin Apthorp will retire by rotation this year, and, being eligible, offer themselves for re-election. David Stead will offer himself for election.

Independent advice

All Directors are able to 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

Since the appointment of Greg Hodder as Chairman, he has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

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

The Board aims to lead by example and do what is in the best interests of the Company; for example, Rowan Gormley has declined to take LTIP shares and asked for them to be shared out among employees. The culture of the Group is to go the extra mile for customers, suppliers, shareholders and people. We call this project Giraffe – sticking our neck out for others. In order to grow our customer base it is vital that all our employees act in a way that reflects the values of the business. Examples of actions taken that support our ethical values this year are:

- Naked Wines raised £155,693 to feed 5,988 children in South Africa for a year
- Naked Wines raised over \$500,000 to support winemakers affected by the Napa and Sonoma fires in 2017
- Majestic Wine raised £52,654 for Macmillan Cancer Support

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 eight 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 2 April 2018, the Board met for its eight 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.

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 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 Rowan Gormley and James Crawford 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. It 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 Nomination 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.majesticwineplc.co.uk.**

The Nomination Committee comprises not less than three members, the majority of whom are independent Non-Executive Directors. The 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 Committee is also assisted by executive search consultants as and when required. The 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. The Committee met during the year to consider the appointment of a new Non-Executive Director to replace a leaving Director. It is anticipated that the Committee will meet just once next 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 Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. The Head of Investor Relations was appointed in March 2016 and remains a key part of encouraging shareholder interaction and listening to feedback. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.majesticwineplc.com

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. In April and May 2018 the Company held two Capital Markets Events in the UK and USA to explain the Accelerating growth plan to investors. 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.

June 2018

