

19 February 2014

BY EMAIL TO [aimnotices@lseg.com](mailto:aimnotices@lseg.com)

Dear Sir,

I am responding on behalf of MM&K Limited to your consultation on updating the AIM rules for Companies and Nomads. We are a remuneration consultancy company with a focus on smaller quoted companies, and believe that a key determinant of the long term success or failure of a company is its remuneration and reward arrangements.

1. We strongly support the QCA's Corporate Governance Code and would encourage you to encourage companies to apply this Code. We consider this Code to be appropriate for all (even the largest) AIM companies.
2. We strongly support the QCA's Remuneration Committee Guide For Smaller Quoted Companies and would encourage you to encourage companies to apply this Guide. We consider this Guide to be appropriate for all (even the largest) AIM companies.

We would also make the following comments:

3. The AIM rules for Nomads rightly require Nomads to consider the suitability of individual directors and the effectiveness of the board as a whole. However this is not a requirement on companies and we believe that similar requirements should be incorporated in the AIM rules for Companies.
4. One point mentioned in the QCA's Code which we do not consider attracts sufficient notice is the recommendation that the Finance Director is not the Company Secretary. We believe that the combination of these roles is potentially dangerous in that it may restrict the corporate governance support available to the chairman, and in times of crisis may overload the finance director. This should be a point that Nomads are asked to consider when assessing the effectiveness of the board.
5. Also when considering the effectiveness of the board, Nomads should be asked to take into account the latest board effectiveness reviews. We believe that such reviews when performed well can be of great assistance to the chairman in fulfilling his responsibilities regarding the composition and performance of the board. Poor quality reviews, and poor results from reviews that are not then acted upon, are both indicators to us that boards are not operating effectively.
6. The FRC has recently issued new UK GAAP accounting standards (FRS 100-102) which have been designed to allow use by quoted companies. We request that Rule 19 is changed to allow AIM companies based in the UK to use UK GAAP. This will in our opinion allow clearer communication of accounting information than is possible under IFRS. We are not concerned that this will reduce comparability between companies applying different GAAPs, because we prioritise information we can understand over comparability of information that we cannot understand.
7. When seeking information about a company the first places that we look are the company's latest accounts and its recent RNS announcements. One interpretation of Rule 26 is that information in a company's accounts or published via RNS needs to be duplicated on a webpage, despite the accounts and RNS announcements being available for download from the website. We believe that it is an unnecessary burden to require companies to duplicate on a webpage information that is in the latest accounts or has recently been published via RNS. A proviso needs to be added to Rule 26 to clearly allow omission from webpages of

information that is included in accounts or RNS announcements, provided those accounts or RNS announcements are available for download directly from the company's website.

8. We are mildly concerned about the application of Rule 42 which allows for the fining of a company due to the wrongdoing of directors. We do not believe that shareholders should be penalised because of wrongdoings of directors, and consider that fines under Rule 42 should only be applied in circumstances where all shareholders have benefitted from the wrongdoing of directors.
9. We are concerned that changes to the rules for approval of Nomads and Qualifying Executives might maintain existing barriers to entry, or create new barriers to entry, hindering competition. The proposed changes do not seem to be creating new barriers to entry, but we request that you consider whether everything that could be done is being done to promote competition between Nomads, while still maintaining the necessary quality standards. In particular the requirement that Qualified Executives have specific lead corporate finance experience in respect of relevant transactions is a barrier to entry, and potentially excludes individuals suitably qualified to advise on the application of AIM rules on an ongoing basis. We believe that AIM should introduce another tier of Nomads who are not able to advise new applicants to AIM, but are able to advise existing AIM companies.

Please feel free to contact me if you would like to discuss further any of the points raised.

Sincerely,

Cliff Weight  
Director, MM&K Limited  
Author, The Directors' Remuneration Handbook

#### **MM & K Limited**

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