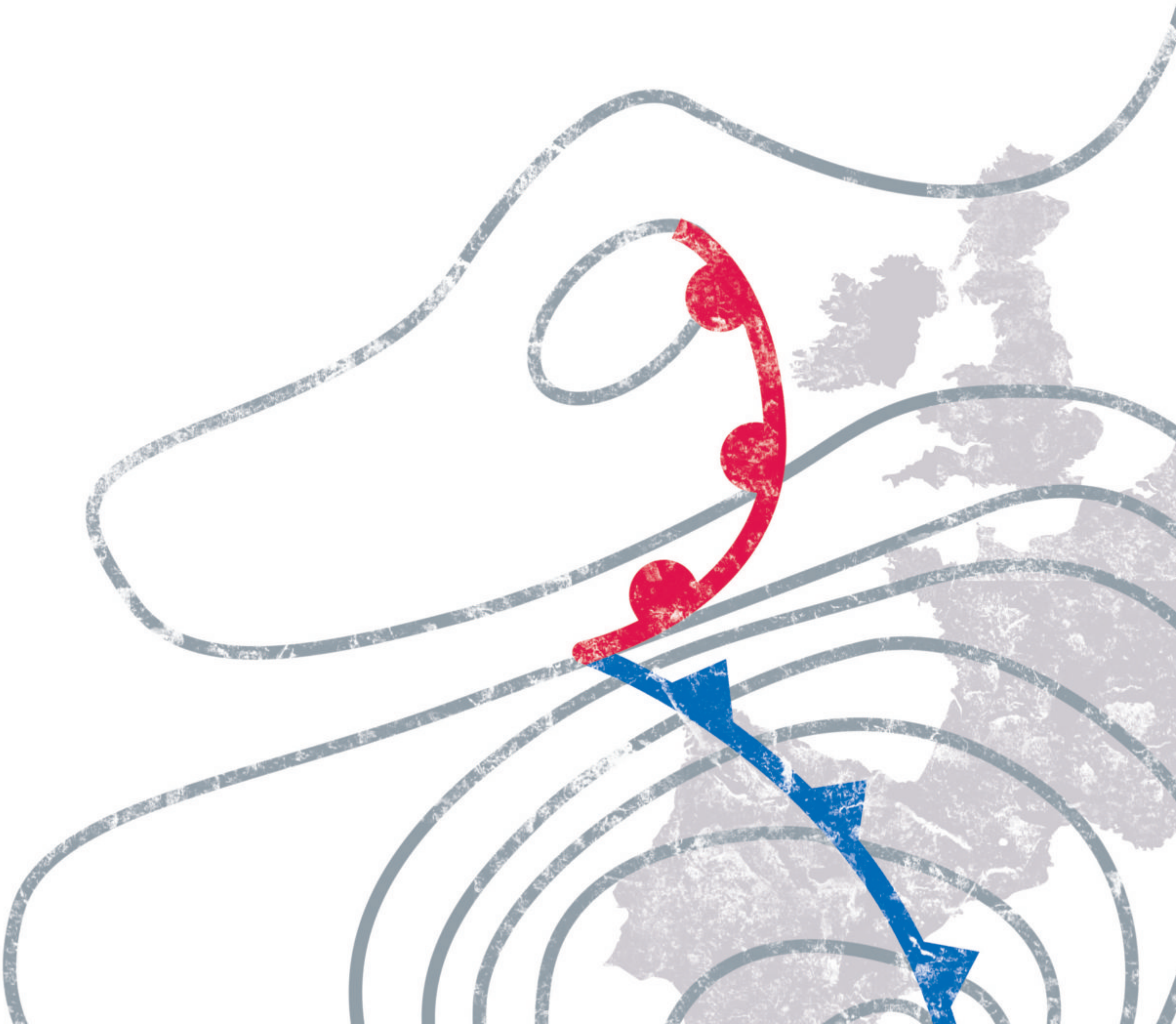
CORPORATE GOVERNANCE REVIEW 2011

A changing climate
Fresh challenges ahead



Highlights

- Half of all FTSE 350 companies complied with the Combined Code, with another 10% doing so for part of the year.
- Seven FTSE 350 businesses have been in full compliance with the Combined Code throughout the ten years of this review.
- Less than one in ten directors are women, with half of all Mid 250 boards exclusively male. 72% don't disclose their gender policy.
- Seventy per cent of FTSE 350 companies have introduced annual re-election of directors in anticipation of the new UK Corporate Governance Code.
- One in four companies held externally facilitated board evaluations, with 17% more planning a review in the coming year.
- More than half of chairmen's statements do not discuss governance and only 10% offer real insight into their governance culture.
- Only five companies changed their external auditor and the average tenure of auditor is 34 years.
- Just 25% of companies give real insight into how they monitor and maintain effective oversight of their internal control systems.
- Twenty seven per cent of companies already outline their business model, as required in the new UK Corporate Governance Code.

Methodology

This review covers the annual reports of 298 UK FTSE 350 companies, with years ending between May 2010 and April 2011. Investment trusts are excluded as they are permitted to follow the AIC Code of Corporate Governance.

The review assesses:

- compliance with the corporate governance disclosure requirements in the Combined Code on Corporate Governance
- early adoption of revisions made in the new UK Corporate Governance Code
- compliance with the requirements for a business review as set out in s417 of the Companies Act 2006.

Key findings are discussed in the main body of this report, with full details of results in the appendix.

Simon Lowe would like to thank Zoltan Bedocs, Collette Brady, Sam Boughton, Callum Hind, Amarpreet Kaur, Ben Langford, Sajni Radia and Alex Worters for their help in preparing this review.

Contents

The regulator's perspective

Quality reporting is key to retaining our Code-based approach

Chris Hodge, Head of Corporate Governance, Financial Reporting Council

In recent years, there has been a great improvement in the governance – and reporting of governance – of UK companies.

