DIRECT WINES

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 Holdings 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 Direct Wines group of companies 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 our Group.

Ben Chaffé was appointed to the Board of Directors as Chief Financial Officer on 29 June 2024. There were no other changes to the composition of the Board of Directors during the year. On 1 July 2025, Célia Pronto-Hussey was appointed as a Non-Executive Director, and Philippa Strub succeeded David Gates as Group Chief Executive Officer. David Gates retired from the Board on 1 October 2025. Following these changes, the Board of Directors includes three of our five shareholders, three Independent Non-Executive Directors and two Executive Directors. Our Non-Executive Directors were independent at the time of their appointment and their independence continues to be monitored throughout their tenure. Selection of Independent directors 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 the other is an Independent Non-Executive Director. 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. Matters upon which our Board has received training in the past include directors' duties (including their s.172 duties) and 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 duties of the Board are also executed via sub-committees chaired by Board members, all of which include at least one Shareholder representative. 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 of Board composition and roles, and key Executive Management roles in the wider business. We believe that these sub-committees 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 an appropriate, structured, and timely way. The policy is reviewed at every Board meeting to ensure it remains appropriate.

All Board meetings are scheduled at least a year in advance. There continue to be five formal Board meetings a year, together with more frequent business performance update calls. Board documentation continues to be prepared and circulated monthly, irrespective of whether there is a full 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 content of standard Board documentation are designed to ensure that discussions are focussed, and that decision-making is effective.

The Board schedule includes "deep dive" sessions on specific aspects of our businesses, in which the executive management teams present 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.

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 (1) 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

Although the year has included a number of significant short-term events requiring the Board's attention (including the Chancellor's budget in October 2024, changing guidance on EPR fees and the associated accounting, and more recently tariff announcements in the USA), the Board has retained its focus on the longer-term. Our direction is set by the formal Laithwaite Family Vision document (created by the three Family directors in November 2024), and the Board approves the strategy to achieve this vision on an annual basis. During the year, the Board has reviewed the commercial strategy in each of our core markets as well as reviewing our corporate structure. The Group's financial plans are formalised as part of our annual planning process, comprising the creation of a detailed budget for the upcoming financial year as well as a longer-term financial plan which is aligned with the agreed strategy. This process ensures that the Board can scrutinise and challenge assumptions made by executive management concerning not only short-term performance but also the longer-term health of the business, taking into account future developments in the trading environment insofar as these are known – although this year has shown that short-term changes with long-term implications can sometimes arise unexpectedly. Our strategy continues to focus on maintaining a stable cash position while returning the Group to long-term profitability.

The Board continues to recognise the need to invest in both physical assets and information technology which will underpin the future of the business. During the year, a project to replace conveyor systems in our UK Distribution Centre was completed, and we successfully completed a multi-year project to upgrade to our core ERP system in the UK business with no disruption to sales or to customers. Rollout to the USA was successfully executed at year end and our Australian business will be upgraded shortly. These projects will provide long-term capacity and greater resilience.

b) The interests of the company's employees

The Board remains committed to promoting the wellbeing of our staff – a strong endorsement of our approach to prioritising the interests of employees is our simultaneous certification from the Great Place to Work Institute in all our core businesses (UK, USA, Australia, India), as well as being ranked in the UK in the categories of "Best Workplaces for Development", "Best Workplaces for Wellbeing" and "Best Workplaces for Women".

The Board's commitment to the promotion of equality, diversity and the promotion of an inclusive business culture is shown in our ongoing support for employee-led celebrations to mark occasions such as Black History Month, Pride Month and International Women's Day. We continue to mark these national and international events by encouraging colleagues to share their personal stories, giving us all the opportunity to reflect on, discuss and celebrate the way in which our different individual backgrounds contribute to the unique culture at Direct Wines.

The Board recognises that the talent, experience and drive of our employees are among our greatest assets. For several years the Board has been pleased to support our annual "Tony Awards" (named after our founder) in which employees in each of our markets can anonymously nominate a colleague to receive an award for their effort and achievement in defined categories. The awards are a way for the Board to ensure that those members of staff who make an exceptional impact are appropriately celebrated. The Board reviews all submissions to decide the award winners. We take great pride in reading the nominations to better understand the positive influence that each nominee has on the people they work with every day.

