

## CHIVAS BROTHERS LIMITED

### **Corporate Governance Statement pursuant to regulation 14 of the Companies (Miscellaneous Reporting) Regulations 2018 (amending the large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008) for the financial year commencing 1 July 2019 and ending 30 June 2020.**

As specified by regulation 14 of the Companies (Miscellaneous Reporting) Regulations 2018 (amending the large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008), the Company is required to apply a recognised corporate governance code from the financial year ended 30 June 2020. The board resolved to adopt the [Wates Principles](#), considering that they are specifically designed for large private companies and therefore the most appropriate code in the circumstances. The Company sets out below how it has applied the six key Wates Principles to its operations.

#### **Principle 1: Purpose and Leadership**

The Company, as a brand company in the Pernod Ricard group, adopts and implements as its clear purpose the group's Transform & Accelerate strategy. Please refer to Pernod Ricard SA's annual report for more details. This purpose is reflected in:

- The Company's strategy of winning market share in the new world of scotch whisky under the Transform & Accelerate group strategy;
- our core values of being bold, open and united;
- our culture as creators of conviviality; and
- our commitment to sustainability & responsibility through our good times from a good place strategy and road map. This overall purpose is clearly communicated throughout all levels of the business in our activities and in our communications to employees, consumers, suppliers and other stakeholders.

During the COVID-19 pandemic the clear immediate purpose of the board was and continues to be to safeguard the health, safety and economic security of employees, whilst minimising the impact of the crisis on the business.

#### **Principle 2: Board Composition**

The board is culturally and background diverse, and is comprised of a chairman and CEO, directors of finance, manufacturing, production, legal and human resources, together representing operational expertise in the critical areas of the business and under the leadership of the chairman and CEO. The board believes its diverse nature and breadth of skills, experience and knowledge enables overall effectiveness. Effectiveness of individual directors is assessed in annual performance reviews in line with the Company's talent management programme. The breadth and depth of board experience was called upon during the COVID-19 pandemic.

#### **Principle 3: Director Responsibilities**

The board meets regularly to decide on formal issues such as financing transactions, acquisitions, disposals, major projects, and statutory functions. Board members are notified of meetings and detailed board papers or transaction summaries are circulated prior to meetings.

Day to day management of the business is delegated to the executive directors, comprising marketing, production, manufacturing, finance, legal, HR and communications who work with other senior managers to implement and consider strategic and practical decisions, usually through the executive committee chaired by the CEO. Authority of directors for contracting decisions is set out in the Company's contract approval process.

During the year this system of accountability and responsibility stood up under the pressure of responding to the COVID-19 pandemic.

#### **Principle 4 : Opportunity and Risk**

A core group value is entrepreneurial spirit and the Transform & Accelerate strategy relates to creating agility to be able to seize market opportunities. The overriding aim is the creation of long-term sustainable growth.

Regular risk reviews are carried out at executive management committee level. Major financial and practical risks are considered at board level. Risk monitoring is carried out by the risk team who report to the finance director. For more detail on risk please refer to the risk section in the strategic report.

Risk management was a key function of the executive committee and the risk team during the COVID-19 pandemic. Risks were managed and opportunities presented by changing market conditions were taken.

#### **Principle 5: Remuneration**

Director and senior management remuneration is set through the budgeting process with the Company's ultimate parent, Pernod Ricard S.A., and is done in line with the group's talent management programme. Base salary review is performed on an individual basis annually considering both performance and an assessment against detailed leadership criteria. Bonuses are calculated according to the achievement of individual objectives as well as corporate and group wide financial results.

**Principle 6: Stakeholder Engagement**

An essential element of the Transform & Accelerate strategy is to create long term value for all of the group's stakeholders. The Company actively engages in building strong long term relationships with its stakeholders. Please refer to the directors' section 172 (1) statement for more details.