

**HORNBY PLC (“Hornby” or the “Company”)**

***Chairman’s Corporate Governance Statement 2020***

*(The information in this statement was last reviewed on 6 August 2020)*

**Introduction**

This Statement is issued in compliance with Rule 26 of the AIM Rules. Hornby is incorporated in England and Wales and its shares are listed on the Alternative Investment Market of the London Stock Exchange (“**AIM**”).

**The Principles of Corporate Governance**

I am the Chairman of Hornby and I am responsible for leading the Board and upholding high standards of corporate governance throughout the Group and particularly at Board level.

The Directors share the view that sound governance is fundamental to the successful growth of the business. After the Company’s admission to AIM in 2015, the Board continued to follow the principles of the UK Corporate Governance Code, as appropriate to the size and nature of the Company. Following changes to AIM Rule 26 during 2018, the Company is now required to provide details of a recognised corporate governance code and the Board confirms it has decided to apply the Quoted Companies Alliance Corporate Governance Code for small and mid-sized companies 2013 (the “QCA Code”), an updated version of which was published in April 2018 (the “New QCA Code”).

*Compliance with the New QCA Code:*

The Board believes that it applies the ten principles of the New QCA Code but recognises the need to continue to develop our governance practices and disclosures in some areas in order to ensure we continue to effectively apply the principles going forward. In particular, we intend to focus on the development and articulation of our corporate culture in the coming year. The Board will also consider an appropriate evaluation of its performance. Alongside this, succession planning will be another topic of discussion for the Board this year.

The policies, procedures and relevant systems we have implemented to date have given us a firm foundation for our governance structure. The Board regularly reviews the structure to ensure that it develops in line with the growth and strategic plans of the Group.

**Deliver Growth**

The Board has collective responsibility for setting the strategic aims and objectives of the Group. Our strategy is articulated in the 2020 Annual Report and Accounts. In the course of implementing our strategic aims, the Board takes into account expectations of the Company’s shareholder base and also its wider stakeholder and social responsibilities.

The Board also has responsibility for the Group’s internal control and risk management systems. The Board regularly reviews the risks faced and ensures the mitigation strategies in place are the most effective and appropriate to the Group’s operations.

## **Dynamic Management Framework**

As Chairman, I regularly consider the operation of the Board as a whole and the individual performance of the directors. The Board members collectively have skills and expertise embracing a range of areas including finance, auditing, engineering, manufacturing, design, general management, sales and innovation. The Chairman and Chief Executive in particular, have extensive, directly applicable experience of working within the toy and hobby products industry. That said, we intend to carry out periodic reviews of the composition of the Board to ensure that its skillset and experience are appropriate for the effective leadership and long-term success of the business as it develops. These reviews will give due consideration to having more diversity on the Board, as well as to other priorities.

The Company operates an open and inclusive culture, and this is reflected in the way that the Board conducts itself. The Non-Executive Directors regularly attend the Company's offices and other events. With a relatively small employee base, such interactions mean it is relatively straightforward for the Board to promote and assess the desired corporate culture. That said, we recognise this is an area for development, and we intend to further and develop our culture during the course of the year.

### **Build Trust**

During the year the Board has continued to review governance and the Group's corporate governance framework. The Board will continue to monitor its application of the New QCA Code and revise its governance framework as appropriate as the Group evolves.

The Board recognises the importance of maintaining regular dialogue with institutional shareholders to ensure that the Group's strategy is communicated and to understand the expectations of our shareholders.

The table appended to this Statement sets out details of some of the areas of the disclosure requirements under the QCA Code that we have addressed.

