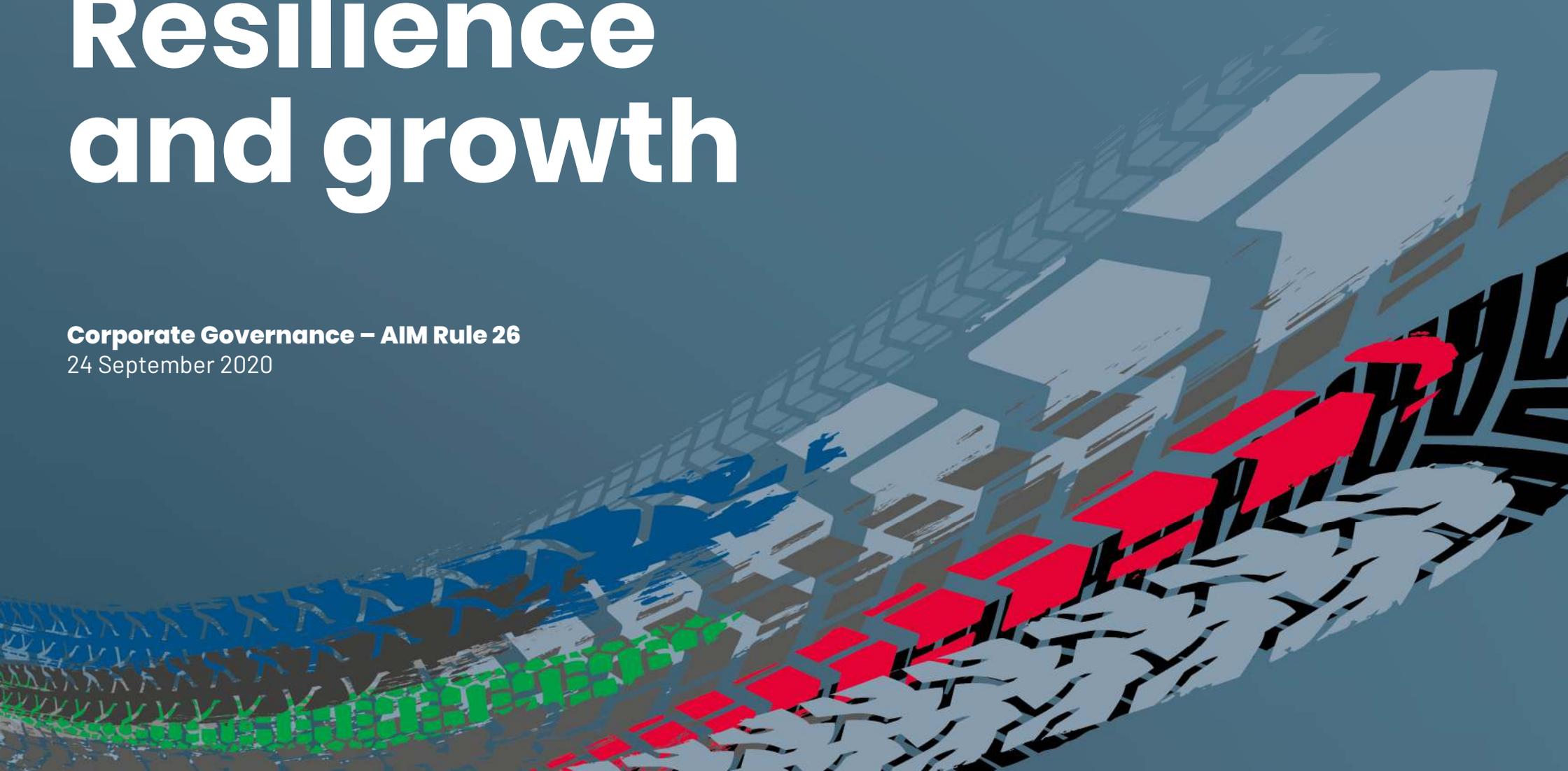




Resilience and growth

Corporate Governance – AIM Rule 26

24 September 2020





Dear shareholder

The Board has adopted the QCA Code and continues to follow the ten principles as set out below. NWF recognises the importance of good corporate governance and in many areas goes beyond the principles of the QCA Code as it continues to develop and maintain our governance standards.

