

**QUOTED  
COMPANIES  
ALLIANCE**

The QCA  
Corporate Governance Code

**Supporting  
growth  
flexibly**

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# Introduction

In its twelve-year history, the QCA Corporate Governance Code (QCA Code) has grown in both significance and influence. Through its existence, it has come to be known for supporting growth flexibly – helping companies develop at their own pace and fostering investor understanding and trust.

The Code was last revised in 2023 and this is the first opportunity to evaluate how companies are beginning to apply the revised framework. By looking at adoption patterns two years on, we can see how companies are responding to the new expectations and assess what divergences there are and where smaller company corporate governance practices are currently situated.

This report sets out the findings of an analysis conducted in September 2025, covering all companies on AIM, Aquis and Equity Shares (Transition) companies<sup>1</sup>. We reviewed companies' annual reports and accounts and corporate governance statements covering the prior 12 months, with the objective of assessing:

- The current levels of adoption of the QCA Code
- How adoption varies by market capitalisation and jurisdiction
- Stated application of the QCA Code, with a focus on its flexibility and reported departures from its 10 principles

Currently, not all companies are applying the 2023 QCA Code. Therefore, this review covers disclosures made under both the 2018 and 2023 versions.

### The QCA Code

The QCA Code is a practical, outcome-oriented and principles-based approach to governance that is tailored for small and mid-sized quoted companies. It is a valuable reference for growing companies wishing to follow good governance practice. Through its ten principles, its approach is to facilitate and enable companies, rather than prescribing them to adhere to set requirements.

The QCA Code is now 12 years old, having first been published in 2013. It underwent a revision in 2018, which coincided with a change to the London Stock Exchange (LSE) change rules (AIM Rule 26) that required all companies to apply a recognised corporate governance code. This saw the vast majority of AIM companies choose to apply the QCA Code, demonstrating a recognition of its proportionate approach.

<sup>1</sup>Pursuant to the 2024 amendments to the UK Listing Rules, a 'transition' category was introduced for issuers previously admitted to the Standard List. Issuers within this category are permitted to remain subject to the former Standard List requirements on an indefinite basis, including the continued application of their chosen corporate governance code.

## Key Findings



### On adoption:

- **92%** of AIM-quoted companies adopt the QCA Code (578/629 companies). This rises to 97% of AIM's UK quoted companies.
- Of these adopters, **26%** have adopted the latest 2023 code (151/578), while all the rest still apply the 2018 version of the code. However, in line with requirements, most say they will be implementing the new code in their next financial year, so their 2025 annual report.
- Over **73%** of Aquis-quoted companies adopt the QCA Code (60/82 companies).
- **53%** of Equity Shares (Transition) companies adopt the QCA Code (61/115 companies).

### On application:

- Of the 578 AIM-quoted companies adopting the QCA Code, **one-fifth (20%)** state they do not fully apply it (116/578 apply flexibly). This proportion rises to **24%** (36/151) for 2023 adopters.
- Of the 60 Aquis-quoted companies adopting the QCA Code, **over a third** state they do not fully apply it.
- The proportion of AIM companies taking advantage of the QCA Code's flexibility has increased, up from less than **one in ten** followers two years ago.



Our findings show that the QCA Code remains overwhelmingly the preferred governance framework for small and mid-sized quoted companies in the UK, widely applied across AIM, Aquis, and companies in the Equity Shares (Transition) category. Its application is broad, spanning different industries, company sizes and jurisdictions.

The number of companies applying the QCA Code is close to that of those applying the Financial Reporting Council's UK Corporate Governance Code, where its use is mandatory on the LSE's Main Market. Were it possible to capture reliably how many private companies also reference the QCA Code, it might well prove to be the most broadly applied governance framework overall.

Our findings on market capitalisation show a trend where smaller companies are more likely to report departures from the Code, making use of its flexibility, while larger companies tend to demonstrate higher levels of application as their governance practices mature.

While the overall proportion of companies applying the Code flexibly has increased since our 2023 report, when fewer than one in ten firms reported deviation, this cohort still represents only one-fifth of all companies. This reflects the "apply and explain" nature of the framework which enables companies to adopt it at an early growth stage and mature into fuller adoption as they scale.

