

QCA Corporate Governance Principles

DELIVER GROWTH		
	Principle	Application and Disclosure
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 4-7 of our 2018 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 where 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 loyalty and integrity in all our interactions with stakeholders. Examples of policies include health and safety, service objectives, payment terms and incentive and reward systems. 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 principal risks and uncertainties facing the Group are set out on page 7 of the Annual Report. Risks are ranked according to their potential financial impact and probability. Controls have been put in place to monitor and manage the principal risks. 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.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

	Principle	Application and Disclosure
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. Alan Smith has served on the Board since 1994 but is still considered independent as he has not worked directly in the business. He brings extensive knowledge and expertise to the Board from his wide range of business experience particularly in retail and product based businesses and this is considered a major asset to the Group. The Board meets at least four times per year excluding the AGM. 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. Attendance at Board and Committee meetings is not currently published in the Annual Report as required by the QCA code but non attendance is extremely rare. 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	Biographical information on each Director is contained under the AIM Rule 26 Information on the Group's website (colefaxgroupplc.com). This information and disclosures required by the QCA Code relating to skills, experience and personal qualities are not currently shown in the Annual Report and will be added from 2019.
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Historically the effectiveness of the board and individual Director performances have been evaluated annually according to the collective and individual achievement of key financial targets and strategic objectives. In accordance with the QCA Code an overview of the evaluation process and its results will in future be included in the Annual

		<p>Report. 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. Succession planning for Directors and senior management positions is regularly discussed at Board Meetings in order to identify and develop potential candidates.</p>
8	Promote a corporate culture that is based on ethical values and behaviours	<p>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. We believe that we do have a unique and valuable culture at Colefax Group based around honesty, openness and fairness combined with a passion for designing outstanding products and delivering outstanding customer service.</p>
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>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 Groups 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.</p>

BUILD TRUST

	Principle	Application and Disclosure
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.