John Stansfield  
Non-Executive Chairman  
Hornby PLC  
06 August 2020

# HORNBY PLC

## Application of the QCA Corporate Governance Code

### DELIVER GROWTH

	Principle	Application
1	Establish a strategy and business model which promote long-term value for shareholders	An explanation of the Company's business model and strategy, including key challenges in their execution (and how those will be addressed) is included on pages 2 - 11 of the Hornby PLC Annual Report and Accounts for the year ended 31 March 2020 (the " <b>2020 Annual Report</b> "). The 2020 Annual Report also describes how the business aims to build long-term shareholder value in a sustainable way.
2	Seek to understand and meet shareholder needs and expectations	<p>The Company welcomes contact with its shareholders and contact details are provided in the 2020 Annual Report for shareholder enquiries.</p> <p>The Group maintains communication with institutional shareholders through meetings with directors, particularly following publication of the Group's interim and full year preliminary results.</p> <p>All shareholders are encouraged to attend the Annual General Meeting at which the Group's activities will be considered and questions answered.</p> <p>Non-Executive Directors are available to discuss any matters that shareholders might wish to raise, and the Chairman will attend meetings with investors and analysts, as required.</p> <p>Investor relations activity and a review of the shareholder register are standing items on the Board's agenda.</p> <p>General information about the Group is available on the Group's website: <a href="http://www.hornby.com">www.hornby.com</a>. This includes an overview of activities of the Group and details of all recent Group announcements.</p>
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 2-8 and page 9 – (the Section 172 statement) of the 2020 Annual Report describes the key resources and relationships on which the business relies. The Board has a great understanding of the needs, interests and expectations of the Company's stakeholders and of our social responsibilities and we will articulate this in more detail in our disclosures going forward.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Company's approach to risk management is set out on pages 12 and 13 of the 2020 Annual Report.</p> <p>Mitigating the risks that a Company faces as it seeks to create long-term value for its shareholders, is the positive by-product of applying good corporate governance. At Hornby, all employees are responsible for identifying and monitoring risks across their areas. However, the Board sets the overall risk strategy for the business. The business maintains a Risk Register and a Fraud Register, which are presented and considered at the Audit Committee meetings.</p>

## MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

	Principle	Application
5	<b>Maintain the board as a well-functioning, balanced team led by the chair.</b>	<p>The names of the directors who served during the year ended 31 March 2020 are set out on page 14 of the 2020 Annual Report.</p> <p>The names and details of the current directors is available on the Group's corporate investor relations website: <a href="http://www.hornby.plc.uk">http://www.hornby.plc.uk</a>.</p> <p>The 2020 Annual Report sets out those directors who are considered independent, the time commitment required by directors and confirm the number of board and committee meetings during the year and the attendance of directors at those meetings.</p>
6	<b>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b>	<p>The details of the directors that served during the year ended 31 March 2020, their background and experience are identified on the Group's corporate investor relations website: <a href="http://www.hornby.plc.uk">http://www.hornby.plc.uk</a></p> <p>John Stansfield, the Non-Executive Chairman, is available to speak with shareholders concerning the corporate governance of the Company.</p>
7	<b>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</b>	<p>The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. The effectiveness of the Board, its Committees and Directors will be reviewed on a periodic basis.</p> <p>The Board also recognises that diversity is a key element in strengthening the contribution made to board deliberations and in the course of our search for suitable candidates, due regard is given to this, in addition to the skills and experience a potential candidate brings.</p>
8	<b>Promote a corporate culture that is based on ethical values and behaviours</b>	<p>The nature of our business means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people orientated ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We value their skills and expertise and encourage development through appropriate training and experience. We pride ourselves on our home-grown talent, with a significant number of our employees having been with the Company for many years.</p> <p>A key to the Group's renewed success has been its engaged workforce. The Group's Directors, alongside our executive management teams, work hard to provide a positive working environment. As a well-respected local employer within each of the communities we</p>

		operate, it is important for us to provide opportunities for all of our staff to allow them to grow and achieve their potential.
9	<b>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</b>	<p>The roles and responsibilities of the Chair, Chief Executive and any other Directors who have specific individual responsibilities or remits (e.g. for chairing board sub-committees, engagement with shareholders or other stakeholder groups) are set out on our website.</p> <p>The Board has a schedule of matters reserved for the Board which requires the following key matters to be considered and approved by the Board:</p> <ul style="list-style-type: none"> <li>• overall management of the business;</li> <li>• developing the Company’s strategy, business planning, budgeting and risk management;</li> <li>• monitoring performance against agreed objectives;</li> <li>• setting the business’ values, standards and culture;</li> <li>• internal control and risk management;</li> <li>• remuneration;</li> <li>• membership and chairmanship of Board and Board Committees;</li> <li>• relationships with shareholders and other stakeholders;</li> <li>• determining the financial and corporate structure of the business;</li> <li>• major investment and divestment decisions, for example the strategic global partnership with Warner Bros;</li> <li>• the Company’s compliance with relevant legislations and regulations; and</li> <li>• other ad hoc matters such as the approval of the Company’s principal advisors.</li> </ul> <p>The Company has a Remuneration Committee and an Audit Committee and the Terms of Reference for both Committees are available on the Group’s corporate investor relations website: <a href="http://www.hornby.plc.uk">http://www.hornby.plc.uk</a>.</p>

## BUILD TRUST

	Principle	Application
10	<b>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b>	<p>Details of how the Group engages with both shareholders and other stakeholders can be found within the AIM 26 investor relations section of our website.</p> <p><a href="http://www.hornby.plc.uk">http://www.hornby.plc.uk</a>.</p>