The 2023 revision has modernised the framework and strengthened investor expectations. Our research shows that the QCA Code continues to offer a proportionate and principles-based framework for smaller growth companies and one that is able to meet investor expectations while providing businesses the scope to tell their own evolving governance story. It fulfils a vital role underpinning the wider policy goal of ensuring AIM and Aquis remain flexible and dynamic markets for growth companies.

There is also scope to extend the Code's reach. We know of ambitious private companies that have voluntarily adopted the Code to help build stakeholder trust, often in readiness for life on the UK's public markets.

It could also provide a proportionate framework for companies joining any of the PISCES platforms that will enable private companies to trade their shares on an intermittent basis.

# QCA Code vs. UK Code: The full market picture



Before turning to a closer examination of the QCA Code on AIM, Aquis and the Equity Shares (Transition), it is useful to set adoption in the context of the wider market.

**Figure 1** – QCA Code vs. UK Code adoption across markets (2025)<sup>2</sup>

### Number of Companies

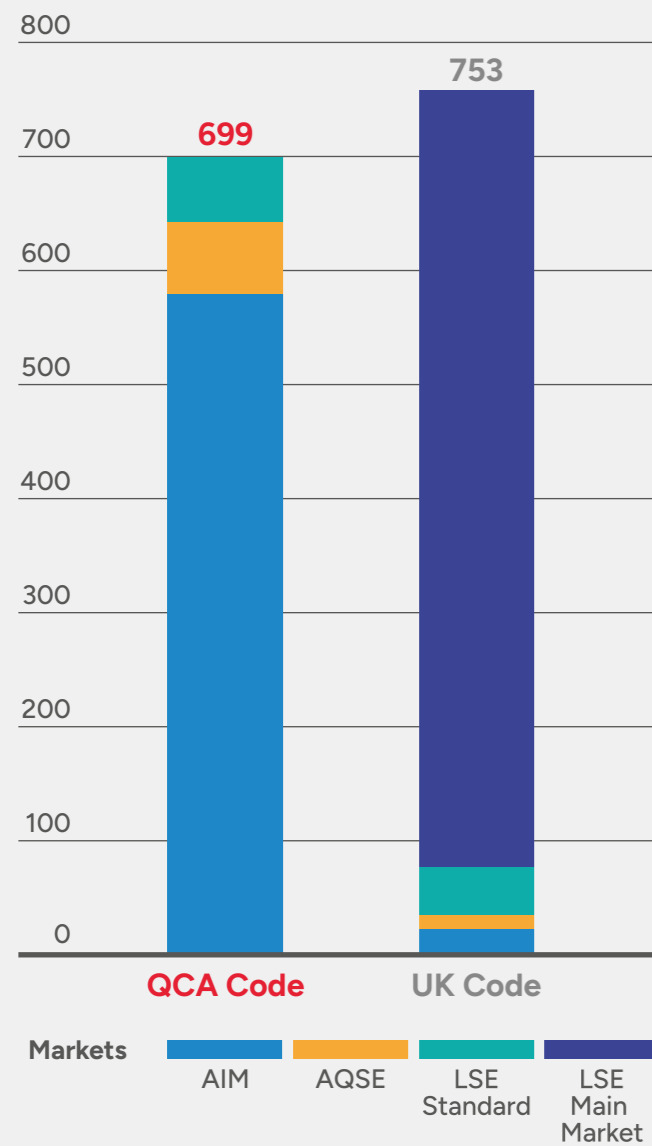


Figure 1 presents the headline comparison between the QCA Code and the UK Corporate Governance Code. The QCA Code is applied by 699 companies across AIM, Aquis and the Equity Shares (Transition) companies, making it the most widely adopted governance framework outside of the Main Market’s ESCC category. Its strongest base remains AIM, where 578 companies follow the Code, but it is also embedded within Aquis and the Equity Shares (Transition).

By contrast, the UK Code is applied by 753 companies in total, with adoption overwhelmingly concentrated in the LSE Main Market, where 678 companies are required to follow it. Taken together, the two codes now stand side by side in scale, with the QCA Code closing the gap on the UK Code despite its application being voluntary.

<sup>2</sup> It should be noted that the actual level of adoption for the QCA Code and UK Code may be higher as information was only collected on these codes for companies on public markets. The QCA Code, for instance, is applied by multiple private companies but no exercise was undertaken to assess this.

