QUOTED
COMPANIES
ALLIANCE

THE QCA CORPORATE GOVERNANCE CODE

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THE QUOTED COMPANIES ALLIANCE'S TEN PRINCIPLES OF CORPORATE GOVERNANCE

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

DELIVER GROWTH

1. Establish a strategy and business model which promote long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

BUILD TRUST

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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PREFACE

It is always a challenge to meet the needs of a diverse shareholder base, whilst also satisfying other stakeholders and running the business. The Quoted Companies Alliance Corporate Governance Code (the QCA Code) helps you to put into practice a worthwhile, effective and flexible governance model for your company. It encourages positive engagement between your company and all of its stakeholders, which will deliver results. Good governance is one of the foundations of a sustainable corporate growth strategy.

The QCA Code is a pragmatic and practical corporate governance tool. It continues to adopt a proportionate, principles-based approach, enhancing the users' ability to explain their application of the principles and their corporate governance arrangements. The QCA Code is designed to be the means through which companies can earn and keep the confidence of shareholders and other stakeholders as they develop and mature.

The pragmatic approach of the QCA Code means that it can be adapted for use by privately owned companies who wish to adopt good governance practices so as to build trust with stakeholders. It is particularly useful for companies that see an IPO as part of their future.

This Code has been updated thanks to the commitment and expertise of each member of the QCA Corporate Governance Expert Group's working group, detailed at the end of this document, led by Edward Craft. We thank them for their hard work.

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1. THE EFFECTIVE APPLICATION OF THE QCA CODE

The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies. The QCA Code does not refer to specific legal or regulatory requirements. You will need to check what is required for your company. On matters relating to remuneration or audit committees, you may find it useful to consult the QCA's Audit Committee Guide and Remuneration Committee Guide.

EXPLAINING

The QCA Code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under 'application') and a set of disclosures. We state what we consider to be appropriate arrangements for growing companies, and ask companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. You need to consider how your company applies each principle (including what is mentioned under 'application') to the extent that the board judges these to be appropriate in the circumstances, and then provide an adequate explanation to your shareholders for the approach taken. Where a company departs from the principles (and their application) it should provide a well-reasoned explanation for doing so as part of its reporting on corporate governance.

The appropriate application of Principles 1-9 will help ensure that good governance practices are in place; however, good corporate governance will not be complete until it has been adequately communicated and reported to shareholders and other stakeholders (Principle 10).

The disclosures set out after each principle of the QCA Code indicate the areas that companies need to address in their reporting on corporate governance. The way these areas are addressed should reflect how the company has applied the principles and must be tailored to the company's circumstances; you must address each of the indicated disclosures or provide a clear and well-reasoned explanation for not so doing.

The correct application of the QCA Code requires that the chair of the board (the chair) provides a clear explanation as to how the QCA Code has been applied. The requirements for this corporate governance statement are outlined on page 7.

Sections 2 and 4 of the QCA Code set out additional guidance that companies may find helpful when considering how to apply the QCA Code. Companies do not have to report on the extent to which they have followed this guidance, though it may be useful to take this into account when explaining how the principles have been applied.

DISCLOSURES AND SIGNPOSTING

The correct application of the QCA Code requires a company to apply the ten principles and also to publish certain related disclosures. In addressing those requirements, emphasis should be on describing what is done and why it is done in a particular way; disclosures should not be approached as a compliance exercise.

Boards must include clear, well signposted disclosures in order to claim that the QCA Code has been adopted. Companies may choose to publish these disclosures in the company's annual report, include them on their website or adopt a combination of the two approaches. Recommended locations for each disclosure have been specified. Where disclosures are presented in different locations (i.e. the annual report and website), there should be clear signposting by way of an index on the company's website to where that information can be found. The annual report should contain a reference to where this index can be found.

2. GOOD CORPORATE GOVERNANCE

WHAT IS GOOD CORPORATE GOVERNANCE?

In essence, good corporate governance is about having the right people (in the right roles), working together, and doing the right things to deliver value for shareholders as a whole over the medium to long-term.

Good corporate governance is achieved through a series of decisions made by the board, which needs to be kept dynamic and diverse and engender a consistent corporate culture throughout the organisation. Good corporate governance is about ensuring that the board is set up to make robust decisions and manage risk. It is also increasingly about ensuring that a healthy culture is in place which combines a strong focus on performance and a sense shared throughout the workforce of what is acceptable and what is unacceptable in terms of behaviour.

