



Quoted Companies Alliance

6 Kinghorn Street
London EC1A 7HW

T +44 (0)20 7600 3745

F +44 (0)20 7600 8288

mail@theqca.com

Ms Kristy Merrick
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

corporategovernanceprinciples@frc.org.uk

7 September 2018

Dear Kristy,

The Wates Corporate Governance Principles for Large Private Companies

We welcome the opportunity to respond to the consultation on the Wates Corporate Governance Principles for Large Private Companies.

The Quoted Companies Alliance *Corporate Governance Expert Group* has advised on this response from the point of view of our members – small and mid-size quoted companies. A list of Expert Group members is at Appendix A.

We believe that effective corporate governance encourages sustainable long-term growth and value creation for shareholders and the economy. Good governance means companies explaining to stakeholders what their corporate governance arrangements are, why those arrangements are appropriate and how those arrangements support the company's long-term sustainable growth.

Corporate governance codes created by organisations independent of government play an important role in helping companies put good governance arrangements in place, and these are most effective when built with their specific needs in mind.

We therefore welcome the Coalition Group's efforts in developing these corporate governance principles. Overall, we are of the view that the Wates Corporate Governance Principles do, in the main, identify the corporate governance concepts that are most relevant to private companies.

We note, however, that no principle refers to the dialogue that companies must have with investors, so that they understand their own investors' needs and expectations. We consider this imperative for a board to not only understand how it can deliver long-term shareholder value, but also to enable it to clarify which matters it is mandated to decide on, and which are specifically reserved for shareholders.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

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The Wates Corporate Governance Principles for Large Private Companies

7 September 2018

Page 2

Furthermore, we note that there is room for confusion as to whether “principles” equate to a “code”. Paragraph 26 contained within Part 8 of the Companies (Miscellaneous Reporting) Regulations 2018 states that the directors’ report must include a statement which states the corporate governance code that their company has decided to apply for the financial year.

Yet, paragraph 12 of the consultation document states that, *“Companies will be able to voluntarily adopt the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework when making a disclosure about their corporate governance arrangements under the Government’s new reporting requirement.”*

To avoid any potential for confusion, it would be both prudent and responsible to highlight other frameworks which companies can follow.

We therefore encourage all private companies – small and large – to review the QCA Corporate Governance Code. The QCA Code is a well-established industry-led code – adopted by the majority of the 950 companies quoted on the Alternative Investment Market (AIM) – and encourages a practical, outcome-oriented approach to corporate governance.

A number of non-executive directors of private companies using the QCA Code as a key reference for governance. Although tailored to small and mid-size quoted companies, we believe that the ten corporate governance principles, along with the supplementary step-by-step guidance on how to apply these principles effectively, can help private companies implement a higher standard of corporate governance.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

Name	Organisation
Will Pomroy (Chair)	Hermes Investment Management Limited
Tracy Gordon (Deputy Chair)	Deloitte LLP
Jonathan Compton David Isherwood	BDO LLP
Kalina Lazarova	BMO Global Asset Management (EMEA)
Nick Graves	Burges Salmon
Colin Jones	Candid Compass
David Hicks	Charles Russell Speechlys LLP
David Fuller	CLS Holdings PLC
Angela Johnston	CMS
Nick Gibbon	DAC Beachcroft LLP
Daniel Redman	Design Portfolio
James Lynch	Downing LLP
Melanie Wadsworth	Faegre Baker Daniels LLP
Rory Cray	FIT Remuneration Consultants
Richie Clark	Fox Williams LLP
Nigel Brown	Gateley Plc
Alexandra Hockenhull	Hockenhull Investor Relations
Danette Antao	Hogan Lovells International LLP
Darshan Patel	Hybridan LLP
Carmen Stevens	Jordans Limited
Peter Kohl	Kerman and Co LLP
Ian Greenwood	Korn Ferry Hay
Darius Lewington	LexisNexis
Damien Knight	MM & K Limited
Louis Cooper	Non-Executive Directors' Association (NEDA)
Jo Chattle	Norton Rose Fulbright LLP
Amanda Cantwell Julie Stanbrook	Practical Law Company Limited
Philip Patterson	PricewaterhouseCoopers LLP
Kerin Williams	Prism Cosec
Marc Marrero	Stifel
Peter Fitzwilliam	The Mission Marketing Group PLC
Edward Craft	Wedlake Bell LLP
Edward Beale	Western Selection Plc