



The Quoted
Companies Alliance

Press Release

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The Quoted Companies Alliance says principles-based corporate governance should stay

The Quoted Companies Alliance, the representative body of the UK's small and mid-cap quoted company sector, stresses the importance of a principles-based approach to corporate governance in its response to the EU Corporate Governance Green Paper submitted today.

The Quoted Companies Alliance's response supports the 'comply or explain' governance model and warns that a strict rules-based approach could harm companies' ability to grow and create employment throughout Europe. The Quoted Companies Alliance also stresses that a proportionate approach should be adopted for smaller quoted companies in the European Commission's considerations. These companies should be able to tailor their approach and not have to explain why they have not complied with large swathes of a code designed for the largest quoted companies.

The Quoted Companies Alliance's response recognises and welcomes the need for the European Commission to reinforce the comply or explain model. It points to five areas the Commission could explore in more depth to improve a principles-based approach, which include:

- Exploring the role of MiFID, Solvency II and Interim Management Statements play in encouraging short-termism
- Creating a comply or explain Stewardship Code for institutional investors to encourage accountability and responsible ownership
- Increasing the transparency of proxy advisors' methods and conflicts of interests
- Improving the rights of issuers to identify their shareholders
- Considering the effects of EU state aid rules on tax advantaged employee share schemes

Tim Ward, Chief Executive of The Quoted Companies Alliance, comments: "Principles-based corporate governance is key for encouraging companies to deliver growth in shareholder value over the longer term. We do not want to see a one-size-fits-all codification of corporate governance in Europe. This would encourage companies to follow a standard approach and stop thinking about what is appropriate.



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“A proportionate approach does not, by definition, mean lower standards when applied to smaller quoted companies. What each company decides to do will involve considering the views of investors and other stakeholders. How well a company adopts a proportionate approach will have an impact on long-term value.”

The Quoted Companies Alliance’s response to the EU Corporate Governance Green Paper is available at:

<http://www.theqca.com/about-us/responses/46652/qca-response-to-the-eu-corporate-governance-green-paper.thtml>

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Notes to editors:

The Quoted Companies Alliance represents the UK’s small and mid-cap quoted companies. This sector is defined as those 2,000 companies that are quoted in the UK outside of the FTSE 350. The Quoted Companies Alliance promotes the interests and views of its members to Government, Europe, regulators and other professional bodies, educates its members on best practices and provides a vital forum for networking. Celebrating 19 years in 2011, the Quoted Companies Alliance forms its views through highly focused committees and working groups, made up of directors and professional advisors from across the small and mid-cap quoted company sector. For more information, please visit: www.theqca.com