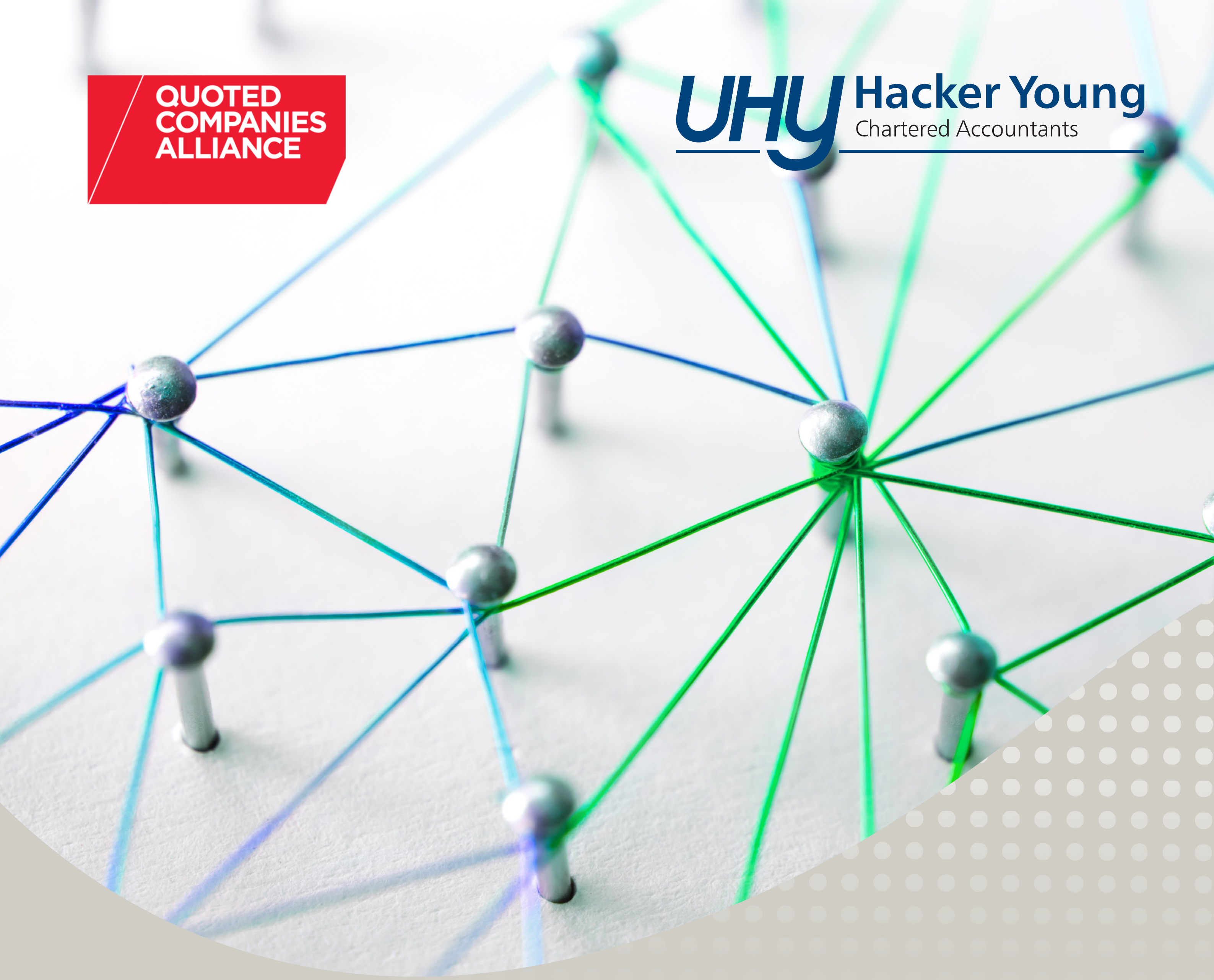
QUOTED COMPANIES ALLIANCE

UHY Hacker Young
Chartered Accountants



AIM Good Governance Review

2019/20

Our seventh annual review provides analysis and guidance on corporate governance disclosures for AIM companies

Helping you prosper

Contents

Introduction

In the seven years since we started this review, corporate governance on AIM has gone through substantial change.

The most significant change of all has been the update to AIM Rule 26 in 2018 which, for the first time, requires that all 900+ companies on the market state which corporate governance code they have chosen to adopt.

As a result of this rule change, our past three years of analysis has identified trends that can be characterised as:

2017: Pre-rule change, companies can either state which corporate governance code they follow, or they can state they do not follow a code and set out their own arrangements.

2018: Mid-change, companies going through the process of updating their governance disclosures.

2019: Post-change, companies have reviewed and made increased disclosures relating to their governance arrangements.

The 2018 rule change has already resulted in a substantial increase in the amount of information disclosed to the market. With most companies on AIM following the QCA Corporate Governance Code, they have structured these disclosures around the Code's ten principles. It is these disclosures that are examined in this report, focusing on five key areas:

1. **The strategic report**
2. **Stakeholder engagement**
3. **Board dynamics**
4. **Board expertise**
5. **Succession planning**

For our research, the disclosures of 50 AIM companies (chosen at random) were examined, taken from their websites and annual reports. From that sample we have extracted case studies of good practice in the communication of those corporate governance disclosures.