It is easy to forget that what is accepted as good practice now was not always commonplace: before the Cadbury Report, companies routinely had no audit committees, more executive directors than non-executives, and one person acting as both CEO and chairman.

It is no coincidence that such strides have been achieved within a voluntary framework. I believe the aspirational targets of UK governance codes encourage greater achievement, whereas regulation alone leads to the bare attainment of minimum standards.

The FRC would therefore oppose any pressure from the EU for excessive prescription, believing our track record is a persuasive argument for continuing our Code-based system.

However, we cannot rest on our laurels. A significant minority of UK listed companies could still improve the quality of their reporting. In 'explaining', it is not enough to simply say non-compliance suits one's business model: stakeholders deserve to know exactly why this is the case and what arrangements ensure that, despite non-compliance, the business – and their interests – are protected.

More generally, companies need to consider the reader when preparing their annual report. Boilerplate may tick the boxes but it does not give the colour or the flavour to bring a business alive.

It would benefit us all, particularly in the context of the European Commission's recent green paper, if the minority of poor performers could raise their reporting standards to the very good level of their peers.

We must all continue to demonstrate that the Code leads to continuous improvement and that companies can be trusted to work within it – not subvert it.

Foreword

Welcome to Grant Thornton's annual analysis of the governance practices of the UK's FTSE 350 companies.

Simon Lowe, Chairman,
The Grant Thornton Governance Institute

This is our 10th Corporate Governance Review. Looking back at the past decade, there is clear evidence that governance practice in the UK has continued to evolve in response to changing principles and guidance.

In that time, straight compliance has almost doubled, to 50%, and – more importantly – only 16% of companies now give minimal explanation as to why they choose not to comply, compared to nearly 50% in 2002.

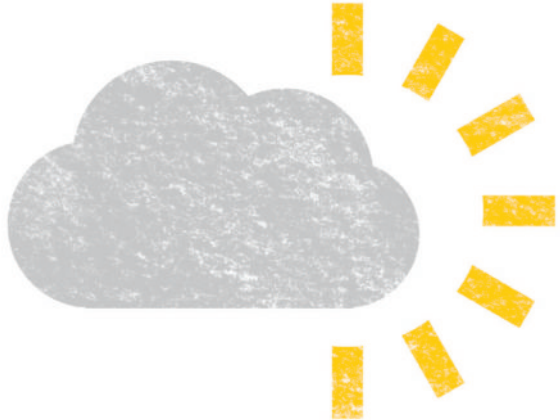
A quiet governance revolution

As guidance has evolved, so too have the overall governance practices of most companies. Although some businesses are lagging behind, the UK's principles based approach – underpinned by the need to 'comply or explain' – has achieved a quiet revolution in corporate governance. The following statistics highlight this trajectory:

- In 2003, when the Higgs Report first introduced the concept of board evaluation, only 47% of companies undertook it; now virtually all companies do
- Non-executive directors (NEDs) were in the minority until 2006. They now represent 5.3 of an average FTSE 350 nine-strong board, and seven of the 11 members of a FTSE 100 board
- In 2004, 30% of companies disclosed their risks; now all but one do
- Before the 2003 Smith Report outlined guidance for audit committees, FTSE 350 non-audit fees were almost double the audit fee. That figure has now dropped to nearly half the audit fee and explanations and disclosure are growing
- When the guidance for audit committees was reviewed in 2007-08, 84% of companies made no mention of the reappointment of auditors, now 67% do
- The percentage of companies that annually re-elect directors has risen from 7% to 70% in the course of one year. We expect this to rise even more in the next reporting season.

Seven companies fully complied with the Combined Code (the Code) every year of the last decade. Other companies have developed innovative solutions in emerging areas, such as linking risk and mitigation to the business model, but this group of seven led the way in demonstrating consistently sound governance practice. Their track record of disclosure offers useful lessons for other companies.

Foreword



"The UK's principles-based approach – underpinned by the need to 'comply or explain' – has achieved a quiet revolution in corporate governance"

1991 2011

The decade's governance milestones

The UK Corporate Governance Code resulted from the UK corporate scandals of the early nineties. Our first review was published in 2002, when – in the aftermath of US corporate failures – discussions around the state of governance led to more stringent Combined Code provisions in the UK and the introduction of US regulation through the Sarbanes-Oxley Act.

In 2008, the global financial crisis and the failure of some UK institutions again turned the spotlight on governance. Both Sir David Walker and the Financial Reporting Council looked closely at governance practice, prompting further guidance and revisions to the Code. The European Commission recently entered the debate, raising questions about the effectiveness of 'comply or explain', the foundation of UK governance practice. This year has seen further governance failings which have continued to inflame the governance debate.

Recalibrating expectations

After a decade of governance advances, robust figures for compliance and – for those who choose not to – more informed explanations for non-compliance, the focus now needs to shift.

Companies must look to improving the quality of their disclosure and governance information, while ensuring the quantity of that information does not mushroom. Both the UK Department for Business, Innovation and Skills (BIS) and the Financial Reporting Council (FRC) recognised this challenge in their recent papers, 'The Future of Narrative Reporting' and 'Effective Company Stewardship: Next steps'.

Last year, we challenged companies to reduce the front end of their accounts by 10%. Thirty nine achieved this goal but for the majority, disappointingly, it was another case of more rather than better as annual reports grew by 5%.

Governance practice continues to evolve with market, regulatory and political pressure bringing new challenges.

Recent changes	Ongoing consultation
• 2010 UK Corporate Governance Code • Guidance on Board Effectiveness • Guidance on Audit Committees • Stewardship Code for Institutional Investors • The Davies Report on Women on Boards	• 'Effective Company Stewardship' – FRC consultation • FRC discussion paper on Boards and Risk • EU Corporate Governance framework – EC consultation • 'The Future of Narrative Reporting' – BIS consultation • 'Towards Integrated Reporting' – IIRC consultation

Challenges remain

As old challenges are addressed, new ones emerge:

- Seventy two per cent of companies do not discuss gender, with only 6% measuring and describing their progress against gender quotas and 140 companies still having all-male boards
- The average tenure of a FTSE 350 audit appointment is 34 years, with 248 companies making no mention of when they last tendered their external audit
- Only 25% of companies give real insight into how they review the effectiveness of their internal control systems
- External board evaluations may have been embraced by nearly all companies, but only 24% share the outputs of such evaluation
- Just one in ten chairmen use their statements to shed genuine light on the governance culture they seek to uphold.

Calling chairmen to account

The FRC's March 2011 Guidance on 'Board Effectiveness' put the role of the board and the chairman's leadership at centre stage, with its recognition that non-executive directors alone cannot deliver good governance practice.