# AIM

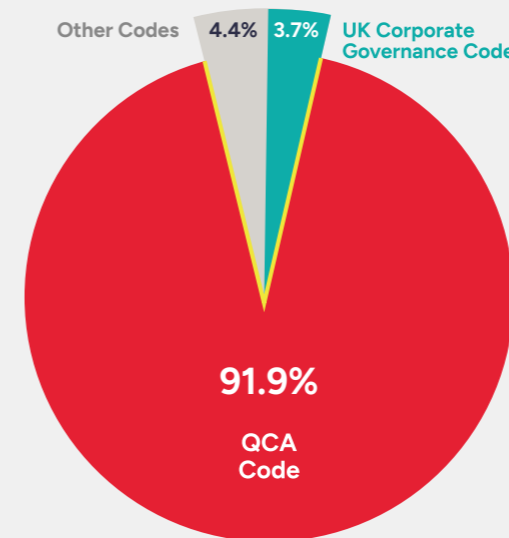


### Breakdown of code adoption

At the time of this research in September 2025, there were 629 companies quoted on AIM. In 2023 – when we last conducted this research - there were 798 companies on AIM, of which 744 adopted the QCA Code. The number of companies on AIM has therefore fallen by more than 25% in two years, yet the proportion following the QCA Code has stayed broadly steady.

Our findings show that 92% of AIM companies currently adopt the QCA Code. Even as AIM has contracted, companies continue to apply the QCA Code in very high numbers, underlining its position as the dominant governance model for smaller quoted companies in the UK.

**Figure 2** – Code Adoption by AIM-quoted companies<sup>3</sup> (2025)



<sup>3</sup> “Other” refers to the UK Code (23), the ASX Code (11), Corporate Governance Code of Canada (7), AIC Code (3), King IV Code (2), GFSC Code (3), HKEX Code (1), and BSEC Code (1)

After the QCA Code, the UK Corporate Governance Code (UK Code), published by the FRC, is the second most widely used governance code for AIM companies, with 23 companies (4%) choosing to adopt it. Other codes adopted by a handful of companies are a mix of jurisdictional and sector-specific codes. These include the ASX Corporate Governance Principles and Recommendations, the AIC Code of Corporate Governance, the King IV Code, Hong Kong Corporate Governance Code, Bangladesh Securities and Exchange Commission Code, Guernsey Financial Services Commission Code, and the Corporate Governance Code of Canada.