Small and mid-cap investors were also interviewed for their views on the trends and changes in this year's findings; and they largely reflected positively on the improved communication of companies' governance arrangements resulting from the AIM rule change and the adoption of the QCA Code.

The report also looks at another topical subject, corporate culture (Principle 8 of the QCA Code), as this is expected to gain increased attention in the wake of a series of corporate collapses in recent years.

The data shows that the rule change has prompted companies to go through a process of review and reflection. The findings of this report are designed to help companies to improve further. The rising standard of governance disclosure from companies on AIM is good for both companies and investors alike.

Adopting the QCA Code has and will enable boards to address important issues and ensure the company is effectively communicating how it is run, without distracting it from growth or pushing it to fit into a prescribed mould. For investors, it is providing richer and clearer information about how these companies are managed. The benefit to the AIM market as a whole will become more apparent over time.

2019/20 research trends

Our 2018/19 report saw an improvement in the level and quality of disclosures being communicated to the reader, although we did see a familiar format surfacing as a high percentage of the companies reviewed mirrored the disclosures of Majestic Wine PLC, who were one of the first to publish their accounts reflecting the new AIM rule.

This year the quality of disclosures continues to improve, and we can see that companies are trying much harder to take on board the suggestions made in the QCA Code. For instance: if they are not sufficiently following the Code or a particular principle, many have included a deadline for implementing the recommendation. From a practical perspective we also found that many companies had created a clearly designated section on their website devoted to corporate governance. Historically we found it difficult to find this information on websites, especially all in one place.

For some issues like succession planning or including board performance results and recommendations, there is still some way to go. Many companies seemed to shy away from giving an in-depth explanation and simply state that they deem the principle to be important to the board and will be considered going forward.

The QCA Code is a good opportunity for companies to assess and improve aspects of their governance. If they struggle to communicate their governance arrangements, it should be used as a catalyst for the board to reflect on whether their current approach is appropriate.

Focus on...

In this section, we focus on five key governance issues in the context of a number of principles set out in the QCA Code. We review what we have seen in the past, provide insight into this year's findings and offer some examples of good practice in annual reports and on websites. In addition, we have provided a section on the views of a set of investors, based on a series of interviews, which has provided valuable insight into current thinking.

1. The strategic report

Relates to QCA Corporate Governance Code Principle 1: Establish a strategy and business model which promote long-term value for shareholders

UHY Hacker Young findings

The strategic report, within the annual report, provides readers with a review of the business and the primary risks it faces. It should allow the reader to get a picture of what the board has covered at its meetings over the past year. The report regulations (as detailed in The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) were designed so that shareholders could possess the facts they need in order to make informed decisions about their investments.

In previous years, we have seen the majority of companies struggling to give clear details regarding the company's strategy, business model and governance. The strategic report is the obvious place to include this information – in an informative but not overly convoluted way.

An understanding of a company's strategy should be a minimum for prospective investors – if that strategy is not clearly communicated then this could be a major stumbling block in the process of attracting or retaining shareholders. The strategic report should give a flavour of the activity of the company during the year and some meaning to the numbers in the financial statements. It is also important that Key Performance Indicators (KPIs) are included.

Although this year's research showed 100% of companies surveyed explaining the company's business model and strategy, few did so without using boilerplate statements, demonstrating this is still a tricky area for businesses to contend with.

CASE STUDY

Sureserve Group plc

Sureserve Group plc's business model outlined in the strategic report shows clearly their key inputs and what value this brings to shareholders. This is followed by the group's strategic priorities and aims with the outcomes they hope to generate, thus addressing key challenges in their adoption of Principle 1.

Importantly, they include non-financial and financial KPIs, complying with QCA Code recommendations which state that the report should include KPIs which feature some cross references to amounts that have been included in the annual accounts.

The principal KPIs used by Sureserve Group plc are as follows:

Financial indicators	Non-financial indicators
Working capital Revenue EBITDA Order book	Group accident frequency rate Carbon usage Operating cash conversion Driver behaviour ratings

What the investors say

Perhaps unsurprisingly, investors agree that the strategic report is a critical document. It should bring the annual report to life and enable them to get a feel for the business. Key performance indicators, key risks and the outlook for the company were highlighted as critical areas on which companies should focus.

Companies should not be frightened of adding detail into the strategic report – it is better to have too much information than not enough and, as experts, investors know what they are looking for; but the information must add value.

In addition, the investors we spoke to agreed that the structure of the report should allow it to be as readable as possible - it should be simple to find the section you are looking for without having to read through all the content. They find it is often the case that the structure has been determined by how previous reports have been put together, rather than an intelligent rethink of the contents, ensuring that the more interesting points are included at the front.

While one investor commented that annual reports have seen a great improvement over recent years, he did reference frustrations when the numbers do not match the tone of the report – eg. an overly positive strategic report with a concerning balance sheet.

"As an investor, the main thing you want to see in the strategic report is a summary of the key items in the internal board reports during the year. Key risks and uncertainties, and how they are managed, should also be included. Information about staff and how they are motivated is very important and generally is not done very well."

Gervais Williams, Premier Miton Group plc

"The strategic report needs to be consistent with the rest of the report and needs to make the numbers as easy to read as possible without forcing you to look through the whole report. Capital structure review, the return on invested capital, outlook and summary needs to link to data and be easy to read."