The QCA Code is built on the three fundamentals of delivering growth; maintaining a dynamic management framework; and building trust, each of which the Board is committed to, as it believes these will support the Company's medium to long-term success. The ten QCA principles are:

DELIVER GROWTH

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| 1 | Establish a strategy and business model which promote long-term value for shareholders |
| 2 | Seek to understand and meet shareholder needs and expectations |
| 3 | Take into account wider stakeholder and social responsibilities and their implications for long-term success |
| 4 | Embed effective risk management, considering both opportunities and threats, throughout the organisation |

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

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| 5 | Maintain the Board as a well-functioning, balanced team led by the chair |
| 6 | Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities |
| 7 | Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement |
| 8 | Promote a corporate culture that is based on ethical values and behaviours |
| 9 | Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board |

BUILD TRUST

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| 10 | Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders |
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In my role as Chair, I am responsible for the Board including its effective leadership and composition, assessing and improving its performance, and leading the Company's corporate governance culture. The corporate governance culture will be measured against the QCA Code fundamentals and regularly reviewed with developments and changes communicated to shareholders.

In the disclosure that follows we share details of our current governance structures and practices including where and why we differ from any of the expectations set by the QCA Code.

The Company continues to comply with the QCA Code but given the Group's size and plans for the future, it also endeavours to have regard to the provisions of the UK Corporate Governance Code to the extent that that we believe is appropriate. As an example of how we have supplemented the QCA Code with provisions of the UK Corporate Governance Code, we now have each and every Director on the Board be annually re-elected and have implemented an independence policy that Non-Executive Directors are not able to serve for more than nine years.

To see how the Company addresses the key governance principles defined in the QCA Code please refer to the disclosure below.

Further information on our compliance with the QCA Code will be provided in our next annual report and on our website.

Philip Acton
Chair
24 September 2020

DELIVER GROWTH

	Principle	Application	NWF approach
1	Establish a strategy and business model which promote long-term value for shareholders.	The Board must be able to express a shared view of the Company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.	<p>The Group’s business model and strategy is set out in the Annual Report and Accounts 2020 on pages 14 to 15 and on the Business Model page of our website.</p> <p>The challenges, including the principal risks and uncertainties affecting our businesses and which may prevent the Group from delivering its strategy, are explained in the Annual Report and Accounts 2020 on pages 20 and 21.</p>

DELIVER GROWTH CONTINUED

	Principle	Application	NWF approach
2	Seek to understand and meet shareholder needs and expectations.	<p>Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.</p> <p>The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>Whilst the Company has a diverse range of shareholders, they can be broadly categorised as follows:</p> <ol style="list-style-type: none"> 1. Three independent pension funds registered in Iceland (each holding c. 5% of the issued share capital) as set out on page 41 of the Annual Report and Accounts 2020; 2. Other institutional investors; 3. Private individuals; and 4. Employees and ex-employees <p>The Board continuously seeks to engage with and understand shareholders' views and meet their needs and expectations.</p> <p>The Board has a proactive approach to shareholders liaison, led by the Chief Executive, and feedback is provided regularly to the Board. This approach includes our AGM (where votes in favour are consistently over 75%), open days, bi-annual investor roadshows and annual meetings with significant shareholders.</p>

DELIVER GROWTH CONTINUED

	Principle	Application	NWF approach
3	<p>Take into account wider stakeholder and social responsibilities and their implications for long-term success.</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the Company’s stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the Company’s impact on society, the communities within which it operates or the environment have the potential to affect the Company’s ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Company’s strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Group creates value through a focus on shareholders, customers, suppliers, employees and the local community.</p> <p>Investor feedback is sought after each final and half-year results announcement and the AGM offers a good opportunity for all shareholders to express their views directly to the Board. This feedback has resulted in changes to investor presentations. The Board receives an annual corporate governance review from the Nominated Advisor.</p> <p>Feedback from customers is regularly obtained through account managers and sales representatives, surveys and service metrics. Feedback from suppliers is regularly obtained through relationships with both account managers and senior management. Employee feedback is obtained in a number of ways including team meetings and forums across the Group’s divisions.</p> <p>The Business Model page of our website, (which is also presented on pages 14 and 15 of the Annual Report and Accounts 2020) sets out how these relationships shape the focus of the Group.</p>

