

John Lewis of Hungerford Plc

Statement of Compliance with the QCA Corporate Governance Code.

Acting Chairman's Statement

John Lewis of Hungerford Plc ("JLH") designs, manufactures, retails and installs kitchens, bedrooms, freestanding furniture and architectural components direct to the public from its own showrooms throughout the United Kingdom.

Manufacturing and administration are carried out from a purpose built factory and offices at Wantage, Oxfordshire constructed in 1998.

We have sought to create a transparent and engaging reporting policy, which allows all stakeholders the opportunity to engage directly with senior management on operational and strategic issues.

Complying with the QCA Code allows the business to ensure that its governance framework is rigorous, robust and in the interests of all stakeholders. It helps guide us through effective decision making and business support initiatives to ensure the creation and sustainability of a profitable business.

Kiran Noonan

Acting Chairman

From 28 September 2018, AIM Rule 26 requires AIM companies to adopt a recognised corporate governance code. The JLH Board decided to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code (QCA Code). This statement sets out how JLH currently complies, and does not comply with the QCA Code. We will provide updates, as and when necessary, on our compliance with the QCA Code going forward.

Principle 1: Establish a strategy and business model, which promote long-term value for shareholders.

JLH manufactures and retails high quality kitchens, bedrooms and freestanding furniture. The Board constantly monitors the performance of the various activities within the business throughout the customer journey, from first enquiry, through the sale process, manufacturing and installation. By way of departmental reporting, the Board challenges actions as deemed necessary.

The Board is developing its 5 year strategic plan which is aimed at returning the business to profitability, whilst maintaining a sensible risk profile. This strategy is aimed at improving shareholder value and will be constantly reviewed against specific milestones, market trends and the changing economic climate. The Board is working to develop its strategy to secure consistency in the profitability of the business through a focus on learning and development, improved systems and increased efficiencies in the operating model. A cost rationalisation programme has been instituted, whilst reviews of the brand positioning have led to the creation of new brand collateral, the commissioning of a new website and collaborations with influencers in our market.

Principle 2: Seek to understand and meet shareholder needs and expectations.

JLH has adopted an “open door policy” with regard to communicating with shareholders. The Acting Chairman holds key responsibility for listening to shareholder comments and communications. Formal shareholder presentations as well as the AGM are held annually with the full Board present, however all shareholders are encouraged to communicate on an informal basis either by telephone or electronically. Shareholder presentations continue to be well attended and feedback from shareholders remains positive. Shareholder attendance at the AGM has increased and the Board have welcomed the robust challenge from existing and new shareholders. Presentations and communications by telephone have also been well attended with a number of positive conference calls.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board is acutely aware of its need to grow and maintain strong relationships with its employees, customers, suppliers and shareholders and takes great care in ensuring that wherever possible it listens to their views and provides feedback, regular updates from key stakeholders form part of the monthly departmental Board reports, to discuss feedback and any concerns.

Employees

In the last 12 months, JLH has continued its policy of :

- Undertaking presentations to all employees highlighting the financial results and actions the business has taken to improve the overall operating model
- Conducting sales meetings and leading workshops with the front line team to learn and develop marketing initiatives to improve the sales performance
- Holding regular meetings with Factory and Head Office Staff to develop a culture of continuous improvement.

Suppliers

In the last 12 months, JLH has continued its policy of:

- Conducting meetings with its principal suppliers to update on the needs of the business and consider the implications to our major suppliers.
- Holding all day conferences with our Installation partners to help and assist in generating improvements in communication and install quality.
- Ensuring all of our Installation team are BiKBBI members and DBS checked.

Customers and the Community

In the last 12 months, JLH has continued its policy of:

- Only reviewing retail pricing when supplier pricing pressure has necessitated an increase.
- Reviewing the supply chain to ensure the product offering remains competitive both for current trends and pricing.
- Sponsoring a local children’s football team.

- Supporting local schools and community groups with off cuts of raw materials.
- Offering work experience to local young people.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board together with its Audit and Remuneration Committees oversees all the risk management controls in the business.

Financial Risk.

JLH has recently changed auditors to James Cowper Kreston , a UK top 50 accountancy firm with AIM experience and a strong AIM quoted client base.

JLH is committed to maintaining strong internal financial controls. There is a policy of continuous review and improvement with processes enhanced and updated in response to changes in accounting governance or upgrades in technology, including the accounting systems, improvements in banking resource and increased use of internet options.

The Board reviews and is responsible for:

- Approval of the strategic plan and monitoring of performance against plan.
- Approval of the annual budget including profit and loss account, cash flow, balance sheet and capital spend proposals. Regularly reviewed against monthly performance and prior year results.
- Monthly management accounts and variance reports.
- Approval of significant contracts.
- The Audit Committee reports to the Board with regard to the annual financial statements, accounting policies and the maintenance of sufficient internal controls to ensure that the financial information can be relied upon.

Other Controls

The Board considers it has sufficient internal controls appropriate for the size, complexity and risk profile of JLH. In the last 12 months it has:

- Introduced “lone worker” devices to all new staff that attend client premises alone or are likely to be working alone at any time.
- Upgraded its health and safety policy around the business to ensure compliance with PHE Covid-Secure workplaces.
- Improved safety policies in and around its factory and retail premises to ensure all employees and visitors are required to use the PPE provided to safeguard against Coronavirus.
- Upgraded its Social Media policy to help safeguard employees and the Company.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Acting Chair

The Board currently comprises an Acting Chairman who is also an Executive Director and two Non-Executive Directors. Both of the non-executive directors are considered by the Board to be independent. Currently there is no Senior Independent Director, but it is the intention of the Board to address this in the next 12 months. The Head of Finance also attends all Board meetings in part – to ensure full transparency over all matters of financial and statutory compliance.