Judith MacKenzie, Downing LLP

2. Stakeholder engagement

Relates to QCA Code Principle 2: Seek to understand and meet shareholder needs and expectations, and Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

UHY Hacker Young findings

In previous reports we have seen difficulties for companies in explaining how they engage with stakeholders, including shareholders. This has to be more than just disclosing details on the number of meetings attended with the shareholders, but must also be demonstrated by identifying which company objectives arose during that engagement.

In 2018, we found that less than 60% of companies explained how the company obtains feedback from stakeholders, and what has happened as a result of that feedback. Our 2019 findings showed a slightly improved figure (with 66% explaining effectively).

To generate and preserve value, it is of the highest importance that feedback is acknowledged and used to develop a greater understanding of the business and an effective business strategy.

There is no prescribed type of engagement that a company should adhere to when communicating with their stakeholders. The method of engagement will be influenced by the size and corporate structure of the company, alongside the industry in which it operates.

What the investors say

As with previous years, investors highlighted the importance of stakeholder engagement, with some stating employees are the most overlooked stakeholders.

Many investors commented that the Chair needs to be proactive when reaching out to engage with shareholders, and not just those with 10% holdings and above, when results are announced. Face-to-face meetings with the Chair are welcomed, as is the opportunity to meet with the non-executive directors during the year.

Additionally, companies should demonstrate what they have done to implement feedback from all stakeholders, not just at the AGM, but at all investor relations initiatives, such as meetings or video conferences.

"It is important to understand how companies engage with shareholders at small caps. Don't just provide the AGM results, outline all investor relations initiatives, what's provided through the website etc, and point to where to find independent research. Companies that do this well often have an IR strategy page in the annual report and accounts."

Judith MacKenzie, Downing LLP

"The annual report cannot be written with just shareholders in mind. It can be a good tool for internal communications too. Often people don't think of the wider readership beyond shareholders."

Gervais Williams, Premier Miton Group plc

CASE STUDY

James Cropper plc

A number of companies were highlighted during our research as having effective processes in place for engaging with stakeholders.

James Cropper adopted QCA Code's Principle 2 by actively communicating with shareholders through various bi-annual meetings. The company detailed in its annual accounts who was responsible for liaising with the shareholders alongside an overview of how shareholder proposals are dealt with by the Chair.

C4X Discovery Holdings plc

C4X Discovery Holdings demonstrated the QCA Code's Principles through their engagement with various stakeholder groups. The company recognises that an effective workforce is fundamental to the company's success.

They highlighted the need for employee engagement through staff meetings and employee surveys, whereby employees are encouraged to highlight any factors which they believe will aid in their work.

As a result of this feedback, the company was able to provide opportunities for training and career development. C4XD showed clearly the stakeholder group they wanted to engage with, the method of receiving feedback and a plan for implementing the results of the feedback.

3. Board dynamics

Relates to QCA Code Principle 5: Maintain the board as a well-functioning, balanced team, led by the Chair

UHY Hacker Young findings

Principle 5 of the QCA Code states that "the board should have an appropriate balance between executive and non-executive directors and should contain at least two independent non-executive directors. 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."

Our 2019 research shows that 84% of the companies surveyed identified the directors who are considered to be independent, or explained any grounds to question the independence of a director. This result is a marked improvement on our 2018 findings (where only 58% did so).

However, we continue to see companies struggling to describe which operational matters are reserved for the board and the respective committees, which should be clearly defined.

What the investors say

The investors highlighted the difficulty in discerning the independence of Non-Executive Directors (NEDs) if an external search firm has not been used.

All agreed that transparency and honesty around the issue is best, and if a board member is not fully independent, it should be explained how this will change in the future. Investors understand that external searches can be expensive for smaller companies and one investor was of the opinion that a NED does not always necessarily need to be truly independent, as long as there is a minimum of two other Independent Directors on the Board as set out in the QCA Code.

What came across clearly from our interviews was that friends and family can play a part as long as the right balance is maintained. What is important is that the board is inclusive, with each director bringing a new and different perspective. This is far more crucial to the success of a business than a board made up of independent NEDs who may not have such an interest in the future of the company.

CASE STUDY

Ceres Power Holdings plc

A number of entities examined within our research performed well with regards to meeting the principle of maintaining a well-functioning, balanced team.

Ceres Power Holdings plc provided detailed reasoning as to why their independent directors are deemed impartial and are objective in the decision-making process. The directors were categorised as independent due to their lack of engagement in the company's bonus arrangements and employee remuneration schemes. The company also goes on to explain that although one director is not considered to be independent his extensive relevant experience in the sector supports his inclusion on the board.

Hotel Chocolat Group plc

Hotel Chocolat detailed in their annual report the amount of time committed by the board members per annum, in the form of expected meeting attendances. The report also disclosed all processes in place for when board members could not attend a meeting; one of which included a brief from the Chair so that the absent member could have their points addressed in the subsequent meeting.

"Using external agents to appoint NEDs is a good option. It throws up fresh candidates from outside the normal circle and demonstrates transparency in the process. However, it really does need to be shown that this was not just 'window dressing' when you already knew who you were going to hire."

Sid Chand Lall, Canaccord Genuity Fund Management

"We need to see how board members' skills are aligned with the future strategic vision."