To assess good corporate governance one must first be clear about the purpose and objective of the organisation being governed, within the framework of company law. While there are particular circumstances which, at times, lead directors to focus on the short-term, in most cases, a stable company will be focused on the medium to long-term.

Well run public companies will have a published strategy or business plan which sets out how they intend to achieve growth in shareholder value. The governance elements required to achieve this growth include:

- having a board of directors, senior management team and workforce with the necessary mix of skills and experience to execute and evolve the strategy and business model;
- having all individuals in the business working together effectively, within a clear organisational structure; and
- maximising the chances for successful execution of the strategy by putting in place tailored processes.

Good corporate governance is not complete without it being communicated effectively, thus promoting trust among shareholders and other stakeholders.

WHY GOOD CORPORATE GOVERNANCE ADDS VALUE

Good corporate governance creates shareholder value by improving performance, whilst reducing or mitigating the risks that a company faces as it seeks to create sustainable growth over the medium to long-term.

Companies join public markets to access capital, to benefit from the kite mark of being a well regulated, transparent, communicative and financially sound organisation, to facilitate employee motivation and involvement, to drive investment and to effect acquisitions and mergers. Without trust, there will be no appetite from shareholders to invest further or remain shareholders. As trust increases, so the cost of capital is reduced.

DEMONSTRATING GOOD CORPORATE GOVERNANCE

As good corporate governance is fundamentally about culture, rather than procedure, demonstrating the quality of a company's corporate governance is a challenge to communicate in writing. This challenge should be accepted by directors as part of their role of being on the board of a public company; building strong relationships with shareholders and other stakeholders is an essential part of the job. Corporate reporting should focus on the primacy of shareholders and the need to communicate clearly with this audience. In the absence of high quality communication, existing or potential shareholders may conclude that a company's board is not fully committed to safeguarding their interests.

Clear disclosure is important, not only to the company's shareholders, but also to the wider community, as due diligence from customers and suppliers often begins with the annual report and other public filings. The information needs of other stakeholders will often be met through good shareholder communications that have a medium to long-term perspective.

To communicate effectively to existing and potential shareholders and other stakeholders requires the time commitment of the chair and the team supporting him or her. Clear communication by the company becomes particularly important at the smaller end of the market where analyst and media attention is much less prevalent. Annual reports and the prospectus or admission document are the starting point for linking governance to strategy, corporate performance and the management of risk. However, a board must go further and decide how best to articulate its strategy, business model and corporate governance culture consistently across all publicly available information.

Boards are able to diverge from conventional governance approaches provided there is a well justified explanation which properly describes why such practice is appropriate for that company at that time of its development and is in the best interests of its shareholders. A board that can clearly express the reasons why it chooses a particular path will find it easier to build lasting relationships with its shareholders and the wider investment community.

3. THE PRINCIPLES OF THE QCA CODE

We have identified ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created.

In order to claim that the QCA Code has been adopted, it is necessary for a company to apply the ten principles and also to publish certain related disclosures. The nature of these disclosures, together with a recommended location for them, is detailed in the boxes following each principle.

In addition to the disclosures suggested below each principle, the correct application of the QCA Code also requires that the chair provides a clear explanation of how the company applies the QCA Code (the corporate governance statement). It is recommended that the corporate governance statement is included both in the annual report and on the company's website.

THE CHAIR MUST PREPARE A CORPORATE GOVERNANCE STATEMENT WHICH:

- Clearly articulates the chair's role and demonstrates his/her responsibility for corporate governance;
- Explains, at a high level, how the QCA Code is applied by the company and how its application supports the company's medium to long-term success;
- Explains, in a clear and well-reasoned way, any areas in which the company's governance structures and practices differ from the expectations set by the QCA Code; and
- Identifies any key governance related matters that have occurred during the year, including any significant changes in governance arrangements.

Like all aspects of the QCA Code, addressing the disclosure requirements should not be approached as a compliance exercise; rather it should be approached with the mindset of explaining and demonstrating the company's good governance to external stakeholders.