The Code's preface encourages chairmen to report in their annual statements how they apply the principles relating to the board's role and effectiveness. So far, 43% of chairmen have done this. However, only 10% give meaningful insights into how they and their board set and embed an appropriate governance culture throughout their organisation.

Over the past ten years, the quality of risk disclosure has improved significantly, with 74% of companies providing more detailed information. But only 21% align their risks with their business strategy – the rest merely list the risks.

The challenge, as the FRC recognised in its September 2011 paper 'Boards and Risk', is to reduce the number of risks cited and to ensure they are relevant to the business, rather than generic to the industry.

The debate – and challenge – continues

The 'comply or explain' debate has now been taken up by the European Commission's Green Paper on the EU Corporate Governance Framework, which questions whether optional principles and guidance, rather than hard regulation, can achieve effective governance.

Our review suggests that the Code's 'comply or explain' approach has achieved significant success over the last ten years. But, as stakeholders and regulators call for more informed reporting, the bar will continue to rise. So, as guidance and practice evolve, companies and the audit committees must recalibrate their expectations.

"As yet just one in ten chairmen use their statements to shed genuine light on the governance culture they seek to create"

Compliance with the Code

Against the background of a decade of improving disclosure, in 2011, the level of compliance stayed at around 50%. However, this figure masks the fact that the vast majority comply with all but one or two Code provisions.

"There has been a strong year-on-year improvement in both compliance and the quality of explanations for non-compliance"

Compliance levels plateau

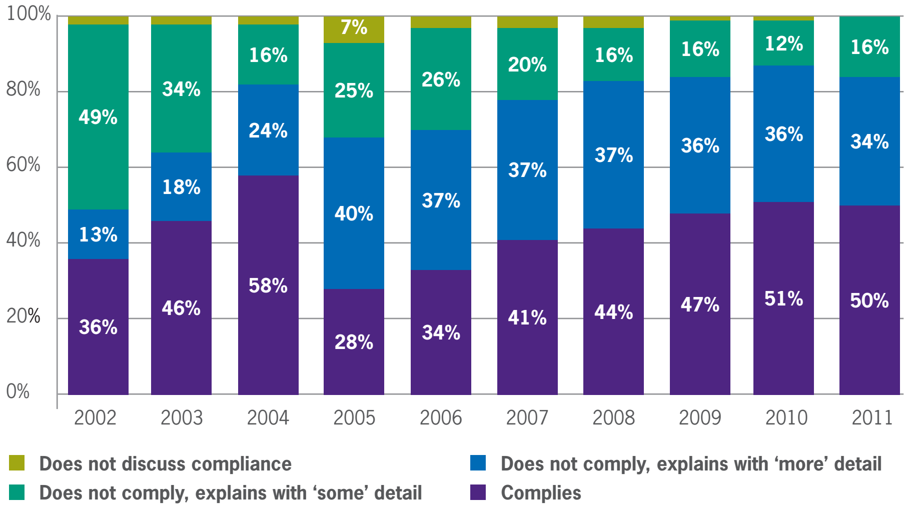
This year, compliance levels seem to have plateaued, with around 50% of the FTSE 350 opting for explanations in one or two areas over full compliance.

This perhaps reflects the 'one size does not fit all' approach of the Code, which takes the view that companies are best placed to design their own governance structure and practice.

The quality of explanation has dipped, with the number of companies who do not comply providing informative disclosures slipping to 69% (2010: 73%).

The ongoing dialogue within the EU over the future of the 'comply or explain' principle means this is not ideal. However, it should be considered in the context of the overall strengthening of disclosure over the past ten years.

FTSE 350 companies choosing to 'comply or explain'



With the exception of the 2005 Grant Thornton review, which saw a rebasing of practice in light of the Higgs amendments to the Code, there has been a strong year-on-year improvement in both compliance and the quality of explanations for non-compliance.

In 2002, the first year of the review, more than half of all companies chose not to comply and provided only limited explanations for their departure from the Code. This fell to 16% in 2011.