### Code adoption by location and market capitalisation

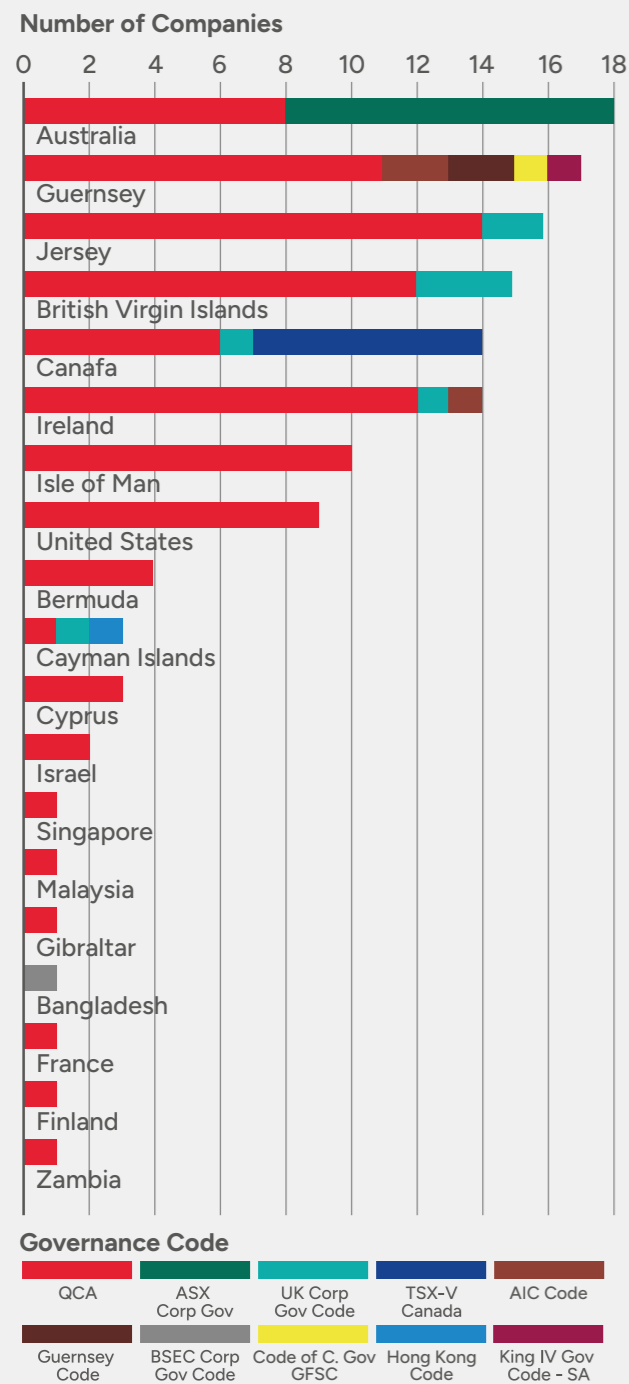
#### Location

The majority of companies quoted on AIM are based in the UK, with 496 (79%) of the 629 companies having their operations headquartered here. Only 17 of these 503 UK-based companies choose not to apply the QCA Code (15 adopt the UK Code, with the ASX Code and King IV Code being adopted by one company each).

In terms of international companies, the majority of companies also adopt the QCA Code. For instance, all companies located in the United States, Zambia, Singapore, Malaysia, Israel, Isle of Man, Gibraltar, France, Finland, Cyprus and Bermuda follow the QCA Code.



**Figure 3 – Code adoption for non-UK-based companies**



As highlighted in Figure 3, code adoption varies depending on where the company is incorporated. On the whole, the QCA Code remains the most widely-used code of choice in most jurisdictions. However, the governance codes of Australia and Canada both have high levels of adoption by companies that are incorporated there and quoted on AIM.

For instance, over half (56%) of the 18 Australian companies trading on AIM apply the ASX Code. The situation is similar for Canadian companies, with 50% of the 14 companies following the Canadian code. Many of these companies have a dual listing in their own jurisdiction and on AIM.

**Market capitalisation**

In this section, we consider how the QCA Code is adopted across three market capitalisation bands on AIM.

**Figure 4 – Code adoption by market capitalisation**

Market capitalisation	No. of companies adopting	% adopting QCA Code	% adopting a different code
<£500m	604	94%	6%
£500m-£999m	16	69%	31%
>£1b	9	11%	89%

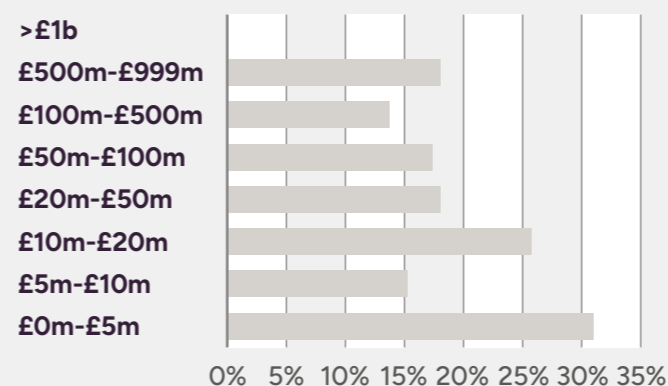


There is a large difference in the number of companies with a market capitalisation below £500 million and those with a market capitalisation between £500 million and £999 million. Adoption levels of the QCA Code are greatest in the smaller cap band but hold up well as companies grow. However, there is an evident drop off in the number of companies following it with a market capitalisation above £1 billion.

While it may be assumed that the lower take up of the QCA Code for these companies is a reflection of expectations that, for instance, the UK Code is more appropriate for larger companies, a sizeable number of the larger companies - 12 of 25 above the £500m market cap threshold - adopt the QCA Code.

**Figure 5 – Code adoption departure levels by market capitalisation**

**Market capitalisation of companies that choose not to fully apply the QCA Code**



The market capitalisation analysis suggests that smaller AIM companies are more likely to report departures from the QCA Code, while larger companies tend to show higher levels of full appliance. Companies valued in all market capitalisation bands below £100m show consistently high levels of flexibility when applying the Code at 15% or more compared to the majority of larger market bands which fall below that figure. For example, companies in the £100–500 million range show departures just below 15%, and at the highest market capitalisations, adoption levels are even stronger, with those companies £1bn or above showing no reported departures.

