CORPORATE GOVERNANCE FOR GROWING COMPANIES

1. WHAT ARE THE OBJECTIVES OF CORPORATE GOVERNANCE?
   1.1. Corporate Governance is the system of processes, activities, standards and reporting to facilitate and deliver growth in long term shareholder value by reducing risk while maintaining a flexible, efficient and effective management framework within an entrepreneurial environment.
   1.2. Corporate Governance represents a dynamic relationship between shareholders, the Company and its Directors, influenced by a number of external factors including regulation and social responsibility.
   1.3. Good Corporate Governance should reduce the risk of uncommercial and inappropriate bad decisions being made.
2. Mandatory Corporate Governance for larger Companies has been with us in the UK for some time now. The Cadbury guidelines were introduced in 1992 and have evolved and developed into the UK Corporate Governance Code which must be followed by all premium and listed Companies in London's main market
3. In terms of AIM Rule 26, the corporate governance code that an AIM Company applies, or if no code has been adopted, must be stated together with an explanation of what corporate governance arrangements that company has.
   3.1. Aim Companies that do not adopt the code, normally adopt the "principles" based alternative known as the QCA guidelines, developed by the Quoted Company Alliance
4. Like the code, the QCA guidelines are an influence for everything that the growing Company should seek for itself, specifying good practice which should promote the development and growth which it naturally seeks.

   The challenge for many is that the QCA guidelines is less prescriptive in nature than the code, which therefore could present dilemmas of judgement for an inexperienced Board of Directors

5. For growing Companies, Corporate Governance has five main underlying principles LEADERSHIP, EFFECTIVENESS, ACCOUNTABILITY, REMUNERATION and RELATIONS WITH SHAREHOLDERS
6. Governance is the collective responsibility of the whole Board and the main accountability falling upon the Chairman. At its heart. Governance is about creating long term Company value, and reducing the risks that the Company faces. Governance is about making a better Company.
7. There are ten operational principles in the QCA guidelines, which will enable Companies to deliver growth and long term shareholder value.
    - 7.1. Establish a strategy and business model which promotes long term value for shareholders
    - 7.2. Seek to understand and meet shareholder needs and expectations
    - 7.3. Take into account why the stakeholder and social responsibilities and their implications for long term success
    - 7.4. Embed effective risk management, considering both opportunities and threats throughout the organisation
    - 7.5. Maintain the board as a well functioning, balanced team led by the chair.
    - 7.6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities
    - 7.7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
    - 7.8. Promote a corporate cultures that is based on ethical values and behaviours

7.9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board

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

8. ADOPTION

8.1. How the above principles are adopted depends on the size, sector, Company culture, etc.

8.2. The terms of complying with the QCA guidelines, the notion of "COMPLY OR EXPLAIN" must be borne in mind

For example, There is an expectation that a well Governed Company has at least two non-executive Directors on the Board

If you have two NEDs then you have complied.

If you have no NEDs then you need to EXPLAIN why this is the case, and what the plans of the Company is to recruit appropriate and suitable candidates.

8.3. It is necessary to take each of the twelve guidelines and for the Board together to take the measures needed to comply, or explain non-compliance. Each guideline requires an action plan to ensure that all twelve principles will eventually be implemented

9. CONCLUSION

9.1. If you are planning to list your Company on a Public Market, you should be looking at implementing Corporate Governance straight away. Without introducing a Corporate Governance Regime, you will not get a listing. Also, better Governance equals a higher market value.