Investors hold governance key

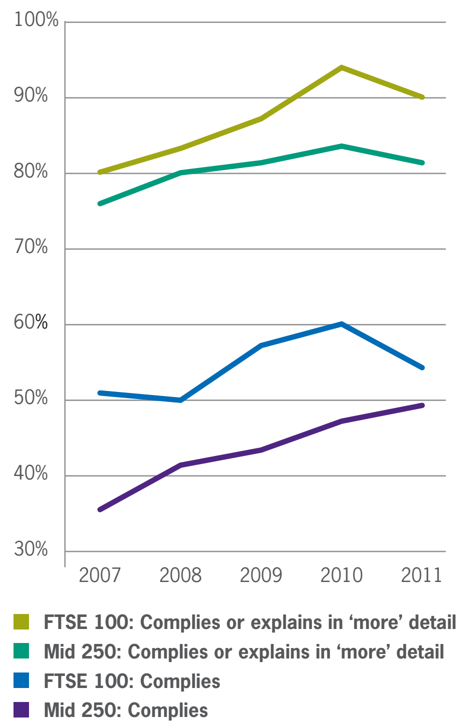
A hard core of companies still provide minimal information, and it may take the introduction of regulatory oversight to change this. However, while tougher regulation may improve compliance, shareholder engagement is critical to effecting a long lasting strong governance culture.

The best companies make a real effort to provide informative disclosures. Innovative approaches include the use of tables, Q&As and summaries of key governance features. Some also use personal commentary on governance from the chairman, either in his statement or within the governance report.

At the other end of the scale, the weakest reports are text-heavy, often repeating content from previous years; congested with boiler-plate, which is frequently lifted directly from the Code or related guidance. The net result being that the readers gain little insight into their own governance practices.

The Mid 250 tends to adopt new guidance practice slowly, in contrast to the largest companies who lead the way. By encouraging greater engagement, the new Stewardship Code will hopefully stimulate greater pressure on Mid 250 boards. However at the lower end of the Mid 250, this pressure may simply fade away.

FTSE 100 and Mid 250 companies choosing to 'comply or explain'



Compliance with provisions

Although 50% of companies report non-compliance with the Code, such non-compliance typically relates to just one or two provisions. Therefore, including those who cite full compliance, the FTSE 350 comply with 96% of the Code's provisions.

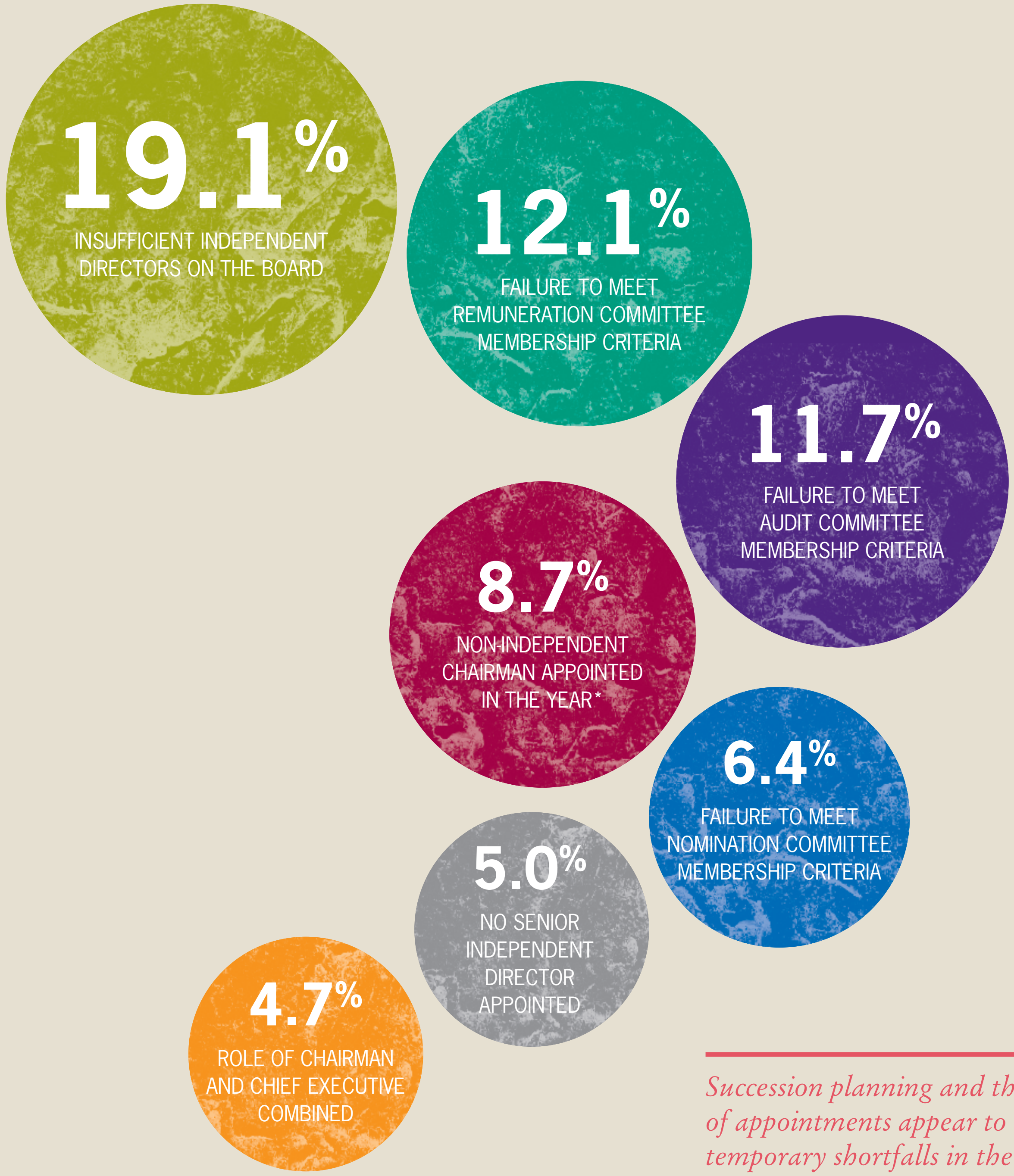
Juxtaposed to this positive picture, one company failed to comply with 21 Code provisions, across nine main principles. Somewhat surprisingly, it still claims to support the principles of good governance.

