

## Focusrite plc (*Focusrite* or the *Company*)

### **Chairman's Corporate Governance Statement 2018**

This Statement is issued in compliance with Rule 26 of the AIM Rules.

Strong corporate governance has a key role in promoting the Focusrite group's (the **Group**) success. Focusrite is a global music and audio products group that develops and markets proprietary hardware and software products used by audio professionals and amateur musicians alike. The way the business is run therefore plays a significant part in meeting the Company's commitments, both to the customers who buy its products and other key stakeholders. The Company has a long history of successful delivery and wishes this to continue.

The board of directors of Focusrite (the **Board**) recognises the importance of sound corporate governance and has adopted the QCA Corporate Governance Code 2018 (the **Code**). The current status of the governance structures and practices were set out in our Report and Accounts for the year ended 31 August 2017. We have continued to develop those structures and practices during 2018.

The Code was developed by the Quoted Companies Alliance in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Board anticipates that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will transition to comply with the provisions of the UK Corporate Governance Code this year. To see how the Company addresses the key governance principles defined in the Code please refer to the below table. Further information on compliance with the UK Corporate Governance Code will be provided in our next annual report.

### **THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE**

#### **DELIVER GROWTH**

	<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
1	<b>Establish a strategy and business model which promote long-term value for shareholders</b>	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 Company's strategy for growth is explained fully within our Strategic Report section on pages 12 and 13 of our Report and Accounts for the year ended 31 August 2017.</p> <p>Our strategy comprises three fundamental goals: grow our core customer base; increase the lifetime value of our customers; and expand into new markets through the continued innovation, disruption and expansion of our product portfolio.</p> <p>The key challenges to the business and how these are mitigated are detailed on pages 24 and 25 of our Report and Accounts for the year ended 31 August 2017.</p>

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2	<b>Seek to understand and meet shareholder needs and expectations</b>	<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>Copies of our notices of AGMs, annual and interim reports are sent to all shareholders and copies can be downloaded from the investors section of <a href="http://www.focusriteplc.com">www.focusriteplc.com</a>. Alternatively, they are available on request by writing to the company secretary at Windsor House, Turnpike Road, High Wycombe HP12 3FX. Other information for shareholders (and other interested parties) is also provided on the website, including the annual and interim results presentations to the City.</p> <p>The Board supports the use of the AGM to communicate, in particular, with private investors. The Company also has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations to the City. Additional meetings with institutional investors and / or analysts are also arranged from time to time. These meetings allow the chief executive officer and the chief financial officer to update shareholders on strategy and the Company's performance. In addition, the non-executive directors are available to meet shareholders if requested.</p>
3	<b>Take into account wider stakeholder and social responsibilities and their implications for long-term success</b>	<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</p>	<p>The Company recognises the positive impact that behaving in a responsible and considerate way with everyone who comes into contact with the Company will have upon the societies we operate in and the musicmaking communities that lie at the heart of our business. Our commitment to act in a responsible and considerate way is detailed at pages 26 and 27 of our Report and Accounts for the year ended 31 August 2017.</p> <p>The Company encourages feedback from customers through trade account managers and engagement with individual customers through customer service teams and social media such as Facebook and Twitter.</p>

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		<p>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>	
4	<b>Embed effective risk management, considering both opportunities and threats, throughout the organisation</b>	<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-customers.</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>Details of risks to the business and how these are mitigated are set out on pages 24, 25 and 34 (section titled Internal control and risk management) of our Report and Accounts for the year ended 31 August 2017.</p> <p>The Board considers risks to the business at every Board meeting and the risk register is updated on a regular basis. The Company formally reviews and documents the principal risks to the business at least annually.</p> <p>Both the Board and senior managers are responsible for reviewing and evaluating risk and the chief executive officer and chief financial officer meet with key stakeholders in the business at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.</p>

**MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

	<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
5	<p><b>Maintain the board as a well-functioning, balanced team led by the chair</b></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 Company is controlled by the Board. Phil Dudderidge, the executive chairman, is responsible for the effectiveness of the Board and Tim Carroll, the chief executive officer, has responsibility for the achievement of the Group's strategic and commercial objectives.</p> <p>All directors receive regular and timely information the Group's operational and financial performance. Relevant information is circulated to the Board in advance of meetings. All directors have direct access to the advice and services of the Company Secretary and General Counsel and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.</p> <p>The Board comprises three executive directors and three non-executive directors. The Board considers that each of the non-executive directors brings an independent judgement to bear notwithstanding the varying lengths of service.</p> <p>The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nomination Committee. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website.</p>

