



**The Quoted
Companies Alliance**

15 February 2008

SMALLER QUOTED COMPANIES FAILING AT THE BASICS IN WORK WITH NON-EXECUTIVE DIRECTORS

Smaller quoted companies are failing to effectively manage their non-executive directors according to research published today into the role, remuneration and responsibilities of non-executive directors of UK smaller quoted companies.

The research conducted by City law firm Speechly Bircham LLP and The Quoted Companies Alliance found that smaller quoted companies were undermining the effectiveness and independence of their non-executives in four key areas.

- Remuneration: 14% of non-executive directors (mostly from AIM companies) said they were paid in share options, going against both the combined code and the QCA guidelines for smaller quoted companies.
- Performance evaluation: 42% of non-executive directors of AIM companies said they received no formal evaluation of their performance going against the guidance of the Higgs review.
- Training: A significant proportion of the non-executive directors said they felt their knowledge in key areas including the Companies Act 2006, Pensions and Corporate Social Responsibility was not adequate.
- Board effectiveness: Over one third of AIM non-executive directors said they were failing to receive board papers in a timely manner ahead of board meetings.

Despite this, the research established that AIM companies benefited from a smaller pool of non-executives - on average two per company - who worked harder than their main market counterparts for similar remuneration.

Tom Shaw, Head of Equity Capital Markets at solicitors Speechly Bircham LLP, said:

“It is clear from our research that given the scale of the investment in non-executive directors - typically around £60,000 per year for two non-executive directors - smaller quoted companies might increase the impact and effectiveness of their non-executive directors by making small and simple changes to the way they work.

Performance without evaluation, remuneration policies linked to share options or simple lack of basic knowledge of key areas of regulation can jeopardise the independence and effectiveness of

non-executive directors and increase the chance of the wrong decisions being made. It is demanding being a listed company, particularly for newcomers, but every smaller quoted company should take time out to ensure they are getting the basics of good governance right.”

John Pierce, chief executive of the Quoted Companies Alliance, said:

“Effective non-executive directors are key to a quoted company’s corporate governance and successful performance. This survey highlights the time and effort put in by these individuals, in particular on AIM where the non executive director commits more time, which indicates the role is more like that of a mentor or consultant to companies unfamiliar with life as a public company. But whatever the level of effort it is critical every quoted company ensures that their non-executive directors are able to carry out their duties as effectively as possible.”

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For more information, or to receive a copy of the survey in full please contact:

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Notes to Editors

Speechly Bircham LLP

Speechly Bircham LLP is a City of London law firm with 62 partners and over 180 lawyers in total. The firm is known for handling complex corporate finance and property transactions as well as commercial disputes. It is also one of the leading private client practices in the UK, whose work includes all aspects of wealth protection and the mitigation of tax for UK and overseas clients.

The Corporate Finance team acts for a broad range of UK and international companies both public and private as well as family owned companies and entrepreneurs. The team has a well established record in advising on IPOs, rights issues, placings and open offers to raise funds for acquisitions, other projects or working capital. M&A work ranges from private equity financed buy-outs to acquisitions by major corporates and the sale of family companies.

The Quoted Companies Alliance

The Quoted Companies Alliance (QCA) is the only organisation dedicated solely to fighting for the interests of small and mid-cap companies in one of the most important sectors of the UK economy - the thousands of companies outside the FTSE 350 on the Main Market, including those companies on AIM and the PLUS markets.

Its members also include companies seeking admission to a UK equity market, either the Main Market (ex FTSE 350), AIM or the PLUS markets. The QCA promotes the interests and views of

its members to Government, Europe, regulators and other professional bodies, educates its members on best practices and provides a vital forum for networking.

Celebrating 16 years in 2008, the QCA forms its views through highly focused committees and working groups comprising senior representatives from across the smaller quoted companies sector.