

AIM's Reset: Less Prescription, More Judgement



By Lee Bird

The London Stock Exchange's proposed changes to the AIM rules and the way AIM operates is a welcomed transformation to a more flexible, credible and proportionate approach for growth companies looking to list in London. But this consultation is anything but "light touch" and marks a transformational shift in interaction between the exchange, companies, and their advisers from being rules-based to one based on judgement.

A market built for growth

There is a clear strategic direction running throughout the proposals to reduce the cost of admission and the ongoing regulatory friction of being an AIM-listed company. The approach to admission onto AIM is being materially streamlined by removing the requirement for a binary working capital statement, removing the need for UK companies to report under IFRS, and fundraisings are being supported through innovations like the proposed *Capital Access Window*, allowing a company to temporarily suspend its shares during the process. Transaction rules are being recalibrated to avoid unnecessary disruption, including a more pragmatic approach to reverse takeovers and higher thresholds for substantial transactions. Overlaid with measures to attract international companies and reduce duplication with existing regulation, the intention is clear: to make AIM a faster, more flexible and attractive place for ambitious companies. This is long-overdue.

Against this backdrop, the proposed changes to the corporate governance regime for AIM companies operate in harmony with these ambitions, without losing the protections shareholders expect from a publicly listed company. The proposed changes signal a shift from "tick box" compliance, to allowing boards to install a credible and proportionate governance regime that truly supports the delivery of the company's strategy.

Removing the expectation to adopt or "comply or explain" against a recognised governance code and, instead, using a recognised governance code as a framework, allows boards to focus on meaningful, proportionate governance disclosures in key areas to demonstrate how the corporate governance arrangements align to investor expectations.

In some quarters, governance "compliance" can be seen as a checklist exercise, particularly in growth companies trying to "look public" as quickly as possible. Codes are adopted, disclosures are drafted, but the connection to the actual business, its strategy, its ownership and its ambitions are often not properly embedded throughout the organisation. The proposed changes allow the governance arrangements to sit naturally alongside the board's decision-making, and not as an afterthought.

Scrutiny is more important than ever

A less rigid corporate governance framework and a regulatory environment that has truly embraced a “*buyer beware*” model will require companies to explain their corporate governance arrangements clearly and convincingly, ensuring that the needs of their stakeholders, and especially their investor base, are met. Without a recognised framework against which companies must report, governance disclosures will carry more weight and the board’s judgement is more visible. The biggest risk is not that companies abandon good corporate governance - it’s that it is underestimated.

In a more flexible regime, it is easy to focus on the obvious wins: faster admission, easier fundraising, fewer procedural hurdles. Governance can slip down the priority list. Over the last 10 years, at One Advisory we have probably sat in more board meetings for growth companies than any other adviser, and in our experience, this is often where issues emerge, including boards that are not equipped for growth, remuneration structures that create tension with investors, a weak risk and control environment, and generic and unconvincing disclosures.

At a time when AIM is deliberately removing structural constraints, a corporate governance framework that investors can rely on becomes one of the key anchors of confidence. AIM companies now have a genuine opportunity to differentiate, not by how closely they follow a code, but by how effectively their governance supports the delivery of their strategy.

Boards should adopt and implement elements of a governance code where it genuinely adds value, ensuring that their governance framework reflects the company’s growth stage and ambitions, is open and specific in how decisions are made, and communicate to investors in a way that builds trust. These are not new ideas, but the proposed regulatory framework is now actively encouraging them.

As this shift takes hold, the question will no longer be “which code?” or “how do we comply?”, but instead “what do we need and how do we explain it?”. Boards will need to carefully navigate the space between flexibility and expectation, and translate the principles of good governance into something that is both commercially effective and externally credible.

As the leading governance advisors to growth companies across London’s public markets, we see these changes as long overdue and a step in the right direction to ensuring good governance becomes part of the day-to-day thinking of the board. This, alongside the many other proposals to make AIM a more attractive, proportionate and flexible listing environment, can only be a good thing for growth companies across the UK and further afield.

If you would like to know more about how we support companies on their governance journey, please go to www.oneadvisory.london or contact co-sec@oneadvisory.london



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