The Acting Chairman continuously reviews the composition of the Board and is cognisant of the fact that additional Executive and Non-Executive Directors may need to be added to the Board, as JLH grows. All Directors are encouraged to voice their opinions and use their judgement to actively challenge any matters be they strategic or operational. The Acting Chairman holds one formal appraisal meeting a year with the Non-Executive Directors and informal ad hoc meetings as and when considered necessary. The Board met formally 10 times last year, together with weekly Cash Committee Meetings throughout the Pandemic. Meetings are held either at JLH's Head Office in Wantage or at one of its showrooms. Throughout the lockdown period, meetings have been held online and conducted virtually. All current Board members have 100% attendance, with outgoing Directors within the last year having least 90% attendance in the year.

Remuneration Committee

JLH has a Remuneration Committee, chaired by Alan Charlton also comprises Stephen Huggett and Kiran Noonan (attending in her capacity as Acting Chairman). Any matters relating to remuneration for Directors and Senior Management will always be referred to the Remuneration Committee. Matters relating to the awards across all employees from any Share Schemes and/or Long Term Incentive Plans will also fall to the Remuneration Committee for approval.

Audit Committee

JLH has an Audit Committee which is chaired by Stephen Huggett and comprises Alan Charlton and Kiran Noonan (attending in her capacity as Acting Chairman). It is responsible for ensuring that the financial performance of JLH is properly reported upon and monitored, for meeting the auditors and reviewing the reports of the auditors relating to accounts and internal control systems.

In the year the Board considered and approved, where necessary:

- The budget and strategic plan.
- Capital expenditure plan.
- Reviewed feedback from shareholders following the shareholder presentation, AGM and half year review.
- Internal governance policies and processes.
- Strategic options and opportunities.
- Financial and non-financial controls.

The Board has been made aware of all other businesses that its members are involved with and the Acting Chairman is responsible for ensuring there are no conflicts of interest. Board members are responsible to the Board to ensure they continually keep the Board informed of any changes to their

business involvement. The two Non-Executive Directors each devote at least 25 days a year to JLH; the Executive Director is full time on JLH and has no other business commitments.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Acting Chairman is satisfied that the Board has sufficient up to date relevant experience and the right balance of skills to undertake its duties. In particular the Board has experience in finance, sales, marketing, human resources, manufacturing, retailing, strategy, corporate governance and ecommerce. All Directors receive monthly reports on JLH's operational, sales and financial performance. Reports are circulated to all Directors in advance of the meetings. The business reports monthly on sales, operations and finance and any variances to budget are reviewed and appropriate actions taken as necessary.

Biographies of the directors can be found on the website at the following link: <https://www.johnlewis.co.uk/investors#2>.

The Board currently comprises two male Non-Executive Directors and one female Executive Director. We have a diverse Board and promote inclusivity and diversity across the business. Currently there is no Senior Independent Director, but it is the intention of the Board to address this in the next 12 months.

The Executive Directors' contract is available for inspection, as are the Letters of Appointment for the Non-Executive Directors, at JLH's registered office and at the AGM.

The Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Given its size the Board undertakes an annual self-evaluation, led by the Acting Chairman. This includes a Skills Analysis and a Gap Analysis to understand what skills would add further value to the Board as we look to extend the Board in the future.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board of JLH look to lead by example in terms of looking after the best interests of its staff, customers, suppliers, shareholders and local communities. It is the belief of the Board that by taking this approach the Board encourages best practice amongst its stakeholders particularly the employees. With a diverse Board and team within the business, we work hard to ensure that there is management oversight to ensure that we are free of any workplace bullying or harassment. There is an Employee Handbook which details the accepted Code of Conduct, the respect expected amongst colleagues and all business partners, and the ethical approach we take to the way in which we conduct business. JLH actively looks at ways of improving its carbon footprint through reductions in plastics in our packaging and through the recycling of our waste. We also look at ways of supporting local schools and community groups wherever possible.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

JLH is governed by its Board supported by the Remuneration and Audit Committees. The Board meets 10 times a year either at Head Office or in a Company showroom. The Board is furnished with monthly reports on sales, finance and operations together with marketing and such other ad hoc reports as are deemed necessary. Both the Audit and Remuneration Committees meet twice a year.

The Board meetings are governed by a formal agenda with detailed minutes taken and circulated to all Directors for comment prior to being formally approved by the Acting Chairman at the next Board meeting.

The Board is responsible for the overall strategy, approval of the strategic plan, budget and Capex. It is also responsible for the approval of the interim and full year results. In completing this role it is also responsible for monitoring the performance of the business against budget and any actions.

The Acting Chairman, CEO and Non-Executive Directors Roles

There is a division of responsibility within the Board. The Acting Chairman is responsible for running the Board and its outcomes as well as directing and monitoring the strategic direction of JLH. The Chief Executive Officer proposes the strategic direction of JLH to the Board, implementing the strategic plan, once it is approved, and overseeing the management of the business through the Executive Management Team.

The Non-Executive directors provide independence, in addition to the oversight and scrutiny of the executive director.

The Audit Committee is responsible for liaising with the auditors, challenging their work and any conclusions drawn by them in their work and reporting back findings as well as negotiating their fee.

The Remuneration Committee is responsible for setting the salaries and other benefits of the Executive Directors.

There is currently no Nominations Committee.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant parties.

JLH communicates with shareholders in a variety of ways from regular RNS announcements, the Annual General Meeting, Full year and Half Year Accounts and Annual Shareholder presentation as well as informal telephone calls and e-mails.

The voting results of Annual General Meetings have not historically been promulgated via RNS and on the JLH website however JLH will do this going forward. Any vote of 20% or more against a resolution will in future therefore be clearly identified.

August 2020

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