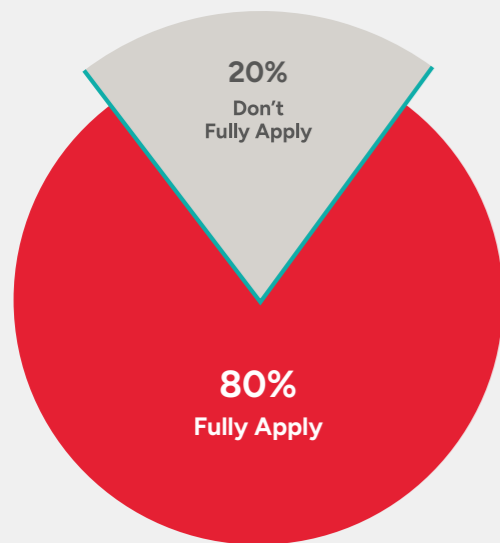
This pattern broadly supports the view that smaller companies are more likely to utilise the flexibility the Code’s 10 principles offer, while mid and larger caps are more likely to apply the 10 principles more consistently. It also suggests that while smaller companies may not consider every aspect of the Code appropriate for their company size, they are able to adopt its framework early and mature into fuller adoption as they grow. This demonstrates how the QCA Code supports businesses throughout their journey from early-stage growth to larger cap company by offering flexibility in its adoption.



## QCA Code application

Having established how widely the QCA Code has been adopted, it is also important to consider how it is being applied by AIM companies. Of the 578 companies currently adopting the QCA Code, 116 (20%) state that they do not fully apply its requirements, whether referring to the 2018 or 2023 versions. Within this group of adopters, 151 companies have already moved to adopt the updated 2023 Code. This number is expected to rise sharply in the next reporting cycle, as companies will be expected to report against the 2023 version when they publish their next set of annual accounts.

Figure 6 – QCA Code application



Of the 151 companies already using the 2023 Code, 36 state that they do not fully apply it. In the sections that follow, we examine these 36 cases in more detail and look at which principles of the updated 2023 Code are most commonly departed from.

Overall, our findings show that for companies that disclose a degree of non-application, the main reason given was in relation to the smaller size of their company and their younger stages of development.

These examples highlight how companies, particularly at earlier stages of growth, apply the Code flexibly to fit their circumstances, and they underline the importance of supporting companies in finding proportionate and practical ways to align with its recommendations over time.

A short breakdown of some of the reasons for departing from the 10 principles, as given by companies that follow the 2023 Code, are detailed on the next page. We also include examples of anonymised company disclosures explaining their reasons for not applying certain of the Code's principles to illustrate how companies are able to apply them flexibly.



## Principle 3 *Seek to understand and meet shareholder needs and expectations*

One company chose not to provide quantitative or qualitative reporting on environmental and social matters. This company stated that such disclosures were not considered material or of significant interest to their shareholders. This demonstrates variance from Principle 3's recommendation to include these disclosures in the Annual Report and Accounts to support investor understanding.



### Case study

*"At present, the Board does not publish quantitative or qualitative reporting of the Company's environmental and social matters in relation to meeting investors' needs and expectations, as these have not been areas of significance raised by the Company's shareholders to date, although the Company will consider the need for this should shareholders expect this."*

— Company disclosure

## Principle 4 *Take into account wider stakeholder interest, including social and environmental responsibilities, and their implications for long-term success*

One company approached this principle differently. It stated that it did not disclose

KPIs or forward-looking targets, choosing instead to focus on more immediate operational priorities. This principle encourages boards to describe the environmental and social issues that are material to the company, linking them to purpose, strategy, and business model, and to set out KPIs or forward-looking targets so progress can be monitored over time.

## Principle 5 *Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation*

Two companies reported not having a formal audit committee or an internal audit function, instead assigning audit responsibilities to the board as a whole. In contrast, the Code highlights the importance of an audit committee in providing shareholders with confidence in the integrity of financial results, reviewing significant reporting issues, and overseeing risk management and internal controls.

These companies explained that their smaller scale made dedicated structures disproportionate. Indeed, the Code recognises that arrangements may vary, and it recommends that an audit committee ideally comprise at least two independent non-executive directors who can challenge management, assess auditor independence, and ensure that corporate reporting is fair, balanced, and understandable.