Rebeca Coriat, Investec Asset Management

4. Board expertise

Relates to QCA Code Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

UHY Hacker Young findings

Our previous research has found that whilst all companies usually identify their directors, only a small percentage of these describe skills, experience and capabilities that these individuals bring to the company. Detailing the individuals on the board and what their strengths are, as well as the role of the Chair in leading it, demonstrates that the company can optimise the decision-making process and streamline performance.

Whilst our findings this year suggest a slight improvement, it is an area with which companies are still struggling, with only 46% of the selected companies describing the relevant experience, skills and personal qualities/capabilities that each director brings to the board (26% in 2018), and only 16% describing or explaining where the board or any committee has sought external advice on a significant matter (8% in 2018). It was found that while all companies listed their directors, not all companies discuss the necessary mix of experience provided by the board composition or how the directors are suited to implement the business strategy.

Generally, companies do not do well in disclosing how each director keeps their skill set up-to-date, with some choosing to explain with a non-specific blanket statement citing that “the directors keep up-to-date”.

Diverse expertise across the board was not a common subject of disclosure, where diversity constitutes gender, race, age and experience, hence providing unique perspectives, improving corporate performance and stakeholder relations.

CASE STUDY

Alpha Financial Markets Consulting PLC

Directors’ skill sets should be kept up-to-date to align individual qualities to the needs of the business. This can be done in a number of ways, but optimal methods may vary in different industries. Alpha Financial Markets Consulting PLC, for example, has identified that each director has different roles within the firm and hence maintains up-to-date skill sets on a tailored basis by attending conferences, AIM training and networking within financial services and regulation.

What the investors say

Sector experience was a key concern for investors. They want to see directors with extensive experience in the relevant sector, guiding the business’ future direction. Directors with experience on the boards of similarly sized businesses is not enough.

Investors believe that monitoring the skills and experience of directors should not be viewed as an exercise to be undertaken once a year, but could be as frequently as every month in fast growing companies. This ensures that directors’ skills align with the future needs of the company and potential diversification into new activities.

Many investors commented that board performance reviews need to be higher up the board’s agenda. One highlighted the need for ongoing assessment of board performance whether by the Chair or an external provider, with the Chair’s performance also being independently evaluated.

The importance of seeing what boards are doing to fix anything that goes wrong was highlighted. One investor commented that if the board does come through a crisis then it could indicate that it has the right skill set - but the fact that there is a crisis in the first place perhaps suggests that it probably does not.

"You expect that the skills and experience of a new board appointment will align with the forward direction of the company, as outlined in the strategic report - i.e. if you state that you are planning to enter a new market, do new board members have expertise here?"

Will Pomroy, Hermes Investment Management Limited

"This is a review that shouldn't just be done once or twice a year. You need a live document that says how you need skills that are aligning with your direction. The Chair should be taking sole responsibility for this constant evaluation. He/she needs to review this perhaps monthly and check the board skills align with the company's needs. This helps directors to be honest with what they bring and how it aligns with the company. NEDs also need to evaluate the Chair on a regular basis. It's hard to be honest but it can work well."

Judith MacKenzie, Downing LLP

"Until you get to a crisis you usually don't realise you have a weakness. Because we haven't had a recession for a while, most boards are untested."

