

## **The Artisanal Spirits Company plc - Corporate governance statement**

The Company is required under the AIM Rules for Companies to apply a recognised corporate governance code to be chosen by the Board. The Board recognises the importance of sound corporate governance, and the Company applies the QCA Corporate Governance Code (“QCA Code”). The QCA Code sets out a standard of minimum best practice for small and mid-sized quoted companies, particularly AIM companies.

The Company discloses on its website and within its annual report and accounts how it complies with the QCA Code and, where it departs from the QCA Code, the Company explains the reasons for doing so. This information is also set out below. The Company reviews this information annually in accordance with the requirements of rule 26 of the AIM Rules for Companies.

The Company’s Chair leads the Board and oversees its function and direction, as well as having ultimate responsibility for implementing the Company’s corporate governance arrangements. The following summary sets out how the Company applies the key governance principles set out in the QCA Code.

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

The Artisanal Spirits Company plc’s core business is its principal operating subsidiary, The Scotch Malt Whisky Society Limited (“SMWS”), which trades under the Company’s flagship brand, The Scotch Malt Whisky Society. SMWS is the leading curator and provider of premium single cask Scotch malt whisky and other spirits for sale primarily online to a discerning global membership. SMWS is united and constant in its passion – to share the best whiskies, to bring them to life through memorable experiences, and to make members proud to belong to the world’s most entertaining whisky club.

The Company’s growth strategy and business model are based on five key pillars:

- Whisky – Creating and selling outstanding limited-edition whisky.
- Membership – A global community of whisky adventurers.
- Experiences – Delivering the world’s best whisky experiences.
- New Brands and Audiences – Creating a premium global spirits business.
- People – Recruit, retain and train the best.

The Principal Risks in the Company’s annual report detail the key challenges and risks to the Company, including those in relation to the execution of the Company’s business model and strategy.

Commentary regarding how the Board intends to address the key challenges in the execution of the Company’s business model and strategy are contained in the Company’s annual reports.

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

The Board is committed to providing shareholders with clear and transparent information on the Company’s financial position and strategy, and believes that mutual trust between shareholders and the Board is essential for a well-governed company to achieve its business objectives. The Board considers the following items to be key in managing shareholders’ expectations and understanding of the Company and how it is delivering its strategy:

- Latest investor presentations;
- Latest developments with respect to execution on the Company’s strategy, trading and financial position;
- All annual and half-yearly audited financial statements;
- All notifications made via a Regulatory Information Service; and
- Results and details of all resolutions voted on at the latest Annual General Meeting

The Non-Executive Chair, Chief Executive Officer and Chief Financial Officer aim to communicate with shareholders, both private and institutional, on a regular basis and are primarily responsible for shareholder liaison. Investor views are formally reported back to the Board. Contact details for shareholder communication can be found in the investor relations section of the Company’s website. The Board as a whole regularly reviews the success of shareholder engagement and takes appropriate steps to improve engagement based on shareholder feedback.

The Board encourages all shareholders to attend its Annual General Meeting and understands its importance in allowing shareholders to have open and direct dialogue with the management of the Company. Shareholders

are given opportunities to ask questions during the Annual General Meeting or to speak informally with the Board immediately following the Annual General Meeting. Where the voting decisions at a general meeting are not in line with the Company's expectations, the Board will engage with those shareholders to understand and address any issues.

The Board believes that the current methods of communication are sufficient in order to ensure shareholders' needs and expectations are met.

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

The Board is committed to maintaining open and honest relations with all of its stakeholders, both internal and external. The Board's familiarity with the industry in which the Company operates, coupled with the considerable operating history of SMWS, enables the Board to clearly identify key stakeholders on which the Company's business relies, which includes employees, members and distilleries.

SMWS' subscription-based membership model is at the heart of the Company's unique market position. There are now approximately 39,000 members of The Scotch Malt Whisky Society across the globe, reflecting its loyal and growing membership base. The Company's management team welcomes feedback from SWMS members through a variety of channels and recognises the member retention rates to be a strong indication of feedback from members.

The Company also recognises its suppliers as key stakeholders, and to ensure ongoing security of supply, the Company has developed long-term relationships with a large number and a wide variety of distilleries, which range from large scale producers to new market entrants. The Company endeavours to take account of feedback received from distilleries, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Company's longer-term strategy.

Further, members of the Board and senior management meet regularly with certain of the Company's operational employees, such as individual SMWS venue managers, to allow for any key feedback to be obtained and reviewed.

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

The Board is responsible for determining the nature and extent of significant risks that may have an impact on the Company's operations, and for maintaining a risk management framework. Whilst a review of risk management is a scheduled item on the annual calendar of Board agenda items, risks and opportunities are continually considered when the Board is making decisions about the business and strategy of the Company.

The Board has carried out a robust assessment of the principal risks and uncertainties affecting the Company's business, considered how these could affect operations, performance and solvency and what mitigating actions, if any, can be taken. Following this, the Company has prepared a risk inventory, which cross refers to the associated control procedures in place as well as other mitigation measures. Further details on the Company's identified risks are contained in the Company's annual report.

The Audit Committee assists the Board in the risk management process by reviewing the risk inventory as well as the effectiveness of the internal control and risk management system, which is considered at least annually in advance of the annual audit. Risks and opportunities related to Environmental, Social and Governance (ESG) matters are considered as part of the risk management process.