### Case study

*“There is currently no internal audit function as the board and audit committee considers that given the company’s current stage of development, it is not necessary, but this will be reviewed annually as the company evolves.”* — Company disclosure

### Principle 6

*Establish and maintain the board as a well-functioning, balanced team led by the chair*

Sixteen companies departed under this principle, most often in relation to board composition and balance. Six reported that their non-executive directors could not be considered fully independent, often because they had been granted share options or because the board was not evenly balanced between executives and non-executives. Principle 6 advises companies that independent non-executive directors should comprise at least half of the board, and that any circumstances which may affect independence, such as significant shareholdings or incentive arrangements should be clearly explained.

Three either operated without a permanent chair or combined the roles of chair and chief executive. Two companies had not appointed a senior independent director, and one did not classify all non-executive directors as independent, reflecting the challenges of building out boards of

sufficient size and breadth. The QCA Code recommends that clear governance structures, with the chair leading the board, the chief executive responsible for day-to-day operations, and the appointment of a senior independent director to provide balance, evaluation, and an additional point of access for shareholders.

Three companies opted to not put their annual remuneration report to an advisory shareholder vote, in contrast to the Code’s recommendation that shareholders be given the opportunity to vote annually on the (re-) election of directors and on remuneration policies.

Two companies reported that their boards were led by executive rather than non-executive chairs, differing from the Code’s expectation that the chair should take responsibility for board effectiveness while remaining distinct from day-to-day management.

Companies that took the above approaches typically explained them by reference to the challenges of recruiting independent directors at their size, or the need to adopt pragmatic board structures during early stages of growth.



### Case study

*“Although the QCA Code recommends that all Directors be presented for re-election annually, the Board, given its current small size, considers this approach inappropriate*



*at this stage. Frequent re- elections could disrupt leadership continuity, which is crucial for a small company navigating growth or strategic changes. However, this decision will remain under review.”*

— Company disclosure

### Principle 7

*Maintain appropriate governance structures and ensure that, individually and collectively, directors have the necessary up-to-date experience, skills and capabilities*

While not a departure from the Code in the fullest sense, twelve companies did not establish a nomination committee, instead handling appointments and succession collectively at board level. Indeed, the Code recognises that many growing companies adopt this approach, as it is appropriate to their company size and growth stage. However, it also highlights that companies without a nomination committee should give consideration to the benefits of establishing one.

One company opted not to make its board evaluation processes public, regarding full disclosure as disproportionate given its scale. The Code encourages companies to explain how directors’ skills and capabilities are assessed and how succession planning is integrated into governance practices, as this transparency can help build investor confidence.

### Principle 8

*Evaluate board performance based on clear and relevant objectives, seeking continuous improvement*

Eleven companies had not carried out an internal or external board evaluation within the past three years, noting that annual internal reviews were sufficient and that a formal external review would be disproportionate in terms of cost and resource. This varies from Principle 8 which highlights the value of annual performance reviews of the board, its committees, and individual directors, supplemented periodically by an external third-party review to provide independent insight and opportunities for improvement.

One company did not publish information on succession planning, explaining that informal processes were in place but not formally documented. In contrast, the Code encourages companies to provide both a high-level explanation of succession planning in the annual report and a more detailed description on their website, outlining how future board and senior management appointments are considered and how succession links to the board’s performance evaluation process



### Case study

*“Given the limited size and complexity of the Company, the Board has not historically had a formal performance*

# 4

evaluation procedure in place, as described and recommended in Principle 8 of the QCA Code. The Board is now implementing a formal board evaluation process which will be closely monitored as the Company's size and complexity grows, further details of which can be found below in Principle 8." — Company disclosure



### Case study

"Given the Company's current size and structure, the board had determined that adopting a formal remuneration policy was not necessary." — Company disclosure

### Principle 9

*Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture*

Departures under this principle generally related to people management, particularly the absence of a formal remuneration policy or annual appraisal processes. Three companies explained that such arrangements were not in place, noting that informal feedback was considered sufficient or that more formal processes were impractical given their size and stage of development. By comparison, the Code encourages companies to establish remuneration policies that are aligned with purpose, strategy, and culture, and to explain in the annual report how remuneration structures support long-term value creation and effective risk management.