Gervais Williams, Premier Miton Group plc

5. Succession planning

Relates to QCA Code Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

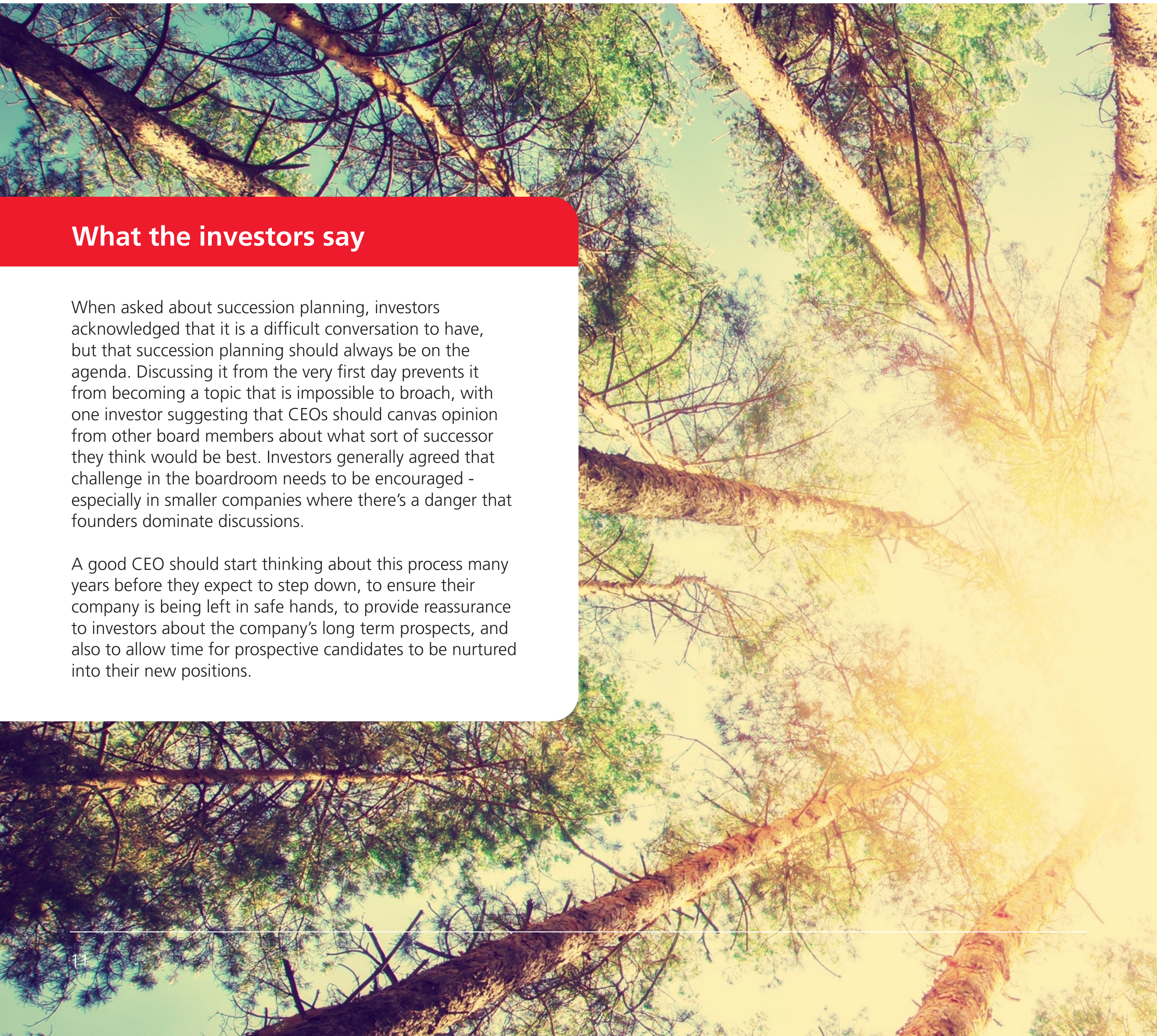
UHY Hacker Young findings

As part of the recommended disclosures relating to this principle in the QCA Code, companies are asked to "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."

There are a number of reasons as to why succession planning is important for businesses. First and foremost, it is essential for both large and small businesses to ensure continuity of key operations. A lack of succession can disrupt a business leading to the loss of investor confidence that may take a considerable time to repair.

Our survey last year showed that only 20% of companies provided details of how they approached succession planning. This year, a clear description of succession planning was found in 48% of the companies sampled, suggesting it is becoming more prominent on the board agenda.

Although a difficult topic to broach, this principle of the QCA Code seems to have given boards the opportunity to put succession planning firmly and permanently on the agenda and has opened the door to difficult conversations.



What the investors say

When asked about succession planning, investors acknowledged that it is a difficult conversation to have, but that succession planning should always be on the agenda. Discussing it from the very first day prevents it from becoming a topic that is impossible to broach, with one investor suggesting that CEOs should canvas opinion from other board members about what sort of successor they think would be best. Investors generally agreed that challenge in the boardroom needs to be encouraged - especially in smaller companies where there's a danger that founders dominate discussions.

A good CEO should start thinking about this process many years before they expect to step down, to ensure their company is being left in safe hands, to provide reassurance to investors about the company's long term prospects, and also to allow time for prospective candidates to be nurtured into their new positions.

CASE STUDY

Midwich Group Plc

Within the research, it was found that around half of companies had discussed succession planning in their websites or annual reports. However, many of these did not explain the processes in detail.

Midwich Group Plc gave a good description of their succession planning, detailing that the nomination committee worked closely with executive directors in identifying the definition of organisation, capability and resourcing necessary to support long term business growth, which resulted in promotion of internal candidates to regional leadership positions.

"The best time to deal with succession planning is all of the time. It should be a standing item on nomination committee meeting agendas. You need a Plan A that is ideal, and a Plan B for an emergency succession."

Rebeca Coriat, Investec Asset Management

"Good CEOs are willing to talk about succession planning. As an investor, you should expect to be able to have a good conversation on this with the CEO and Chair."

Jim Maun, Fidelity International

"Investors want to see KPIs to substantiate claims on culture – such as employee engagement. Companies could also consider using independent survey providers to get a feel of the wider picture."

