

Scholium Group plc

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

I am pleased to set out this statement of compliance because it provides an opportunity to confirm the importance that corporate governance has in helping to create a well run organisation which benefits the stakeholders within the Scholium Group, be they our customers, people, suppliers or shareholders. The Board believes that good corporate governance is vital to creating a successful, durable and growing business.

It is the Board's responsibility to ensure that the Scholium Group is run for the long-term benefit of all shareholders, with effective, efficient and timely decision-making. Corporate governance is an important part of this responsibility, which reduces risk and adds value to our business.

Jasper Allen

Chairman

Changes to corporate governance regime

The Board have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code following the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out in broad terms the present compliance status. Annual updates will be provided in September each year to coincide with the Company's Annual General Meeting for its shareholders.

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

The Scholium Group is engaged in the business of rare books, art and collectibles. Its primary operating subsidiary is Shapero Rare Books which is one of the leading UK dealers trading internationally in rare and antiquarian books and works on paper.

The Group also trades alongside other third party dealers in the broader arts and collectibles business via its subsidiary, Scholium Trading Limited and has now commenced dealing in and the auctioneering of stamps through its subsidiary Mayfair Philatelic Limited.

The Group's strategy is to:

- build, either organically or by acquisition, a portfolio of collectibles businesses to enable further diversification of its revenue and profit streams;
- attract individuals or teams of specialists in markets complementary to the Group's existing businesses;
- optimize working capital in existing businesses to provide funds for new business development; and

- continue to develop all its entities by trading alongside other dealers in high value rare and collectible items and by participating in the acquisition for onward sale of large consignments.

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

Scholium remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding the views of investors and the analyst community, and in turn, helping these constituencies understand our business, is a key contributor to formulating our strategy and progressing our business and we actively seek dialogue with the market. We do so via regular conversations with our major shareholders, investor roadshows, attending investor conferences, and our regular reporting.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld will be announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website. Private shareholder meetings are available if required. To request a meeting please contact the Chairman, Jasper Allen, jasper@shapero.co.uk

The Company actively pursues the suggestions made by shareholders at the AGM.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chairman and Chief Financial Officer. The Chairman and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. In addition, after each six month release, the Chairman telephones the top 5 shareholders in order to listen to their feedback and have a direct conversation on any areas of concern. The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chairman. Any significant investment reports from analysts are also circulated to the Board. The Chairman and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them. To request any meetings please contact the Chairman as above.

The engagement with major shareholders has to date been satisfactory, with all requests made for meetings with the Board having been carried out by the Executive Chairman and Chief Financial Officer.

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

Scholium believes that engagement with stakeholders strengthens relationships and contributes to better business decisions to deliver our strategy. The Board is regularly updated on wider stakeholder contributions with respect to their views into the issues that matter most to them regarding our Group, and to enable the Board to understand and consider these issues in decision-making. Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews the annual appraisal process as well as a number of other sources of information it receives to ensure appropriate action is taken.

Employees

Over the past year the Group has

- introduced more flexible working patterns to accommodate the differing needs of different staff
- reviewed salaries to ensure gender parity
- ensured all employees are involved in regular meetings to update them on the Group's progress and obtain their feedback
- continued to be a Living Wage Employer in the UK

Suppliers

Over the past year the Group has improved payment terms for its major suppliers and taken special care to pay suppliers who are smaller businesses promptly recognising cashflow is important to them.

Customers and communities

Over the past year the Group has

- improved its recycling processes and therefore its commitment to the environment
- reviewed the Modern Slavery Statement to endeavor to ensure Scholium are not inadvertently supporting any type of modern slavery
- updated and invested in the Shapero Rare Books websites and our plc website to make it easier to leave customer feedback
- introduced new social media to Shapero Rare Books customers to allow them to interact with us more easily

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

Audit, risk and internal control

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Group.

The Board is responsible for reviewing and approving overall Group strategy, acquisitions and divestments, approving revenue and capital budgets and plans, and for determining the financial structure of the Group including treasury, tax and dividend policy. Monthly results and variances from budgets are reported to and reviewed by the Board.

The Audit Committee has primary responsibility for monitoring the quality of internal controls ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets no less than two times each financial year and has unrestricted access to the Company's auditors. The audit committee comprises Charles Sebag-Montefiore (as Chairman), Jasper Allen and Graham Noble.

