

Insights

REVISED QCA CORPORATE GOVERNANCE CODE

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SUMMARY

The Quoted Companies Alliance (QCA) has published a revised corporate governance code (Code). The Code is still based around 10 Principles but has been updated to keep pace with evolving investor expectations, particularly around topics like ESG.

The revised version takes into greater consideration those inside and outside of the company as well as the make-up of the boardroom. The new Code will apply for financial years beginning on or after 1 April 2024 with the first disclosures against the new Code expected in 2025. There will also be a transitional period of 12 months to allow companies time to adopt the revised principles.

The Code is widely applied by quoted companies not on the Premium List with approximately 93% of companies on AIM applying the Code and three-quarters of companies quoted on the Aquis Stock Exchange, a substantial increase over the last 5 years. Companies need to apply the 10 principles and publish certain related disclosures that describe the company's own position and why they have chosen it.

KEY AREAS OF REVISION

Key stakeholders – Principle 4 of the revised Code (previously Principle 3) contains a greater focus on workforce engagement together with a need for boards to take into account climate change when considering the company's ability to deliver shareholder value over the medium to long-term. Social and environmental issues must be integrated into the company's strategy, risk management and business model.

Composition of the board – the previous provisions on the composition of the board have moved from the back end of the code into Principle 6, together with a list of factors which may impede the independence of non-executive directors e.g. length of board tenure; size of shareholding; prior and/or current commercial or contractual relationships with the company or with executive directors and significant incentive pay arrangements beyond a director's fee.

Diversity is also mentioned in Principle 6 requiring boards to reflect on their own levels of diversity to ensure it has the necessary knowledge and skillset but avoiding groupthink. Whilst there is no mention of quotas for gender or ethnic minority representation on boards, the Code states that consideration should be given to factors such as socio-economic background, nationality, educational attainment, gender, ethnicity and age.

Succession and contingency planning – Principle 8 (previously 7) has been extended to refer to contingency planning for the absence of key staff.

Environmental and social considerations – this is a key theme which permeates throughout the revised Code. Board needs to provide quantitative and qualitative reporting of a company's environmental and social matters to meet investor needs and expectations.

Remuneration – this is new to the Code (Principle 9) but echoes the QCA's guidance on remuneration published in 2000. Remuneration policies should align with the company's purpose, strategy and value.

The revised Code is likely to be welcomed and reflects evolving areas of focus and wider investor expectations. Unfortunately, the Code is not freely available on the QCA's website but can be [purchased online](#).

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