DELIVER GROWTH

Principle	Application
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Explain the company's business model and strategy, including key challenges in their execution (and how those will be addressed).

Principle	Application
2. Seek to understand and meet shareholder needs and expectations	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

WEBSITE DISCLOSURE:

- Explain the ways in which the company seeks to engage with shareholders and how successful this has been. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters.

Principle	Application
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

WEBSITE DISCLOSURE:

- Explain how the business model identifies the key resources and relationships on which the business relies.
- Explain how the company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products).

Principle	Application
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle	Application
5. Maintain the board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfill their roles.

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained.
- Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors).
- Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.

Principle	Application
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Identify each director.
- Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term.
- Explain how each director keeps his/her skillset up-to-date.
- Where the board or any committee has sought external advice on a significant matter, this must be described and explained.
- Where external advisers to the board or any of its committees have been engaged, explain their role.
- Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board.

Principle	Application
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Include a high-level explanation of the board performance effectiveness process.
- Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.

WEBSITE DISCLOSURE:

- Include a more detailed description of the board performance evaluation process/cycle adopted by the company. This should include a summary of:
  - The criteria against which board, committee, and individual effectiveness is considered;
  - How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and
  - How often board evaluations take place.
- Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process.

Principle	Application
8. Promote a corporate culture that is based on ethical values and behaviours	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Include in the chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.

WEBSITE DISCLOSURE:

- Explain how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected.

Principle	Application
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

WEBSITE DISCLOSURE:
In addition to the high level explanation of the application of the QCA Code set out in the chair's corporate governance statement:

- Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups).
- Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration.
- Describe which matters are reserved for the board.
- Describe any plans for evolution of the governance framework in line with the company's plans for growth.

BUILD TRUST

Principle	Application
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).

ANNUAL REPORT & ACCOUNTS DISCLOSURE:

- Describe the work of any board committees undertaken during the year.
- Include an audit committee report (or equivalent report if such committee is not in place).
- Include a remuneration committee report (or equivalent report if such committee is not in place).
- If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained.

WEBSITE DISCLOSURE:

- Disclose the outcomes of all votes in a clear and transparent manner.
- Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.
- Include historical annual reports and other governance-related material, including notices of all general meetings over the last five years.

4. ROLES AND RESPONSIBILITIES

1. THE BOARD

The board of a company is responsible for setting the vision and strategy for the company to deliver value to its shareholders by effectively putting in place its business model. The board members are collectively responsible for defining corporate governance arrangements to achieve this purpose, under clear leadership by the chair.

The board is typically composed of a chair, executive directors and non-executive directors (NEDs) and a company secretary. The board structure and balance of NEDs to executive directors will depend on the stage of development of the company. Each board director needs to be certain that he or she can devote sufficient time to the role, including extra time commitments in the event of a major transaction or a crisis.

Normally boards will include at least two NEDs who are identified as independent, if only to provide each other with a sounding board and moral support. Larger boards will require more independent NEDs to provide reassurance that independent views carry sufficient weight on the board. Generally, shareholder expectation is that at least half of directors of a board will be independent NEDs.

It may not be possible in growing companies to meet all of the objective independence criteria demanded of the largest listed companies. Regardless, it is important for any board to foster an attitude of independence of character and judgement. The fact that a director has served for more than nine years does not automatically affect independence, although concurrent tenure with management could hinder the ability to be objective. The board should make a decision regarding such a director's independence and ensure that this is discussed with key investors well before the AGM. It is good practice for any such director to be re-elected on an annual basis, if this is not already a board policy for all directors.

Well-informed and high-quality decision-making is a critical requirement for a board to be effective. Boards can minimise the risk of poor decisions by investing time in the design and implementation of their decision-making processes, including how information is shared and the contribution made by committees.

Boards should be mindful of the company's relationship with stakeholders and should have sufficient experience to oversee how the executive team is engaging with them.

Boards that include directors associated with major shareholders should clearly and regularly explain to shareholders the reasons for those individuals sitting on their board, the details of any relationship agreements in place and the particular skills and experience those individuals bring to the board.

Boards should continuously challenge themselves and regularly consider whether they are effective. An effective board develops and promotes the company's purpose together with the values, culture and behaviours needed to conduct business and to achieve its strategic objectives. The key characteristics that boards should ensure they meet as a minimum are outlined below.

