

New corporate governance requirements come into effect for AIM companies

From tomorrow (28 September 2018), London Stock Exchange is requiring all companies on AIM to adopt a recognised corporate governance code and explain how they do so. Previously, AIM companies have not been required to do this.

As the organisation representing small and mid-size quoted companies, the Quoted Companies Alliance (QCA) sees this as a positive step to further improve the integrity of AIM. Corporate governance and the way companies are managed has come under greater scrutiny in recent years, and surveys by the QCA show that investors seek growing companies that apply good corporate governance.

Companies on AIM can choose which corporate governance code they wish to apply, as opposed to companies on the Main Market of London Stock Exchange, who are required under the listing rules to adopt the *UK Corporate Governance Code*. It is expected that over 80% of AIM companies have chosen to adopt the *QCA Corporate Governance Code*, which is principles-based and tailored to meet the needs of growing companies.

Tim Ward, Chief Executive, Quoted Companies Alliance said:

“Good governance should be about creating long-term, sustainable value for shareholders. In order to do this, a company needs to think about its business model, its other stakeholders, its culture and its board performance. If this isn't done effectively then the company will not be able to deliver in the long-term.

“We are already hearing that adoption of the QCA Corporate Governance Code has helped to instigate discussions at board level on sensitive issues that previously were denied a proper airing, or were dealt with at a superficial level. Governance codes should be about helping create shareholder value. Where rules drive good conversations then codes add value.”

Bob Beveridge, a non-executive director of three companies, said:

“The changes to AIM Rule 26 provided a stimulus to assess governance arrangements. Furthermore the timely introduction of the new QCA Corporate Governance Code has provided a useful checklist of requirements and best practices. The QCA Corporate Governance Code has been used by boards to review current governance practices and identify opportunities for improvement.”

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Will Pomroy, Associate Director – Engagement, Hermes Investment Management Limited and Chair of the QCA Corporate Governance Expert Group said:

“The change in the AIM rules requiring companies to disclose details of the recognised corporate governance code they have decided to apply is a positive development. We consider corporate governance as the necessary foundation on which sustainable companies are able to grow. While we are looking forward to the enhanced level of disclosures from AIM companies, we are most looking forward to richer discussions with these companies, in particular with the boards, about their governance practices. Good governance is not a tick-box exercise and while a necessity, good disclosure does not constitute good governance. We hope companies take this opportunity to communicate why their practices are right for them and acknowledge what challenges they are facing and what improvements and changes they plan in future as they grow and develop.”

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Notes to editors:

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

For more information please visit www.theqca.com.