DELIVER GROWTH CONTINUED

	Principle	Application	NWF approach
4	<p>Embed effective risk management, considering both opportunities and threats, throughout the organisation.</p>	<p>The Board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the Company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the Company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>An explanation of the Group's strategy is set out in the Annual Report and Accounts 2020 on pages 14 to 15 including a risk analysis on pages 20 and 21.</p> <p>The annual report from the Audit Committee, which discusses internal control and risk management, is set out in the Annual Report and Accounts 2020 on pages 35 and 36.</p> <p>Divisional management teams produce detailed monthly financial and commercial reports for the Board. Divisional management meetings are held monthly and are attended by the Executive Directors, where existing and potential risks to the business and their management are reviewed.</p> <p>A rolling programme of risk and controls testing is undertaken across the Group with a focus on various key areas of risk identified. This programme is undertaken through a combination of internal and external resource. A cyber workshop was held in the year with a crisis management workshop concentrating on Wardle is planned for later in the year.</p> <p>The risks faced by the Group are formally documented in risk registers which are discussed at the bi-annual Audit Committee meetings.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

	Principle	Application	NWF approach
5	<p>Maintain the Board as a well-functioning, balanced team led by the chair.</p>	<p>The Board members have a collective responsibility and legal obligation 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 of the Board.</p> <p>The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The Board should have an appropriate balance between executive and non-executive Directors and should have at least two independent non-executive Directors. Independence is a Board judgement.</p> <p>The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>The Board currently comprises two Executive and three Non-Executive Directors. The names of the Directors together with their roles and biographical details are set out in the Annual Report and Accounts 2020 on pages 26 to 27.</p> <p>The roles of Chair and Chief Executive are separated, clearly understood and have been agreed by the Board. The Chair is responsible for the Board. The Chief Executive is responsible for the operating performance of the Group. A formal schedule of matters requiring Group Board approval is maintained and regularly reviewed, covering such areas as Group strategy, approval of budgets, financials results, board appointments and dividend policy, which is available to view here.</p> <p>The Board normally meets once a month with additional meetings which are called when required. Comprehensive briefing papers are sent to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.</p> <p>The Board has approved an Independence Policy which ensures that no Director is able to sit on the Board for more than 9 years mirroring the UK Corporate Governance Code.</p> <p>Non-Executive Directors time commitment is reviewed to ensure it is sufficient to fulfil their roles.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

	Principle	Application	NWF approach
5	<p>Maintain the Board as a well-functioning, balanced team led by the chair.</p> <p>continued</p>	<p>The Board members have a collective responsibility and legal obligation 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 of the Board.</p> <p>The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The Board should have an appropriate balance between executive and non-executive Directors and should have at least two independent non-executive Directors. Independence is a Board judgement.</p> <p>The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>Due to the infrequency of senior appointments, the Board does not maintain a standing Nomination Committee but forms one when required. The current Chief Executive's and Group Finance Director's appointments were approved by the Board, after receiving a recommendation from a Committee of the Board, consisting of Non-Executive Directors, that was formed specifically for that purpose. The Committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants. The Terms of Reference for the Audit, Remuneration and Disclosure Committees can be found here.</p> <p>The Board annually conducts an appraisal of its own performance and that of each Director consisting of individual assessments using prescribed questionnaires that are completed by all Directors. The results are reviewed, and individual feedback is given, by the Senior Independent Non-Executive Director in respect of the assessment of the Chair, and by the Chair in respect of assessments of each of the other Directors and of the Board as a whole. This has now been expanded to include appraisals of the Audit and Remuneration Committees.</p> <p>The service contracts of Executive Directors require one years' notice or less.</p> <p>Attendance of Directors at meetings is set out in the Annual Report and Accounts 2020 on page 31.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

	Principle	Application	NWF approach
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	<p>The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.</p>	<p>The biographical details of the Directors, including their skills and experience, are set out in the Annual Report and Accounts 2020 on pages 26 and 27. The biographical details of the senior Group management team are set out on page 28.</p> <p>The Board is satisfied that it has an appropriate mix of personal qualities and capabilities and is not dominated by one person or a group of people.</p> <p>The Board and the committees to the Board are supported by external advisors on a regular basis.</p> <p>All Directors are subject to re-election each year and the service agreements for Non-Executive Directors are renewed annually.</p> <p>A record of education and training the Directors have undertaken has been created. This will help to track and ensure the Directors are all keeping up to date with the latest experience, skills and capabilities.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