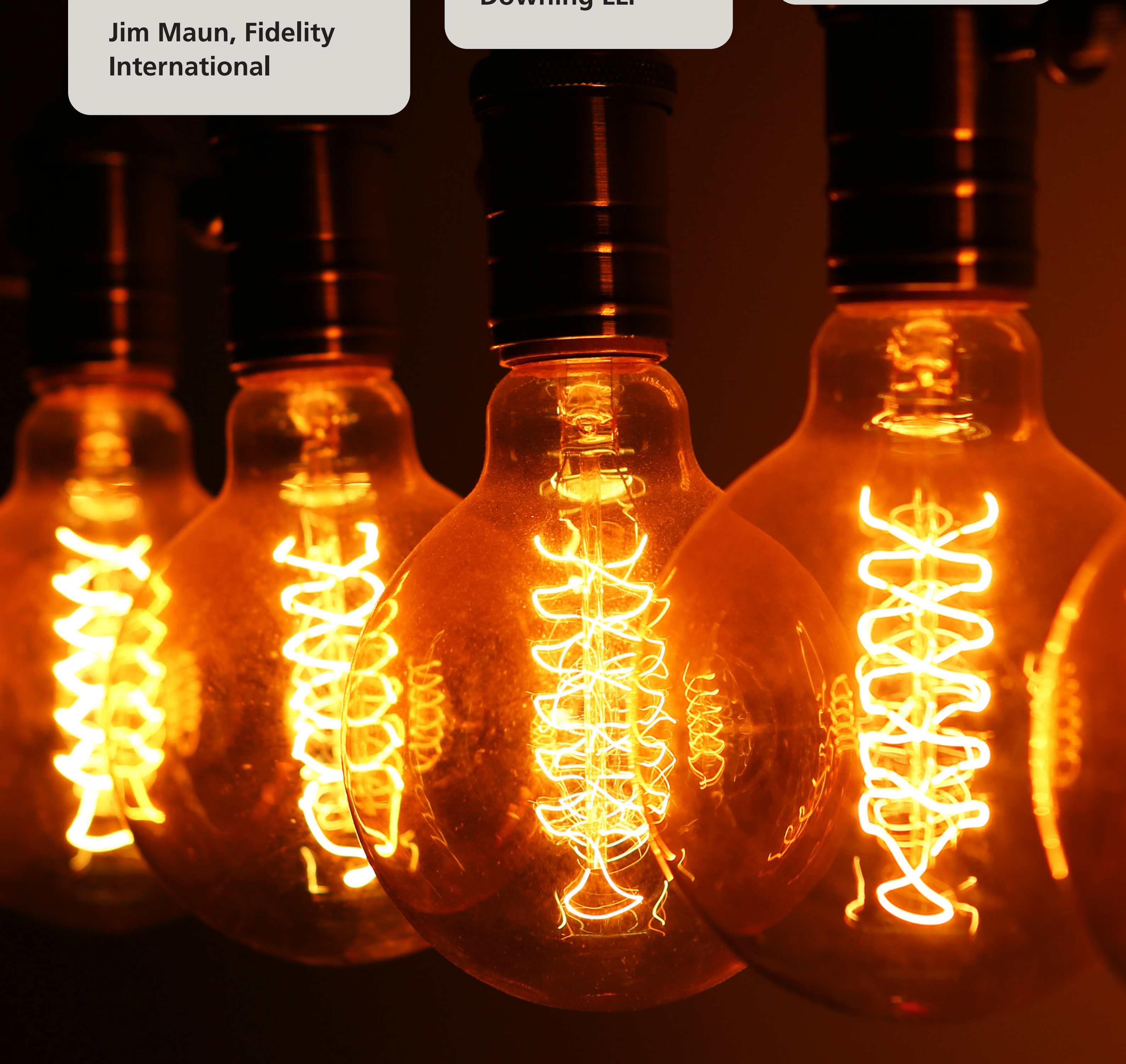
Jim Maun, Fidelity International

"I look for examples where the company engages with stakeholders, employees in particular. The best companies describe how they do this."

Judith MacKenzie, Downing LLP

"Companies should own up to honest mistakes and explain how they have learned from them."

Rebeca Coriat, Investec Asset Management



Looking ahead: Company culture

UHY Hacker Young findings

Company culture is difficult to define, and we have seen many companies fail to explain how the company's culture is consistent with its objectives, strategy and business model in previous years. This year, we found that while companies tried to talk about their culture, there was still little evidence of how they integrated the culture into the business. The narrative on culture has been generic and somewhat separated from the rest of the annual report. Furthermore, when companies have described their culture, they have used terms such as "open" or "inclusive", without linking these to values or behaviours.

Not only do the culture and values need to be outlined, but the board is recommended to explain how they monitor and promote this. Disclosure on how culture is measured and monitored is in its early stages and it is unclear how such progress is being assessed by boards.

In the wake of corporate crises this year, such as Patisserie Valerie and Thomas Cook, we expect to see company culture and the link to values and behaviours rising on the governance agenda.

High performing companies place value on quality (output) of work as opposed to quantity (input). If the company celebrates and rewards individual achievements amongst the peer group, it can be motivational to employees and encourages them to recognise each other's important milestones in the workplace. Employees are united by a strong culture; if the goals of the individual match the objectives of the organisation, goal congruence can be achieved and will help the overall business performance.

CASE STUDY

Total Produce PLC

Total Produce PLC, in its annual report for 2018, included a page dedicated to the belief that their people are at the core of their successful growth, meaning that the company is committed to establishing development programmes to ensure the growth of their employees. The culture focuses on core points which are generally found in varying forms across most of the corporate governance reports reviewed.

- Diversity and inclusion - the Group has a 'Diversity and Equal opportunities policy' ensuring that no employee experiences discriminatory behaviour on the basis of their sex, racial or ethnic origin, religious belief, age or sexual orientation. This serves to promote a healthy company culture.
- Rewarding employees - remuneration policies are developed and offer to pay social and pension benefits which are in line with local or industry practice, aiming to reward and encourage employees through incentives and benefits as well as career development and opportunities. With this culture defined by people being integral to the growth of the company it is clear that reward strategies have been put in place to encourage this culture.

ZOO Digital Group plc

In ZOO Digital's 2019 annual report, they attribute their long-term growth to their company culture which is based on some specific core values. The focus on one of these core values, 'positive attitude', is reflected in a staff recognition programme which operates on an ongoing basis where any employee can nominate others for their contribution to be celebrated. This conveys the board putting something in place to encourage this value and culture amongst their employees. A satisfaction survey along with staff internal communications and forums allows employee feedback. This is monitored by the board and necessary action is then taken based on the feedback received.