An effective board:	
1.	has a clear purpose and strong leadership by the chair
2.	has the right balance of skills, experience and independence
3.	has directors who work as a team
4.	understands the business and supports the creation and delivery of the strategy of the company
5.	regularly informs and engages with shareholders and other key stakeholders
6.	evaluates its performance and acts on the conclusions

2. THE CHAIR

The primary responsibility of the chair is to lead the board effectively and to oversee the adoption, delivery and communication of the company's corporate governance model. The chair must have adequate separation from the day-to-day business to be able to make independent decisions.

Save in exceptional (and well justified and explained) circumstances, the chair should not also fulfill the role of chief executive. If there is a need to combine these roles then this should be temporary and discussed beforehand with shareholders.

A good chair will display clear vision and focus on strategy, acting in a manner that brings together the various characteristics, skills, qualities and experience of the other members of the board. The role should foster a positive governance culture throughout the company.

The chair should be visible in the role. Attendance at results presentations and meetings with shareholders helps to signal that the board is being run with the appropriate level of engagement and time commitment.

The chair is responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, with regular reviews of the company's strategy and its overall implementation. The chair should ensure that the board receives accurate, timely and clear information and there should be good information flows within the board and its committees as well as between the NEDs and senior management.

Decision-making and sound judgement can be negatively influenced by personal conflicts of interest or inappropriate reliance on previous experience and past decisions; steps need to be taken to manage any such situation.

3. THE SENIOR INDEPENDENT DIRECTOR

Companies should consider whether it is appropriate to have a senior independent director (SID). SIDs act as a sounding board and intermediary for the chair or other board members, as necessary. The key responsibilities of the SID also include leading the performance evaluation of the chair, or the search for a new chair, and chairing the (usually annual) meeting of the NEDs without the chair being present. The SID can act as a deputy chair, whether formalised or not.

Being a SID requires sensitivity to the views of shareholders and other directors. A SID's role is especially important, and can be particularly difficult, where the chair is a founder, major shareholder and/or executive director, where the chair is not effective and/or at times where there may be divergent opinions within the board.

SIDs are also an alternative route of access for shareholders and other directors who have a concern that cannot be raised through the normal channels of the chair or the executive directors. SIDs should attend sufficient meetings with major shareholders and analysts to obtain a balanced understanding of the issues and concerns of shareholders.

4. THE NON-EXECUTIVE DIRECTOR

The NED participates in all board level decisions and plays a particular role in the determination and articulation of strategy. NEDs should provide oversight and scrutiny of the performance of the executive directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicates and executes the agreed strategy and operates with reference to the risk management framework. NEDs should possess the critical skills that are relevant to dynamic companies, which should include both technical experience and the ability to positively challenge and to listen in equal measure.

NEDs should be independent to be able to provide appropriate oversight and to perform their role. NEDs should expect to:

- have a formal appointment process and a structured induction process, including meetings with key shareholders;
- commit an appropriate amount of time to the company (particularly where the NED has more than one directorship) and to be available to shareholders;

- be appointed to board committees that have formal terms of reference;
- receive high-quality information sufficiently in advance of board and committee meetings, which is accurate, clear, comprehensive, up-to-date and timely;
- have access to the executive directors, the company secretary and the company's advisers;
- be able to call upon independent professional advice at the company's expense if they consider it necessary to discharge their responsibilities as directors;
- receive ongoing training and development; and
- have their performance assessed on a regular basis (along with the executive directors).

Since independence can be easily compromised, NEDs should not normally participate in performance-related remuneration schemes or have a significant interest in a company share option scheme. On occasions, where performance-related remuneration is under consideration, it should be proportionate, shareholders must be consulted and their support obtained.

It is recommended that remuneration plans that may lead to significant dilution of holdings of investors are pre-brokered with investors.

5. THE EXECUTIVE DIRECTORS

The executive directors of a company are charged with the delivery of the business model within the strategy set by the board. All executive directors should work with the chair and NEDs in an open and transparent way. Executive directors must keep the chair and NEDs up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy.