	Principle	Application	NWF approach
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	<p>The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.</p>	<p>The Board conducts an annual appraisal of its own performance and that of each Executive Director. External facilitation has not been used to date but does include an external view from the Company's Nominated Advisor.</p> <p>The Board has agreed to use an evaluation tool going forward and conducted its first review in February 2020. This was successfully undertaken with some recommendations which will be implemented. The evaluation tool will be further utilised to include the workforce in due course.</p> <p>Individual feedback is given by the Chair to the Board and to the Chair by the Senior Independent Non-Executive Director. There is a dedicated Board session for feedback.</p> <p>The Board sets annual objectives for the Executive Directors, reviews and approves annual objectives for the senior Group management team and measures performance against them.</p> <p>The Group continuously monitors succession planning, assessing the structure of the Board and its performance to ensure appropriate development and mentoring needs are identified.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

	Principle	Application	NWF approach
8	<p>Promote a corporate culture that is based on ethical values and behaviours.</p>	<p>The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the Board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company.</p>	<p>The Business Model page of our website, (which is also presented on pages 14 and 15 of the Annual Report and Accounts 2020) sets out the values of the Group.</p> <p>Our values are centred around our customers, employees, community and shareholders. Our values are upheld through policies and corporate discipline with regular employee engagement, customer and shareholder feedback used to confirm that these behaviours are recognised and respected.</p> <p>The Group seeks to provide excellent customer service to its 120,000 customers, develop its workforce, creating new jobs each year, and has a progressive dividend policy rewarding shareholders over the long term.</p> <p>Excellent customer service underpins each of the divisions, providing a competitive advantage.</p> <p>The Group is striving to continue this excellent customer service with the creation of the Academy in Agriculture to train the future generation of nutritionists.</p> <p>The Group embraces an equal opportunities culture, from new starters to internal promotions, and supports continuous professional development.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

	Principle	Application	NWF approach
9	<p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.</p>	<p>The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.</p>	<p>The Governance section of our website and the Corporate Governance Statement in the Annual Report and Accounts 2020 on pages 29 to 33 sets out the governance structure for the Group.</p> <p>The Chairman is responsible for the Board including its effective leadership and composition, assessing and improving its performance, and leading the Company's corporate governance culture.</p> <p>The Audit Committee and Remuneration Committee reports are set out in the Annual Report and Accounts 2020 on pages 29 to 34.</p> <p>Terms of reference and a schedule of matters reserved for the Board can be found in the Governance section of our website.</p> <p>The Board is satisfied the current structure is appropriate and it continuously reviews the governance framework in line with the Group's plans for growth.</p>

BUILD TRUST

	Principle	Application	NWF approach
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.</p> <p>In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> the communication of shareholders' views to the Board; and the shareholders' understanding of the unique circumstances and constraints faced by the Company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>The Governance section of our website and the Corporate Governance Statement in the Annual Report and Accounts 2020 on page 32 sets out the governance structure for the Group. The Audit Committee and Remuneration Committee reports are set out on pages 35 to 39.</p> <p>The Chair and Non-Executive Directors will always make themselves available to meet with shareholders. Each AGM is a particular opportunity for this. Normal relationships with shareholders are maintained by the Executive Directors, who brief the Board on shareholder issues and who relay the views of the Group's advisors to the Board.</p> <p>The Board believes that the disclosures set out in the Annual Report and Accounts 2020 on pages 1 to 25 provide the information necessary for shareholders to assess the Company's performance, business model and strategy.</p> <p>In addition, Peel Hunt, in its capacity as the Company's nominated advisor and broker, is engaged to liaise with investors and report back to the Board. Going forward, it will provide an external viewpoint of the Company to the Board with any recommendations it may have to help assist communication.</p>

BUILD TRUST CONTINUED

	Principle	Application	NWF approach
10	<p>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p> <p>continued</p>	<p>A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.</p> <p>In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders' views to the Board; and • the shareholders' understanding of the unique circumstances and constraints faced by the Company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>Shareholders views are also received during the AGM through the opportunity to ask questions of the Board and less formally after the AGM.</p> <p>The Investors section of our website includes historical annual reports, notices of AGMs and voting history (where there have been no significant votes against) for a minimum of five years.</p>



NWF GROUP PLC