There are comprehensive procedures for budgeting and planning, and for monitoring and reporting to the Board the Group's performance against budgets and plans. These include revenues and costs, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.

Non-financial controls

The Board recognises that maintaining sound controls and discipline is critical to managing risk. A review is planned for the next 12 months to improve the quality of the documentation and to formalise this process.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include

- close management supervision and involvement in the day-to-day activities of the Group by the Executive Directors

- an organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks
- a comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- detailed monthly reporting of performance against budget
- central control over key areas such as capital expenditure authorisation and banking facilities

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. In view of the Group's size, there is no internal audit function.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Group's business activities and ensuring that these standards are set out in written policies.

All material contracts are required to be reviewed and signed by a senior Director of the Company and reviewed by the relevant Company board.

The staff handbook includes guidance on business integrity, anti-bribery, gifts, intellectual property and design rights and it is sent to everyone in the Group.

The Group's Annual report is available on the Group's website, www.scholiumgroup.com and sets out a summary of the principal risks and uncertainties on page 7 onwards.

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

The Board comprises the Executive Chairman, one Executive Director and four Non-Executive Directors, one of whom, Charles Sebag-Montefiore, also acts as Senior Independent Director (SID). The Chairman is Jasper Allen. In August 2017, Peter Floyd replaced Simon Southwood as the other Executive Director and Chief Financial Officer. The remaining three Non-Executive Directors are Thomas James Jennings, Graham Noble and Philip Blackwell, all of whom represent significant shareholders in the Company. Although Charles Sebag-Montefiore is the only Independent Director, the Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear.

The Group does not have a Chief Executive Officer (CEO). The size of the Group's business, and its concentration in a single retail premises in Mayfair, London where all of its operations are based and where the executive directors are also located, means that the Board can exercise its governance and other responsibilities without the need for a CEO. Each of the operating subsidiaries has a managing director who is also based in Mayfair who meets the Executive Chairman on a daily basis. The Executive Chairman also liaises regularly with the SID to ensure that the Board's position is not compromised by the absence of a CEO.

The Board is therefore satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required. During the year six Board meetings took place. These were held at the Scholium Group office in London. The attendance at meetings including board committees is set out in the 2018 Annual Report.

Key Board activities this year included

- input into the Group's strategy
- consideration of acquisitions and divestments
- continuing an open dialogue with the investment community
- reviewed both financial and non-financial policies
- discussed the Group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- discussed internal governance processes
- reviewed feedback from shareholders post full and half year results

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. The Annual Report sets out more information on the Directors and their shareholdings.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of retailing, trading, finance, ecommerce and marketing. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The Group reports monthly on its trading performance against its agreed budget, and the Board reviews monthly updates on performance and any significant variances are reviewed at each meeting.

Each non-executive Director performs either a board or board level function within another organisation and in addition advice is received from the Group's professional advisers. Each executive director has the advice and counsel of the non-executive directors available to them, as well as attending appropriate courses and seminars organised by their network of professional services organisations. These are the principal means by which their skills and knowledge are kept up-to-date.

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

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Peter Floyd was appointed to the Board in August 2017 and Charles Sebag-Montefiore will retire by rotation this year, and, both being eligible, offer themselves for re-election.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

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

Jasper Allen is shortly to commence an evaluation of the individual contributions of each of the Board to ensure that:

- their contribution is relevant and effective
- that they are committed
- where relevant, they have maintained their independence.

The outcome of this evaluation will be available on the Company's website once it is complete.

And in addition over the following 12 months a review is planned of the performance of the Board as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

The Board is also aware of the need for succession planning, and has already ensured that there are a number of candidates both within the Board or personally known to the Board or their professional advisers who could provide the necessary replacements as and when they may be required. The Nomination Committee has met successfully in the past 12 months or so to deal with the departure and subsequent appointment of the Company's Chief Financial Officer.

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

The Board is committed to providing leadership in terms of both ethical values and behaviours that reflect well in the current wider business and economic environment. The culture of the Group is to provide the best possible service to its customers, suppliers, shareholders and people.

The executive members of the Board have their desks in the retail premises in Mayfair and are therefore available on a daily basis to promote an appropriate culture throughout the Group and through observation and their presence to monitor compliance with the necessary behaviours.