6. THE AUDIT COMMITTEE

The audit committee provides confidence to shareholders on the integrity of the financial results of the company expressed in the annual report and accounts and other relevant public announcements of the company. The audit committee should challenge both the external auditors and the management of the company. It should review the need for internal audit and, where required, make the appointment of a head of internal audit. It should also consider the engagement of auditors including tendering and the approval of non-audit services.

The audit committee should review and report to the board on any significant reporting issues, estimates and judgements made in connection with the preparation of the company's financial statements. This may involve a significant commitment of time, particularly during the weeks leading up to the publication of results.

The audit committee also has a key role in the oversight of the effectiveness of the risk management and internal control systems of the company. Many audit committees also have a risk oversight within their terms of reference. Other companies may establish a separate risk committee.

We publish a guide dedicated to the work of the audit committee.

7. THE REMUNERATION COMMITTEE

Remuneration arrangements should be aligned to support the implementation of company strategy and effective risk management for the medium to long-term. It is the role of the remuneration committee to ensure that this is done and to take into account the views of shareholders.

Remuneration policy should ensure that it encourages and rewards the right behaviours, values and culture. Any risk it creates should be acceptable to the committee, be within the risk appetite of the board and respect the strategy in place.

A remuneration committee member must be independent and must be able to resist inappropriate demands from executive directors and senior management. Furthermore, members must seek and take into consideration the views of shareholders, as well as be prepared to seek external advice when necessary. Every member of the remuneration committee must commit sufficient time to the role and develop the necessary skills and knowledge (including, for example, current market practice, taxation and legal requirements).

We publish a guide dedicated to the work of the remuneration committee.

8. THE NOMINATION COMMITTEE

Many growing companies use the whole board to consider matters of nomination and succession, whilst others establish a dedicated board committee.

The nomination committee should ensure there is a robust process for the appointment of new board directors. The committee should work closely with the board and the chair to identify the skills, experience, personal qualities and capabilities required for the next stage in the company's development, linking the company's strategy to future changes on the board. It should keep a close eye on succession plans and possible internal candidates for future board roles. If necessary, the nomination committee must provide support to the chair (and, where appropriate, the SID) in taking the steps to remove any underperforming executive director or NED.

9. THE COMPANY SECRETARY

The company secretary should act as a trusted adviser to the chair and the board. The company secretary plays a vital role in relation to both legal and regulatory compliance and as such must keep up-to-date with relevant legal, statutory and regulatory requirements. The company secretary should play a proactive and central role in ensuring good governance.

As part of this role, the company secretary should assist the chair and the board committee chairs in preparing for and running effective board meetings, including the timely dissemination of appropriate information. Unless other arrangements are in place, the company secretary should also act as a conduit for all the directors, particularly the NEDs, into the workings of the company, providing not only an induction programme but information, advice and guidance. The company secretary often also acts as the link between the company and shareholders on matters of governance and investor relations.

At times, the company secretary may have to act as a confidential sounding board to one or more directors. Given the importance of this role, companies where an executive director is also the company secretary should have plans in place to separate the role at the appropriate time. It is vital for the company secretary to report directly to the chair on governance matters and not to any executive director.

10. SHAREHOLDERS

Shareholders should concern themselves with the stewardship of the companies in which they have invested. Engaged shareholders will carefully consider the disclosure made by the company and come to reasoned judgements on a case-by-case basis. Such shareholders will wish to engage directly with the company when governance concerns arise. The company should be given sufficient time to respond to any concerns that are raised. Where shareholders use external services to evaluate the disclosures and practices of a company, they should ensure that this is measured against appropriate codes and benchmarks. Shareholders should use their own judgement when considering the recommendations of such service providers.

Companies with a dominant shareholder must carefully consider putting in place arrangements to protect minority shareholders. Accepted good practice may include putting in place contractual arrangements such as a relationship agreement.

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NOTES

THE QUOTED COMPANIES ALLIANCE

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead.

Through our activities, we ensure that our influence always creates impact for our members.

Becoming a member enables you to:

- get access to a wider range of shareholders, as well as regulators and policymakers;
- benefit from our campaigning on regulation that affects quoted companies;
- receive free copies of our best practice guides;
- attend our practical briefing events (free of charge or at discounted rates);
- stay ahead of the current issues affecting quoted companies with our timely updates and research; and
- support your sector and influence thinking for the benefit of your shareholders.

Find out more at www.theqca.com

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