

## **Colefax Group Plc**

### **Chairman's Corporate Governance Statement**

Colefax Group Plc ("Colefax" or "the Group") was originally listed on the main market of the London Stock Exchange in July 1988 and moved from the Official List to AIM in August 2004.

In March 2018, the Stock Exchange introduced a new rule for AIM companies requiring them to adopt a recognised corporate governance code and publish details on their website of how they comply with the code and explain why the Group departs from any areas of the code. After consideration the Board of Colefax Group Plc decided to adopt the QCA Corporate Governance Code as the code is considered best suited to the size and scope of the Group's activities. The QCA code was formally adopted by the Board on 13 September 2018. The QCA code is based on ten corporate governance principles and the table below sets out how the Group applies these ten principles and explains any instances where the Group does not currently comply with recommended best practice.

The Group Board comprises one independent non-executive director and four executive directors each with specific skills and experience relevant to the needs of the Group. Currently I act as Chairman and Chief Executive. The decision not to split these two roles at the present time and the fact that we have only one independent non-executive director is due to the fact that we are a relatively small Group with a business strategy focussed on one primary activity, namely the design and distribution of luxury fabrics and wallpapers. In addition the Group is run in a relatively conservative manner with a primary emphasis on organic growth, cash generation and share buybacks. The Board has an Audit Committee and a Remuneration Committee but does not have a Nomination Committee and this function is fulfilled by the whole board. The composition and functioning of the Board is regularly discussed including succession planning and will evolve according to the strategy, size and complexity of the business

As Chairman it is my responsibility to ensure that the highest possible standards of corporate governance are embraced throughout the Group and embedded in our culture, values and behaviour. As well as protecting the interests of our shareholders this commitment extends to all our stakeholders including our customers, suppliers and staff. At all times we seek to run the business in an open, honest and fair way with the highest standards of integrity in our behaviour and decision making.

**David Green**

Chairman

*First published on 26 September 2018 and last updated on 2 August 2021*

## QCA Corporate Governance Principles

<b>DELIVER GROWTH</b>		
	<b>Principle</b>	<b>Application and Disclosure</b>
1	Establish a strategy and business model which promote long-term value for shareholders	The core strategy and business model of the Group is the design and distribution of luxury furnishing fabrics and wallpapers sold through a portfolio of international brands. Full details are given on pages 4-9 of our 2020 Annual Report. The Group is interested to grow its portfolio of brands both organically and by acquisition. In the absence of suitable acquisition opportunities the Group strategy is to return surplus cash to shareholders via share buybacks.
2	Seek to understand and meet shareholder needs and expectations	David Green (Chairman and Chief Executive) and Robert Barker (Finance Director) are the Directors primarily responsible for communication with shareholders and potential shareholders. Meetings with major shareholders and analysts are held after our annual and interim results announcements. The Annual Report, AGM and Group website (colefaxgroupplc.com) are the main methods used to communicate with private investors. The Group has a small shareholder base and so individual communication with shareholders is welcomed and encouraged.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group's key stakeholders are its shareholders, customers, suppliers and staff. The Board recognises that the Group's long term success is closely correlated with strong positive relationships with all stakeholders and critically no one group is favoured over any other group. This is primarily achieved by promoting an open, honest and fair culture throughout the business and having policies which promote and encourage a mutually high level of confidence, loyalty and integrity in all our interactions with stakeholders. Examples of policies include outstanding service objectives for customers, prompt payment terms for suppliers and fair incentive and reward systems for staff. All meetings with stakeholders, both formal and informal, are used to obtain feedback on opportunities for improvement.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Group adopts a conservative approach to risk particularly with regard to potential acquisitions. For each business unit risks are ranked according to their potential financial impact and probability. Controls have been put in place to monitor and manage the principal risks facing the Group. These are set out on page 8 of the Annual Report. The risks and the effectiveness of the key controls are monitored through a Group Risk Assessment