The Code also highlights that remuneration practices should motivate management, promote the right behaviours, and align executive incentives with the interests of shareholders, with the annual remuneration report put to an advisory shareholder vote. Companies that departed on this point referred to pragmatic reasons for their approach.

### Principle 10

*Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders*

Two companies did not include formal audit or remuneration committee reports within their financial statements. In one case this was explained by reference to Canadian state law, which did not require such disclosures. On this point, the Code encourages companies to include committee reports within their annual report as part of broader corporate governance disclosures, alongside reflections on challenges faced, any resulting changes to board structures, and an overview of the work of key committees during the year.



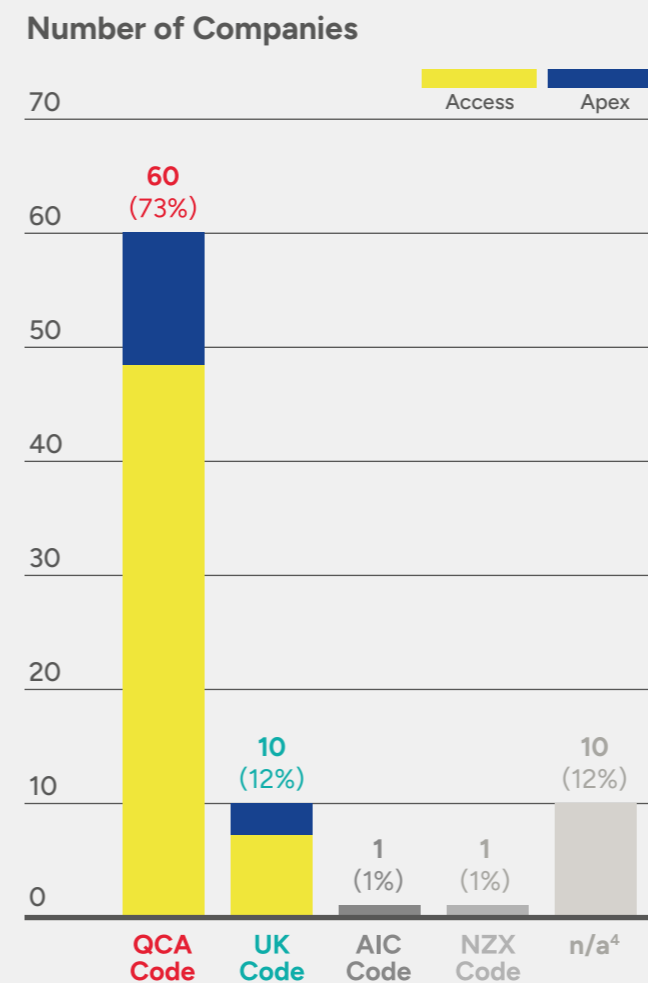
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## Aquis

### Breakdown of code adoption

At the time of conducting the research, there were 82 companies listed on Aquis. Of these companies 60 adopted the QCA Code, representing 73% of companies. A full breakdown is provided below:

Figure 7 - Code adoption by Aquis companies



<sup>4</sup> No corporate governance information was available for these companies.

In a similar vein to AIM, the QCA Code is adopted by the majority of companies on Aquis, with the UK Code being the second most common code.

### QCA Code application

Of the 60 companies on Aquis that currently adopt the QCA Code, over a third of companies state that they diverge from the Code in some way. This often pertained to Principles 6, 8 and 9 with common departures referencing a lack of committees, formal board evaluation procedures and independent non-executive directors.

