**TEN PRINCIPLES OF CORPORATE GOVERNANCE COMPLIANCE DIAGNOSTIC**

On 25 April 2018 the Quoted Companies Alliance published a new edition of the QCA Corporate Governance Code (QCA Code). The QCA Code is tailored for small and mid-size quoted companies in the UK and has been adopted by Focusrite.

AIM companies are required to disclose details of a recognised corporate governance code that the board of directors of the AIM company has decided to apply, how the AIM company complies with that code, and where it departs from its chosen corporate governance code as explanation of the reasons for doing so. In order to claim that the QCA Code has been adopted, it is necessary for a company to apply the 10 principles and also publish certain related disclosures as out below. In addition to the disclosures suggested with each principle, the correct application of the QCA code also requires that the chair provides a clear explanation of how the company applies the QCA code (the corporate governance statement). It is recommended that the corporate governance statement is included both in the annual report and on the company’s website. The matrix below allows an assessment against the 10 QCA principles and also the corporate governance statement and should be used to audit compliance and actions needed and consider the AIM rule 26 compliance statement.

This paper has been prepared with reference to the Annual Report and Accounts for the financial year ended 31 August 2023 and the corporate website.

**Date: 30 November 2023 R A G Non-compliance needs action**

**Expected to comply by next ARA**

**Complies**

**DELIVER GROWTH**

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **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. | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Explain the company’s business model and strategy, including key challenges in their execution (and how those will be addressed). | **Y** | The strategic report contained in the FY23 annual report (pages 2-62) sets out Focusrite’s business model and strategy and should be read in conjunction with principal risks and uncertainties section of the annual report. |

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **2** | **Seek to understand and meet shareholder needs and expectations** | Directors must develop a good understanding of the needs and expectations of all elements of the company’s shareholder base.  The board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions. | **WEBSITE DISCLOSURE:**  Explain the ways in which the company seeks to engage with shareholders and how successful this has been. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters. | **Y** | The CEO and CFO have met with investors in person and by means of electronic communications.  Investors have been keen to understand our views on the impact on the market of the current global economic and political challenges and uncertainties, supply chain difficulties and increasing focus on content creation. ESG remained a topic of priority and the Company’s Head of Sustainability has met with Investors when requested.  The Company’s announcements, press releases etc are streamed to its website as a way of communicating with institutional shareholders and private investors. |
| **3** | **Take into account wider stakeholder and social responsibilities and their implications for long-term success** | 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.  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.  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. | **WEBSITE DISCLOSURE:**  Explain how the business model identifies the key resources and relationships on which the business relies. | **Y** | Our key stakeholders are set out on page 59 of the FY23 annual report. |
| Explain how the company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products). | **Y** | Our sustainability report on pages 42 – 59 of the FY23 annual report details the ways in which we received feedback from our stakeholders and the actions we have taken in response to what they say. |

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| **4** | **Embed effective risk management, considering both opportunities and threats, throughout the organisation** | 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.  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). | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective. | **Y** | The principal risks and uncertainties section in the FY23 annual report (page 36 - 41) sets out the Group’s risk management approach. |

**MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **5** | **Maintain the board as a well-functioning, balanced team led by the chair.** | 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.  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.  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.  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.  Directors must commit the time necessary to fulfil their roles. | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained. | **Y** | There is a section in the annual report entitled ‘Independence of Non-executive Directors’ (page 69  of the FY23 annual report). The corporate website states that 3/6 directors are considered to be independent. |
| Describe the time commitment required from directors (including non- executive directors as well as part-time executive directors). | **Y** | The corporate governance report in the FY23 annual report (page 69) confirms that the Non-executive directors are expected to spend sufficient time attending to Board business. |
| Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director. | **Y** | The corporate governance report in the FY23 annual report (page 69) sets out the number of meetings of the board and the attendance record of each director. |

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| **6** | **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities** | 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.  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.  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 | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Identify each director. | **Y** | Details of each director is set out in the FY23 annual report (pages 64-65). |
| Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term. | **Y** | A summary of each director’s experience is set out in the FY23 annual report (pages 64 – 65). See also the board committees section of the corporate governance report in the FY23 annual report (page 57). |
| Explain how each director keeps his/her skillset up-to-date. | **Y** | See page 67 of the FY23 annual report which notes that the Board had undertaken an internal evaluation of its effectiveness. |
| Where the board or any committee has sought external advice on a significant matter, this must be described and explained. | **Y** | n/a |
| Where external advisers to the board or any of its committees have been engaged, explain their role. | **Y** | n/a |
| Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board. | **Y** | David Bezem has held the role of Senior Independent Director since January 2022 and advice is sought from the company secretary as and when needed. |