		Report which is presented bi-annually to the Audit Committee.
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<b>MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK</b>		
	<b>Principle</b>	<b>Application and Disclosure</b>
5	Maintain the board as a well-functioning, balanced team led by the chair	The Board works as a team and is collectively responsible for the vision and strategy of the Group. It has a Schedule of Matters reserved for its specific approval. The Board comprises one non-executive director and four full time executive directors each with specific skills relevant to the business. David Green currently serves as both Chairman and Chief Executive of the Group and Alan Smith is the sole independent non-executive Director. The Group does not currently comply with the QCA requirement for two independent non-executive directors. At the present time the combined Chairman and Chief Executive role together with one independent non-executive director is considered to be the right balance for the Group based on its size and complexity and the fact that the Group's strategy is currently based on one core business activity and a conservative approach to risk. Alan Smith has served on the Board since 1994 but is still considered independent as he has not worked directly in the business and does not have a substantial shareholding. He brings extensive knowledge and expertise to the Board from his wide range of business experience and this is considered a major asset to the Group. The Board meets at least five times per year. There is a separate Audit Committee comprising Alan Smith (committee chairman) and Robert Barker which meets twice per year and a Remuneration Committee comprising Alan Smith (committee chairman) and David Green which meets once per year. There is no Nomination Committee and this function is fulfilled by the whole Board.
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The composition of the Board is designed to achieve a healthy balance between the critical needs of the business covering strategy, leadership, creativity, product, sales marketing, finance and operations. Biographical information on each Director including their core skills and responsibilities is contained under the AIM Rule 26 Information on the Group's website (cofaxgroupplc.com) and in the Directors Report section of the Annual Report
7	Evaluate board performance based on clear and relevant objectives, seeking	The effectiveness of the board and individual Director performances are evaluated annually according to the collective and individual

	continuous improvement	achievement of key financial targets and strategic objectives. A more in depth evaluation of Board performance was conducted in May 2021 in respect of the year ended April 30 2021. This used questionnaires and follow up discussions to assess a range of topics covering Board information, Board composition, Board accountability and standards of conduct . Overall it was concluded that the Board and its committees were working effectively. The composition of the Board has been stable for many years and whilst no Board member is considered indispensable the specialist nature of the business means that the accumulated skills and industry experience of the Board is seen as an asset. Three of the four Executive Directors of the Group were internal promotions. Given the age and experience of the current board succession planning for Directors and senior management positions is regularly discussed at Board Meetings in order to identify potential candidates for succession
8	Promote a corporate culture that is based on ethical values and behaviours	The Group seeks to promote the highest possible standards of ethical behaviour based around open and honest communication, the fair treatment of all stakeholders and the highest levels of integrity in all decision making. Directors and Managers are seen as the key influencers of culture and are supported by clear policies and guidelines where relevant. Our objective is to create a fair, rewarding and enjoyable working environment for staff at all levels and foster a passion for designing outstanding products and delivering outstanding customer service. This is primarily achieved through regular formal an informal meetings to share information with staff and gather feedback on areas for improvement
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Board believes that its governance structures are appropriate for the size complexity and risk appetite of the Group. In his role as Chairman and Chief Executive, David Green has overall responsibility for corporate governance and is supported by the Finance Director Robert Barker. David Green is responsible for the effective working of the Board, its individual Directors and its committees. As the sole independent non-executive Director and Chairman of the Audit and Remuneration Committees Alan Smith ensures that all key strategic and financial decisions are robustly discussed and debated and that no Director has unfettered influence. The Group Board has a schedule of matters specifically reserved for its approval including the annual Group budget, major capital expenditure projects, acquisitions, capital raising and senior appointments. The Audit Committee meets bi-annually and is responsible for overseeing the accuracy and integrity of the Group's published financial results as well as

		reviewing the principal risks facing the business and the effectiveness of its internal controls. The Remuneration Committee meets annually and is responsible for setting the remuneration of the Executive Directors.
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<b>BUILD TRUST</b>		
	<b>Principle</b>	<b>Application and Disclosure</b>
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group uses a variety of methods to communicate its governance and performance to key stakeholders. Key stakeholders comprise shareholders, customers, suppliers and staff. The main methods of communication include the Annual and Interim Report, the Group website, the AGM and Regulatory News Service announcements. Face to face meetings with major shareholders take place after the Groups interim and final results announcements.