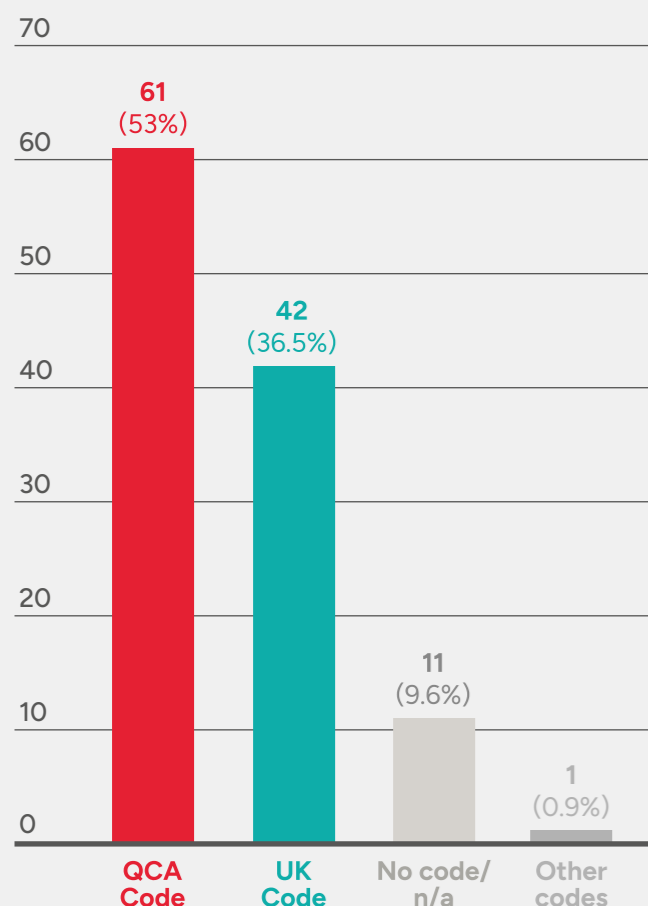
# Equity Shares (Transition) category



## Breakdown of code adoption

**Figure 8** – Code adoption by Equity Shares (Transition) companies

### Number of Companies



Similar to AIM and Aquis, the most widely used code on the Equity Shares (Transition) category of the London Stock Exchange is the QCA Code, with just over half of all companies applying it. The websites and annual reports and accounts of 115 Equity Shares (Transition) companies were reviewed<sup>5</sup>. This represents a significant change from our 2023 research, where the UK Corporate Governance Code was the most widely applied framework on the corresponding Standard List, used by 34% of companies, compared with 27% applying the QCA Code. The shift in 2025 not only reflects a reduction in the overall number of companies in the category but also a marked consolidation around the QCA Code, which has now overtaken the UK Code as the leading governance framework here.

The 2024 amendments to the UK Listing Rules replaced the Standard List with the Equity Shares (Transition) category for existing issuers, allowing them to remain subject to the former regime indefinitely, including their chosen governance arrangements. Unlike the other listing categories on the Main Market, AIM (AIM Rule 26) and Aquis (AQSE Rule 2.7), there is no such requirement for Equity Shares (Transition) companies to formally apply a particular corporate governance code. As a result of this, code adoption is more widely dispersed, with some non-adopters. Nevertheless, since 2023, the QCA Code has emerged as the leading choice.

<sup>5</sup> Duplicates and companies under the Equity Shares (Transition) Debt and Equity Shares (Transition) GDRs FCA Listing Categories were removed.

# About the QCA



## The QCA Code Badge: A sign of engagement

Launched in 2023, we intend the QCA Code Badge to become a recognisable mark for investors, governance experts, the media and wider stakeholders.

It is already catching on. **One in eight** of the companies that have begun applying the revised Code are also displaying the trademarked QCA Code Badge on their website or in their annual report. To obtain it, companies must either be QCA members or have acquired a copy of the QCA Code from us.



## Getting advice and guidance

Since the Code was updated in late 2023, we have regularly run QCA Corporate Governance Code Workshops, in-person and online. These day-long sessions – with one place provided free to QCA members – explore the effective and flexible application of the Code.

The workshop is led by Louis Cooper, a longstanding member of the QCA Corporate Governance Expert Group and a member of the working group that revised the QCA Code in 2023. Louis is also a chartered accountant with over 25 years of experience in governance, risk and assurance services and was one of the co-founders of the Non-Executive Directors' Association (NEDA).

Featuring fellow expert speakers alongside Louis, the workshops share practical examples and case studies and help directors and company secretaries to:

- **Consider** the board level input needed to establish and deliver quoted company corporate governance standards and frameworks;
- **review** the application of the QCA Code and guidelines relevant to the company's own story rather than adopting 'boilerplate' responses;
- **understand** how to gauge and deal with changing stakeholder expectations;
- **determine** the ability to integrate governance considerations into the broader business strategy, culture, performance, reporting and risk working practices;
- **provide** practical insight into undertaking health check reviews and the use of other assurance approaches to make sure that the company is learning, developing and continuously improving.

## **Quoted Companies Alliance**

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