

QCA Corporate Governance Code 2023

By Haroon Mohammed and Paul Johnston

On 13 November 2023, the Quoted Companies Alliance (QCA) released the latest version of the QCA Corporate Governance Code (2023).

The Key Message

The revised QCA Corporate Governance Code (the **2023 Code**) applies to companies in respect of accounting periods beginning on or after 1 April 2024.

Accordingly, we are strongly encouraging companies and boards to begin reviewing and preparing for these changes immediately to ensure compliance, and considering where early adoption may be beneficial.

The QCA Code

In the interests of enabling good governance, the London Stock Exchange now requires, as part of changes introduced into the AIM Rules that took effect in 2018, all AIM companies to apply a recognised corporate governance code, disclose how they comply and, where relevant, where they are not compliant and why.

The QCA Code is the governance code of choice for the vast majority of AIM companies, being seen as more flexible and adaptable to the needs of growth companies.

The Principles of the Code

The 2023 Code sets out 10 principles, split across three key objectives: 1) delivering growth, 2) maintaining a dynamic management framework and 3) building trust.

Many of the changes in the 2023 Code represent an evolution rather than a revolution in the QCA's approach and recommendations. Indeed, several key points (remuneration-related voting and recommendations around the independent element of the board, for example) have migrated to the principles and recommendations from previous guidance notes. Nonetheless, companies and boards should be taking time over the next 6 to 12 months to review compliance with the 2023 Code, identifying any gaps and how those gaps might be filled. Companies may also wish to consider early adoption of some elements.

Significant Changes

Some of the most significant changes to the 2023 Code include:

Culture and Purpose

The 2023 Code places greater emphasis on corporate purpose and culture, requiring companies to clearly articulate and disclose both, while ensuring the board supports and monitors the ways in which purpose and culture are embedded throughout the organisation.

Environmental, Social and Governance (ESG) and Wider Stakeholder Considerations

A company's approach to ESG has become an integral part of the 2023 Code. It specifically encourages companies to report on their ESG initiatives, including on climate impact, with reference to their long-term strategic objectives and to consider the impact on stakeholders. The 2023 Code also emphasises the workforce as a key stakeholder, reinforcing its critical role in delivering shareholder value.

Changes to Board Composition

The 2023 Code now expects boards to have at least half of their members, including the chair, to be fully independent non-executive directors. It also stresses the value of diversity, ensuring directors possess the necessary knowledge, skills and varied perspectives to enable the board to fulfil its role most effectively.

Annual re-election of all directors at the Company's AGM now forms part of the Code recommendations.

Board Evaluations

The 2023 Code now recommends annual internal performance reviews supplemented periodically by externally facilitated independent reviews. There is no stipulation as to how often external reviews should be undertaken but it is worth noting that FTSE 350 companies are required to undertake this exercise once every three years under the UK Corporate Governance Code. Smaller companies may consider more targeted reviews and/or lower frequency to manage associated costs.

Succession Planning

There is greater emphasis placed on succession planning at Board and senior management level, with enhanced expectations upon Boards and Nomination Committees.

New Remuneration Principle

A new principle has been included in the 2023 Code to better align remuneration policies with the company's purpose, strategy, and culture, while focussing on the importance of motivating management for long-term growth. The 2023 Code also encourages a greater 'say on pay' by shareholders, with annual advisory votes recommended on both the annual remuneration report and remuneration policy.

How One Advisory Can Help

One Advisory's governance services are designed to support companies to comply with the QCA Corporate Governance Code, ensuring robust corporate governance frameworks that support long-term success. We can undertake gap analyses and offer expert guidance on how companies and boards can most effectively comply with the Code and implement the Code's 10 principles, assisting with key areas such as board composition, corporate disclosure and reporting, governance policies and procedures, skills mapping, succession planning and board effectiveness reviews.



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By partnering with us, companies can confidently navigate the Code's flexibility, aligning their governance practices with business strategy and meeting the expectations of investors and stakeholders.

If you would like to discuss any of the points discussed in this article, please get in touch with Laura Nuttall at Laura.Nuttall@oneadvisory.london and Annabel Spencer at Annabel.Spencer@oneadvisory.london



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