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

Maintaining strong relationships with suppliers, customers and business partners is a primary concern for the Board. As we have completed our transition from being led by the founding generation of the Laithwaite family to being led by the next generation, many of our family-owned suppliers are experiencing a similar transition. We recognise the importance of ensuring that we continue to build personal connections with our suppliers at Board level. To this end, during the year, Board members have joined buying trips to Italy and Spain to meet suppliers, deepen relationships and emphasise that wine is at the heart of everything we do – we must always be more than "just another retailer" to our suppliers.

We recognise that just as our business has faced significant challenges as the economy has emerged from the unusual conditions of the pandemic, the same is true for our customers – extended periods of high inflation, higher interest rates and both political and economic uncertainty have eroded consumer confidence and spending power. We try to reciprocate the support of our loyal customers by providing them with great products at competitive prices while making them aware of external cost pressures.

We are committed to building our network of business partners but also to productively develop existing partnerships. As an example, in addition to our core Wine Merchant business model, we are able to complement our range of revenue and profit streams to include fulfilment and customer service support for smaller wine, spirit and beer merchants in the UK. This demonstrates our potential to leverage other aspects of our business to create additional value for ourselves and our partners.

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

Environmental sustainability is a pillar of the Laithwaite Family Vision. As a member of the Bottle Weight Accord, our efforts continue to reduce the average weight of glass in our bottles to reduce our environmental impact. 65% of our bottles sold are already at or lighter than our 420g target and we are currently achieving a groupwide average of 447g (industry average 550g). This year we launched our first product in a 300g bottle, which is the lightest bottle available for home delivery in the UK. We are also exploring further use of innovative, non-glass packaging formats which have less of a carbon impact.

We recognise our responsibility to support the industry's efforts to decarbonise. During the year, our fourth Supplier Sustainability Forum was well-attended, and included sessions on emission reductions, plastic in packaging and climate change risk being faced in vineyards.

We have always believed that a business can play a greater role in the community than simply as a place of employment. Our offices all raise funds for nominated charities, and the business provides funding support in addition to our employees' fundraising efforts and donations. In June 2025, we were delighted to pass the milestone of raising £100,000 over the last five years in support of our Theale office partner charity, Sue Ryder Duchess of Kent. Special mention should also be made of colleagues in Redgrape Business Services, 70 of whom participated in the Chennai marathon in support of five local charities.

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

We are proud of the reputation we have built over the years as a trustworthy, reliable business with strong family values at its heart. The directors understand that personal connections are central to our success, whether that connection is between one of our customers and a personal wine advisor, between one of our small producers and the buyer who visits the winery, or between a new employee and their long-serving colleagues. All members of the Board are visible and approachable to employees, suppliers and customers, whether in everyday operations, hosting supplier forums or customer tasting events.

To maintain this reputation, the directors ensure that our financial plans include appropriate funding to invest in training our people and upgrading the systems and equipment they use. Examples of this investment during the year include an upgrade to our telephony system, which will enable us to maintain our high standards of customer service. We are delighted that we have now received over 100,000 Trustpilot reviews in the UK and have maintained an Excellent rating.

Through the work of the Audit Committee as well as direct reports to Executive Board members from functions such as tax, legal and compliance, the Board is kept aware of any upcoming or ongoing matters which are relevant to maintaining the good reputation of the business.

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

Although the two founders of the business, Tony and Barbara Laithwaite, have now both stepped down from the Board, the Group remains 100% family-owned. The founders and their three children are equal shareholders. Henry, Will and Tom Laithwaite remain as Directors of the Group, together with two other Executive Directors and, following the appointment of Célia Pronto-Hussey, three Independent Non-Executive Directors. One of the Family Directors is a Co-Chair (this is a rotating position – on 1 July 2025, Will Laithwaite succeeded Tom Laithwaite at the end of his three-year term), together with one of the Non-Executive Directors. The wider Laithwaite family is represented through a Family Council. As mentioned above, our Internal Governance Policy sets out voting thresholds for certain categories of decision, including setting out certain matters which are decisions reserved for all shareholders.

These arrangements ensure that all shareholders are fairly represented when the Board makes decisions.

On behalf of the Board

P V Strub
Director
13 October 2025