	<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
6	<b>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b>	<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 Nomination Committee of the Board oversees the process and makes recommendations to the Board on all new Board appointments. Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.</p> <p>The Nomination Committee has carried out a formal evaluation of the Board's performance and has taken action in those areas identified as needing attention.</p> <p>Details of the Company's corporate governance strategy are set out at pages 32 – 343 of our Report and Accounts for the year ended 31 August 2017.</p>
7	<b>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</b>	<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</p>	<p>The Nomination Committee has carried out a formal evaluation of the Board's performance and has taken action in those areas identified as needing attention.</p> <p>Appraisals are carried out each year with all executive directors and all continuing directors stand for re-election on an annual basis.</p>

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		boards. No member of the board should become indispensable.	
8	<b>Promote a corporate culture that is based on ethical values and behaviours</b>	<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>Being a premium, customer-focussed, people-led business, we understand that our success depends on everyone working together with respect, loyalty and pride. We need to ensure we exceed customers' expectations by delivering the highest quality equipment at all times and across all levels of the consumer market.</p> <p>Clear statements of behaviour are issued by the Board. A slavery and human trafficking statement is on available (see <a href="http://focusriteplc.com/investors/corporate-governance">http://focusriteplc.com/investors/corporate-governance</a>). The Company also has an anti-bribery policy. Both the statement and policy confirm that the group has a zero-tolerance stance to modern slavery and bribery. The policy is circulated to all employees and attention is drawn to it in our contracting agreements. The Group also has a whistleblowing policy in place. This allows staff to raise any concerns in confidence with the General Counsel.</p> <p>The Corporate Social Responsibility section on pages 26 – 27 of our Report &amp; Accounts for the year ended 31 August 2017 details the Company's ethical values including environmental, social and community and relationships.</p>

	QCA Code Principle	Application (as set out by QCA)	What we do and why
9	<p><b>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</b></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"> <li>• size and complexity; and</li> <li>• capacity, appetite and tolerance for risk.</li> </ul> <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>Phil Dudderidge, as chairman, is responsible for leading an effective Board, fostering a good corporate governance culture and ensuring appropriate strategic focus and direction.</p> <p>The chief executive officer, Tim Carroll, has overall responsibility for proposing the strategic focus to the Board, implementing the strategy once it has been approved and managing the Group's business.</p> <p>All non-executive directors are willing to engage with shareholders.</p> <p>All executive directors continually engage with the group's stakeholders, whether these be shareholders, members of staff, customers, suppliers, regulators, industry bodies and creditors. There is a natural degree of overlap with individual roles and responsibilities touching many areas of the business.</p> <p><u>Roles of committees (e.g. audit, remuneration and nomination committees)</u></p> <p>Audit committee: its primary focus is on corporate reporting (from an external perspective) and on monitoring the Company's internal control and risk management systems (from an internal perspective). Further details on the committee's responsibilities and activities are on page 33 of our Report &amp; Accounts for the year ended 31 August 2017.</p> <p>Remuneration committee: its primary function is to determine, on behalf of the Board, the remuneration packages of the executive directors. Further details on the committee are on page 33 of our Report &amp; Accounts for the year ended 31 August 2017.</p> <p>Nomination committee: it is responsible for reviewing the structure, size and composition of the Board and recommending any changes required. It considers the balance of skills, knowledge and experience on the Board and makes appropriate recommendations for consideration by the whole Board. Other</p>

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			<p>senior appointments are made by the executive directors and senior stakeholders.</p> <p>The terms of reference for the audit, remuneration and nomination committees can be found in the investors section of <a href="http://www.focusriteplc.com">www.focusriteplc.com</a>.</p> <p><u>Matters reserved for the Board</u></p> <p>The Board has a formal written schedule of matters reserved for its review and approval which can be found in the investors section of <a href="http://www.focusriteplc.com">www.focusriteplc.com</a>.</p>

## **BUILD TRUST**

	<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
10	<b>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</b>	<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 structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <p>the communication of shareholders' views to the board; and the shareholders' understanding of the unique circumstances and constraints faced by the company.</p> <p>It should be clear where these communication practices are described</p>	<p>The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Company also has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations to the City. Additional meetings with institutional investors and / or analysts are also arranged from time to time. These meetings allow the chief executive officer and the chief financial officer to update shareholders on strategy and the Company's performance. In addition, the non-executive directors are available to meet shareholders if requested.</p> <p>The Board recognises the AGM as an important opportunity to meet private shareholders. The directors are available to listen to the views of shareholders informally immediately following the AGM and the outcome of all votes at general meetings are published in the regulatory new section of <a href="http://www.focusriteplc.com">www.focusriteplc.com</a>.</p>

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*This disclosure was last reviewed and updated on 27 September 2018*