



AIM companies: Governance codes

2018 Corporate governance reforms
KPMG Board Leadership Centre



As noted in our February 2018 [publication](#) on the corporate governance changes introduced by the revisions to AIM Rule 26, from 28 September 2018 all AIM companies need to report on their application of a recognised corporate governance code. In this briefing we consider that further, including some consequences of applying either the UK Corporate Governance Code applicable to premium listed companies, or the Corporate Governance Code issued by the Quoted Companies Alliance (the QCA Code)¹.

The AIM rule

From 28 September 2018, AIM companies are required to report on their website:

- details of a recognised corporate governance code that the board of directors has decided to apply;
- how the company complies with that code; and
- where it departs from its chosen code an explanation of the reasons for doing so.

This information should be reviewed annually and the website should include the date on which the information was last reviewed.

In its “[Inside AIM](#)” newsletter (July 2018), the London Stock Exchange noted that:

- it expects that the governance statement will be updated at the time of preparing the annual report and accounts; and
- the governance statement should be easily accessible from the company’s AIM Rule 26 landing page, although this could be by a cross-reference from that page to the relevant section or page of the annual report, itself on the website, that contains the statement.

When and where?

It would be preferable if the governance statement specified the period it covers, because there are usually distinct periodic events that codes deal with, such as the annual report and accounts, or the AGM.

In our view, the simplest, clearest approach on an ongoing basis would be to include the governance statement in the annual report and for it to cover the period to the date of its sign-off, since the last annual report sign-off. In terms of location, the annual report would be uploaded to the company’s website with a cross-reference from the company’s AIM Rule 26 landing page.

If a company does not embed its statement in its annual report, then our recommendation is that the website statement be updated at the same date as approving the annual report.

For the initial September 2018 upload the governance statement will need to be uploaded to the website separately as the annual report will usually already have been signed off some months previously.

If the governance statement ceases to reflect the company’s current state of compliance, it would be appropriate – although not specifically required by the AIM Rules – that the out-of-date statement be updated accordingly.

¹ Other recognised codes including industry codes may also be applied.

The UK Corporate Governance Code

Annual report disclosures

The UK Corporate Governance Code requires *inter alia* up to 19 disclosures to be given in the annual report and accounts.

This includes a “fair, balanced and understandable” statement, a description of the principal risks, a confirmation that the assessment of principal risks was robust, a longer-term viability statement, and specific audit committee disclosures.

Although an AIM company’s UK Corporate Governance Code compliance statement can be on its website, in order to comply with the UK Corporate Governance Code itself, these 19 disclosures must be in the annual report and accounts (i.e. directly in it, not by cross-reference, as the annual report and accounts must stand on its own).

If an AIM company includes such disclosures only on its website, then its compliance statement must identify this as a departure from the requirements of the UK Corporate Governance Code and explain the reasons for such departure.

Additional auditor reporting

UK auditing standards require additional reporting by the company’s auditor when the UK Corporate Governance Code is applied. This includes reporting on the “fair, balanced and understandable” statement, the principal risks, the confirmation of a robust assessment of principal risks, the longer-term viability statement, and audit committee disclosures; and different wording for the standard going concern reporting.

The auditor is not, however, required to report on the company’s corporate governance statement itself (that is a Listing Rules requirement for premium listed companies and not applicable to AIM companies).

The QCA Code

Application of the QCA Code also requires the inclusion of a number of disclosures within the annual report such as an explanation of the company’s business model and strategy; how the board has embedded effective risk management; and the process used to evaluate board performance.

Application of the QCA Code, however, does not trigger any requirement for additional reporting by the company’s auditor. That said, the annual report disclosures will be covered by the auditor’s general responsibility to read the rest of the annual report and to report any material misstatements based on knowledge from the financial statements audit work.

The QCA Code is available from the QCA’s website [here](#).

Contact us

Timothy Copnell

Board Leadership Centre

T: +44 (0)20 7694 8082

E: tim.copnell@kpmg.co.uk

www.kpmg.com/uk/blc



kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in the United Kingdom. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Designed by CREATE | February 2018 | CRT89155