Commentary regarding the Board's risk management and related control systems is contained in the Company's annual reports which are available on the Company's website.

**Principle 5: Maintain the board as a well-functioning, balanced team led by the Chair**

The Directors have a collective responsibility to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and

approach to, corporate governance lies with the Chair, who leads the Board in all matters related to corporate governance.

The QCA Code recommends at least two members of the Board should be non-executive Directors determined by the Board to be independent. The Board comprises six non-executive and two executive directors. With the exception of Paul Skipworth and Mark Bedingham, the Board considers all of the other non-executive Directors, being Mark Hunter, Helen Page, Lesley Jackson and Gavin Hewitt, to be independent (notwithstanding their respective shareholdings in the Company) and, as such, the Company complies with the requirements of the QCA Code.

The Board considers that its current composition and structure is appropriate to maintain effective oversight of the Company's activities. As the Company advances, the Board will review its structure on at least an annual basis in order to maintain an appropriate corporate governance environment and independent oversight.

The Board is updated regularly on the operations of the Company by the Chief Executive Officer. Relevant information is circulated to the Board prior to Board and committee meetings. The Company Secretary is directly accessible by all the other Board members, who are also able to take independent professional advice, if needed, in order to perform their duties. Such advice would be taken at the Company's expense. In addition, all Directors have access to independent professional advice in the furtherance of their duties, at the Company's expense.

The Board currently meets on a monthly basis, either in person or by telephone. Prior to each Board meeting, the Board and its Committees receive relevant and timely information to be addressed at each meeting, together with a formal meeting agenda. Additional Board meetings may be called as needed, if specific matters need to be considered.

The Board is assisted in its duties by the Audit Committee, Remuneration Committee and Nominations and Governance Committee. Further information on the Board Committees can be found in paragraph 17 of Part I of the Company's Admission Document and in the annual report.

The Board is satisfied that the Chair and all the Directors are able to commit the time necessary to fulfil their respective roles.

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

A profile of each Director is provided on the Company's website <https://www.artisanal-spirits.com/the-team/#the-board>. The Board deems that each of the Directors has the experience and knowledge to constructively challenge the strategy and to scrutinise performance.

The Directors have received briefings from the Company's Nominated Adviser and legal advisers with respect to their obligations under the AIM Rules for Companies and the UK Market Abuse Regulations. The Board continues to monitor the need for further briefings as required.

The Nominations and Governance Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary on an ongoing basis.

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

The performance and effectiveness of the Board, its committees and the individual Directors and any division of responsibilities are evaluated on an annual basis. The performance evaluation includes an assessment of each Board member's continued independence (or otherwise).

The Board actively monitors the performance of the executive directors who in turn have responsibility for assessing and monitoring the suitability of the Executive Team members for their roles. In reviewing each

executive director's performance, the Board considers, *inter alia*, the level of achievement of their objectives, and undertakes an assessment of their overall contribution to the performance of the Company. The Nominations and Governance Committee are responsible for reviewing, on an annual basis, the time commitment of non-executive directors, the re-appointment of non-executive directors having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required, as well as assessing their continued independence if applicable.

Succession planning is the responsibility of the Nominations and Governance Committee and is reviewed on an annual basis. When considering succession planning and new appointments to the Board, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the Company.

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

The Board promotes a corporate culture that is based on sound ethical principles and behaviours.

The Audit Committee and Nominations and Governance Committee help ensure that the ethical and compliance commitments of management and employees are understood and adhered to throughout the Company.

The Company's culture and ethical values are communicated through the Employee Handbook which is provided to all new employees as part of their induction and includes an anti-bribery policy and whistle blowing policy amongst others. Any fundamental breach of the Employee Handbook is reported to the Board.

In compliance with the QCA Code, an update in respect of the Company's culture is provided in the corporate governance statement in the Company's annual report.

The Company is a member of the Scotch Whisky Association ("SWA"), and the Board is committed to the SWA's "Sustainability Strategy". The Sustainability Strategy is working to ensure that the Scotch whisky industry achieves its goal of net zero emissions by 2040, five years in advance of the Scottish government's "Net Zero" target. The Company has established an approach to Environmental, Social and Governance (ESG) matters which is embedded in its day-to-day operations and reflects its culture. The Company is committed to providing clear reporting on sustainability to shareholders and other interested stakeholders in its annual reports.

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

The roles and responsibilities of the Directors and the Board Committees are included on the Company's website at: <https://www.artisanal-spirits.com/investor-information/corporate-governance/>.

The Board meets formally on a regular schedule. The Company has compiled a formal schedule of "Matters Reserved for the Board" which covers matters relating to:

- The Company's strategy and management
- Structure and share capital
- Financial reporting, internal controls and risk management
- Significant contracts
- Communication with shareholders
- Board composition

The Board has delegated specific responsibilities to the Audit Committee, Nominations and Governance Committee and Remuneration Committee. Each committee reports to the Board and has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference are kept under regular review to ensure that they remain appropriate and to reflect any changes in legislation, regulation or best practice.

The appropriateness of the Board's structures and processes is reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Non-Executive Chair.

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

The Board is committed to maintaining effective and regular dialogue with its shareholders and stakeholders.

The Company communicates its performance and progress throughout the year by publishing announcements via a Regulatory Information Service, in its annual report, interim results and any other updates as necessary.

The Company's website is maintained to ensure it is up to date and informative.

This Corporate Governance Statement was last reviewed on 13 December 2023.