The Investor View

We asked Will Pomroy, the Chair of the Quoted Companies Alliance's Corporate Governance Expert Group and Director, Engagement at Hermes Investment Management, for his views on our key areas of focus.

How important is a company's strategic report and what would be particularly helpful for investors?

A company's strategic report should encapsulate a company, enabling; in readily digestible form, a clear understanding of a company's business model, value-creation strategy and market dynamics. The more that an issuer can do to tie the disparate strands of the report together into a coherent story the better. Equally, the more honest and balanced a report the more trusted a resource and the more trust that can be engendered.

How can a board describe the company's culture and how can it best explain how this is evidenced?

Culture is critically important but nigh on impossible to communicate succinctly or through a single KPI or report chapter. Instead, we look to the tone of the CEO and Chair's statement, how interconnected the different parts of a business feel, the relative emphasis given to different priorities and time-horizons.

That said, consistent reporting of a few metrics can help give a window into culture, for example, employee turnover, accident rates, diversity metrics, share ownership (at the top and through the business).

What have you seen work well in practice in terms of stakeholder engagement?

Those companies that are genuinely focused on long-term value inherently consider the interests of their key stakeholders. The more stakeholder commentary feels shoe-horned in the less authentic it comes across. Where stakeholder groups are critical to success some effort to measure and report on performance is well received - e.g. consumer-facing business and NPS; extractives and community relations/ investments.

Can a company find non-executives who are truly independent; how is this best demonstrated?

True independence is difficult to achieve, nonetheless, identifying NEDs absent of manifest conflicts of interest and with significant industry and topic expertise is evidently achievable. However, this may necessitate moving beyond personal networks of the Chair, developing a clearer matrix of skills to identify gaps that need filling in the short and medium term.

How can a board demonstrate that it has the right skill set?

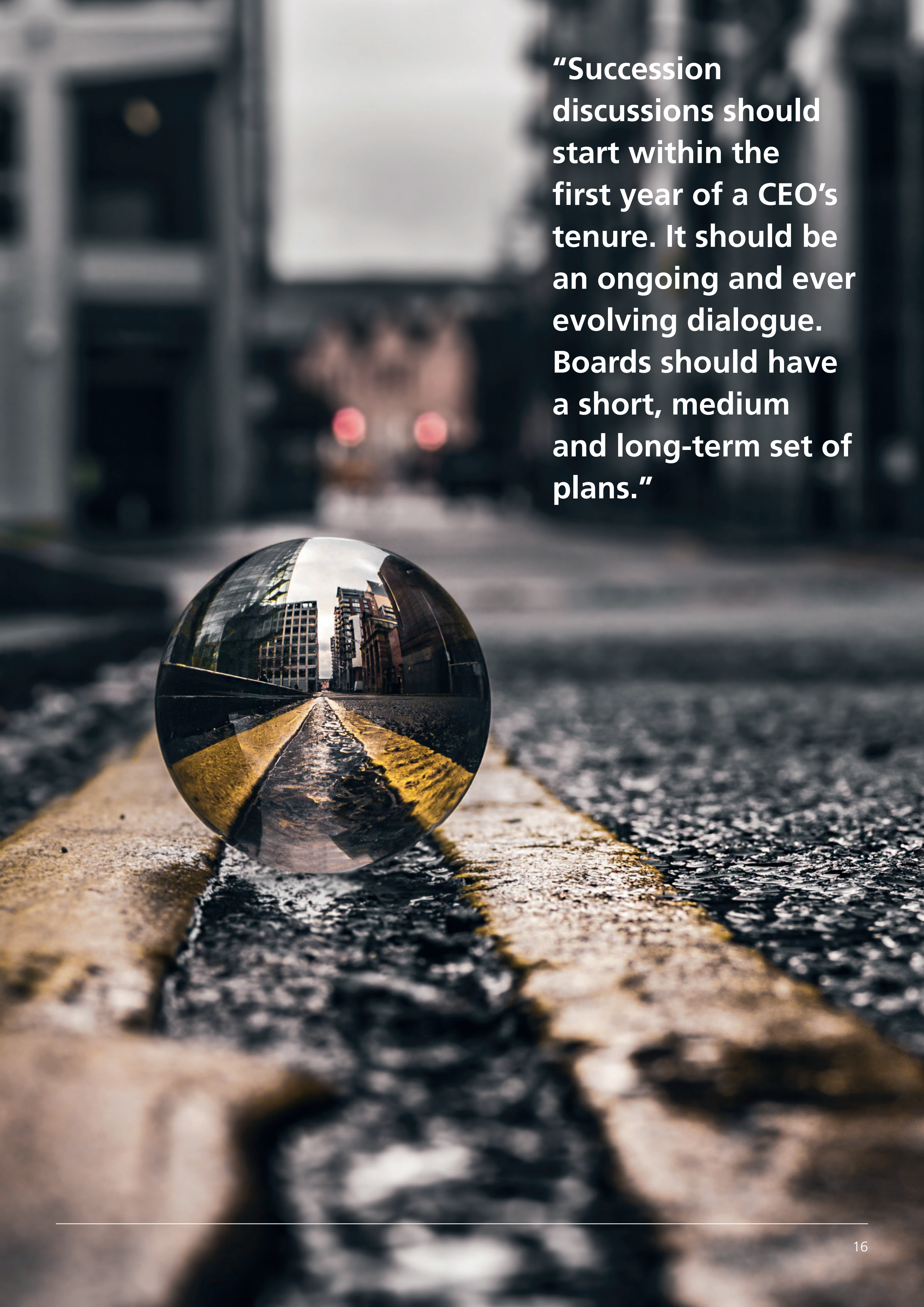
Bringing together the articulated company strategy with the skills matrix of the board. The right skill set will be unique to the individual company, the age profile of its management team, its current and future geographic exposures, the non-financial risk exposures etc.