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **7** | **Evaluate board performance based on clear and relevant objectives, seeking**  **continuous improvement** | The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.  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.  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. | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:** |  |  |
| Include a high-level explanation of the board performance effectiveness process. | **Y** | Derails of the internal board performance evaluation is set out in the corporate governance report of the FY23 annual report (page 67). |
| Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed. | **Y** | Details of the internal board performance evaluation is set out in the corporate governance report of the FY23 annual report (page 67). |
| **WEBSITE DISCLOSURE:**  Include a more detailed description of the board performance evaluation process/cycle adopted by the company. This should include a summary of: | **N** | The Group does not publish the results of any performance evaluation. |
| The criteria against which board, committee, and individual effectiveness is considered; | **N** | See above. |
| How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and | **N** | See above. |
| How often board evaluations take place. | **Y** | Page 67 of the FY23 annual report notes that board evaluations occur every two years with the most recent evaluation taking place in FY22. |
|  |  |  | Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process. | **Y** | There are many references to succession planning in the annual report (see pages 62 and  68). |

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **8** | **Promote a corporate culture that is based on ethical values and behaviours** | 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.  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.  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.  The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company. | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Include in the chair’s corporate governance statement how the culture is consistent with the company’s objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present. | **Y** | There is specific reference to the importance of the Group’s culture in the strategic report (page 20) and in the corporate governance section of the FY23 annual report (pages 52-55). |
| **WEBSITE DISCLOSURE:**  Explain how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected. | **Y** | There are specific pages on the website which set out the Company’s focus on diversity and inclusion and sustainability. These pages have been enhanced over the course of FY23 (pages 55-57). |

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **9** | **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board** | The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:   * size and complexity; and * capacity, appetite and tolerance for risk.   The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company. | **WEBSITE DISCLOSURE:**  In addition to the high level explanation of the application of the QCA Code set out in the chair’s corporate governance statement:  Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups). | **Y** | See corporate governance report (pages 64 – 65). |
| Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration. | **Y** | See corporate governance report (page 68). |
| Describe which matters are reserved for the board. | **Y** | See corporate governance report (page 68). The list is not exhaustive. |
| Describe any plans for evolution of the governance framework in line with the company’s plans for growth. | **Y** | The Group has applied the QCA Code to the extent appropriate to the Company’s size and the board review annually the Group’s compliance with the code. |

**BUILD TRUST**

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|  | **Principle** | **Application** | **Type of Disclosure** | **R A G** | **Comments** |
| **10** | **Communicate how the company is governed and is performing by maintaining a dialogue with shareholders**  **and other relevant stakeholders** | 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.  In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:   * the communication of shareholders’ views to the board; and * the shareholders’ understanding of the unique circumstances and constraints faced by the company.   It should be clear where these communication practices are described (annual report or website). | **ANNUAL REPORT & ACCOUNTS DISCLOSURE:**  Describe the work of any board committees undertaken during the year. | **Y** | Included in the body of the corporate governance report (page 66 of the FY23 annual report). |
| Include an audit committee report (or equivalent report if such committee is not in place). | **Y** | There is a specific audit committee report (page 70 of the FY23 annual report). |
| Include a remuneration committee report (or equivalent report if such committee is not in place). | **Y** | There is a specific remuneration committee report (page 73 of the FY23 report). |
| If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained. |  | Noted. |
| **WEBSITE DISCLOSURE:**  Disclose the outcomes of all votes in a clear and transparent manner. | **Y** | Voting reports are available on the website and the RNS following all meetings of the Company’s shareholders state whether or not the resolutions were passed at the relevant meeting. |
| Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote. |  | Noted. |
| Include historical annual reports and other governance-related material, including notices of all general meetings over the last five years. | **Y** | See website (reports & presentations). |

**CHAIRMAN’S CORPORATE GOVERNANCE STATEMENT**

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|  | **Governance Statement** |  | **Type of Disclosure** | **R A G** | **Comments** |
|  | **The Chair must prepare a corporate governance statement which:** |  | Clearly articulates the chair’s role and demonstrates his/her responsibility for corporate governance; | **Y** | An annual Chairman’s statement is published on the Company’s website. To be updated following publication of the FY23 annual report. See the Corporate Governance Report on page 66 of the FY23 annual report. |
| Explains, at a high level, how the QCA Code is applied by the company and how its application supports the company’s medium to long-term success; | **Y** | See the Corporate Governance Report on page 66 of the FY23 annual report. |
| Explains, in a clear and well-reasoned way, any areas in which the company’s governance structures and practices differ from the expectations set by the QCA Code; and | **Y** | See the Corporate Governance Report on page 66 of the FY23 annual report. The Chairman’s statement published on the Company’s website also explains where our governance structures differ from the QCA Code and will be updated following publication of the FY23 annual report. |
| Identifies any key governance related matters that have occurred during the year, including any significant changes in governance arrangements. | **Y** | See the Corporate Governance Report on page 66 of the FY23 annual report. |