The Board considers the present state of the Group's culture to be satisfactory. No adverse matters have been reported to the Board during the past 12 months and there have been no instances of unethical behaviour noted to date.

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

Board programme

The Board meets at least six times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Group through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's six Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar on the one hand, and its trading calendar on the other, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the year to 31 March 2018, the Board met for its six scheduled meetings. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Roles of the Board

The Board is responsible for the long-term success of the Group. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of acquisitions and divestments, major investments (whether capex or direct or overhead costs); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Executive Chairman is responsible for running the business of the Board and for ensuring appropriate

strategic focus and direction, and implementing it once the strategy has been approved and overseeing the management of the Group.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Group's London office, where all of the subsidiary companies presently have their retail premises therefore ensuring the Board, in particular the Non-Executive Directors, have access to the trading subsidiaries to gain a greater understanding of the Group's activities.

The Executive Directors are Jasper Allen and Peter Floyd. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. They also manage and oversee key risks, management development and corporate responsibility programmes. The controls applied by the Group to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit, Remuneration and Nomination committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of the Audit Committee are set out above.

The Remuneration Committee reviews the performance of executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation at the time. The Remuneration Committee comprises Jasper Allen (as Chairman), Graham Noble and Charles Sebag-Montefiore.

The Nomination Committee meets whenever there is business to discuss. The committee will consider appointments to the Board and be responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition. The nomination committee comprises Graham Noble (as Chairman), Thomas James Jennings CBE and Jasper Allen.

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

The company is governed by the Board and its committees as described elsewhere in this report.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, regular announcements to the Stock Exchange RNS service as required, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website, www.scholiumgroup.com.

The detailed voting results of the AGM will be posted on the Company's website in due course.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chairman and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Group regularly canvases staff views and is planning to complete an employee survey in the next 12 months.

The Audit Committee reported to the Board in respect of the Group's annual results, its preliminary announcement and the annual report for the year ended 31 March 2018. The following is a summary of their report in July 2018:

'The Audit Committee meeting had taken place prior to the 18 July Board meeting. The Audit Committee had met with the Group's auditors, Wenn Townsend, who presented their Management Report in respect of the financial year ended 31 March 2018. The main issues in the Report concerned inventory valuation and related matters, and there were no concerns regarding the financial statements.

Preliminary Results for the year ended 31 March 2018 (the "Preliminary Results"): The draft Preliminary Results announcement had been reviewed by the Audit Committee and also commented upon by WH Ireland. The draft Preliminary Results had also been circulated to the Board. Subject to approval it was anticipated that the results would be released to the Market the following morning at 7.00am on 19 July.

Statutory Report and Accounts for the year ended 31 March 2018 (the 'Accounts') and the Letters of Representation (the 'Letters'): The Accounts and the Letters had been reviewed by the Audit Committee. It was agreed that subject to final approval the Accounts and the Letters would be signed later in the day together with the Preliminary Results, and that the accounts of the subsidiary companies were also in final form and would not require amendment. It was noted that the audit report was in a new longer format this year which would hopefully provide shareholders with more information regarding the audit.

Re-Appointment of Wenn Townsend: The Audit Committee's recommendation, having considered the matter carefully, was that shareholders be requested to approve the re-appointment of Wenn Townsend as the Group's auditors at the forthcoming AGM. It was noted that Ajay Bahl was retiring from the role of senior statutory auditor as he had served the maximum five years, and that his successor would be Lee Baker.'

The Remuneration Committee also reported to the Board regarding the Directors' remuneration for the year ended 31 March 2018. In previous years, these reports were verbal in nature and summarised in the Board minutes.

In respect of the year ended 31 March 2018 the report was as follows:

'The Remuneration Committee have noted that their recommendations for a reduction in the remuneration payable to the Directors of the Company have been implemented in full in respect of the year ended 31 March 2018 and that the aggregate remuneration of the Board has reduced from £238,911 for the year ended 31 March 2017 to £186,165 for the year ended 31 March 2018.

Each serving Director has accepted a reduction in their remuneration and any new director appointed has been appointed on terms that reflect a saving to the Company compared with their predecessor. This represents the Board's leadership of and contribution to the overhead cost reductions previously announced by the Group.'

This report will be updated as and when appropriate in accordance with the principles of good corporate governance and the requirements of the QCA Corporate Governance Code.

September 2018