What can a board do to ensure succession planning gets actively addressed?

Make it a regular board agenda item. Succession planning should cover both non-executives as per the evolving skills set needs above, and most obviously the executive team, most particularly the CEO. The CEO should, usually, be brought into this dialogue as they should be involved in developing internal talent pipelines and nurturing potential successors.

Tying some portion of CEO pay up in stock for a period post their departure will also help focus their attention on whom they will eventually hand over the reins to.

Succession discussions should start within the first year of a CEO's tenure and not wait until near 'the end'. It should be an ongoing and ever evolving dialogue. Boards should have a short, medium and long-term set of plans. Boards should articulate to investors the regularity of these discussions, the board access being granted to senior management team members, the structured rotation programme to broaden business knowledge among potential internal candidates etc.



"Succession discussions should start within the first year of a CEO's tenure. It should be an ongoing and ever evolving dialogue. Boards should have a short, medium and long-term set of plans."

Our analysis

This section details our measure of corporate governance behaviour by showing the percentage of the sample that included the minimum disclosures of the QCA Code.

Number of companies sampled that adopt the QCA Code – 92%

Deliver growth

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

	2019	2018
Explain the company's business model and strategy, including key challenges in their execution (and how those will be addressed).	**100%**	78%

Principle 2

Seek to understand and meet shareholder needs and expectations

	2019	2018
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.	**98%**	56%

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

	2019	2018
Explain how the business model identifies the key resources and relationships on which the business relies.	**86%**	86%
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).	**66%**	56%

Maintain a dynamic management framework

Principle 5

Maintain the board as a well-functioning, balanced team led by the chair

	2019	2018
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.	**84%**	58%
Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors).	**92%**	80%
Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.	**84%**	58%

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

	2019	2018
Identify each director.	**100%**	100%
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.	**46%**	26%
Explain how each director keeps his/her skillset up-to-date.	**52%**	32%
Where the board or any committee has sought external advice on a significant matter, this must be described and explained.	**16%**	8%
Where external advisers to the board or any of its committees have been engaged, explain their role.	**38%**	14%
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.	**64%**	28%

Principle 7

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

	2019	2018
Include a high-level explanation of the board performance effectiveness process.	**78%**	42%
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.	**38%**	8%
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.	**16%**	12%
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.	**48%**	20%

Market	Number of companies in the sample	Average number of disclosures	Min number of disclosures	Max number of disclosures
AIM	50	11.2*	4*	16*

* Out of a total of 17

Methodology

The initial analysis was conducted on a random selection of 50 small and mid-size companies with equity securities admitted to trading on the London AIM market across all sectors. Note that the sample of companies analysed in prior years is different to those analysed in 2019.

UHY Hacker Young assessed these subject annual reports and accounts and governance disclosures on their corporate websites against the minimum disclosures of the Quoted Companies Alliance Corporate Governance Code. The key area of focus for the 2019 review were: the strategic report including KPIs, culture, stakeholder engagement, board dynamics, board expertise and succession planning; six out of the ten QCA Code principles.

The assessment was predominantly completed on a binary measure: did the company disclose the requirement or not. However, where there was evidence that the company has made a strong attempt to meet the disclosure some judgement was made on the qualitative nature of the disclosure.

About us

UHY Hacker Young

At UHY it is our mission to be exceptional accountants and business advisers delivering integrated client service. Through our international network of over 320 offices across over 95 countries, we harness global intelligence and combine this with local presence and knowledge to share technical and commercial insight.

Our people have a deep understanding of a number of diverse sectors ranging from education to natural resources, from automotive to healthcare. It is this depth and breadth that gives us tangible and proven insight into the commercial landscapes in which our clients operate. It also allows us to apply our expertise to our clients, particularly those listed on the UK markets, irrespective of their market and sector.

AIM services

As AIM specialists, we offer a range of AIM admission and support services, backed by our wide AIM market experience.

Whether your company is looking to raise funds ahead of an IPO, requires assistance selecting a NOMAD or broker, is seeking reporting accountants to conduct the due diligence necessary to meet the admission requirements for an AIM admission or seeking advice on tax related matters, our team of AIM accountants will spend the time getting to know your company and working with you to achieve your goals.

Our corporate governance services

Whatever kind of company you have, whether listed or unlisted, UHY's team can advise on all aspects of your governance, including:

- assessing compliance with your chosen corporate governance code
- providing insight into best practice, using our work as part of this report to benchmark your business against your competitors
- working with you to identify risks and potential process improvements, ensuring that the governance practices you have put in place meet the expectations of your stakeholders
- reviewing your procedures and the effectiveness of your board to improve the performance of your business.

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.

The QCA Corporate Governance Code

The QCA Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK. Since its initial release in 2013, it has become a valuable reference for growing companies wishing to follow good governance examples.

A new edition of the QCA Corporate Governance Code was published in 2018 and includes 10 corporate governance principles that companies should follow, and step-by-step guidance on how to effectively apply these principles.

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