Number of Code provisions stated in non-compliance statements	Number of companies
1	80
2	38
3	13
4	10
5	2
>5	6
TOTAL	**149**

Compliance with the Code

Board make-up hinders full compliance
The most commonly reported non-compliance relates to Code provisions around board balance and committee membership requirements.

MOST COMMON NON-COMPLIANCE FROM FTSE 350 COMPANIES



*Of the 26 companies who reported non-compliance, the majority (20) did not appoint their chairmen during the year and were, therefore, not required to report non-compliance with this provision.

Succession planning and the timing of appointments appear to result in temporary shortfalls in the number of independent NEDs. These are common factors for companies struggling to maintain appropriate board balance.

The chairman's governance mantle

"Chairmen are encouraged to report personally in their annual statements how the principles relating to the role and effectiveness of the board (in Sections A and B of the new Code) have been applied."
(UK Corporate Governance Code, Preface)

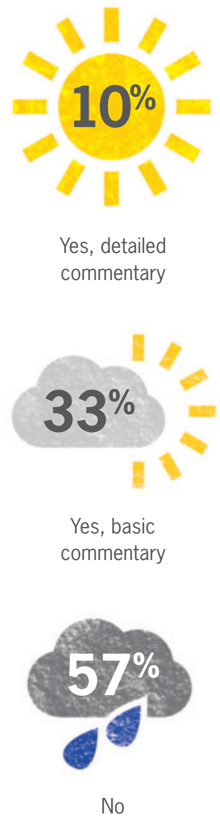
More than half of companies do not discuss governance at all in their chairman's statement. Of those that do, disclosures are typically limited to commentary on board movements, with only 10% providing insights into how key features of leadership and board effectiveness are achieved in practice.

A small but growing number of companies provide a chairman's commentary within the governance statement as opposed to the chairman's primary statement itself. Such positioning does not give the highest prominence to governance and the role of the board and, more importantly, underplays the chairman's role in leading good governance practice.

In the best examples, chairmen:

- state the key governance objectives and focus of the board for the coming year
- emphasise the importance of governance to business success and state their personal responsibility for the smooth running of the board
- discuss board evaluation outcomes and resultant actions, such as long-term succession planning or increased training
- set out what they see as key features of governance
- link their statement to the corporate governance section in their organisation.

DOES THE CHAIRMAN'S STATEMENT INCLUDE A COMMENTARY ON GOVERNANCE AND BOARD EFFECTIVENESS?



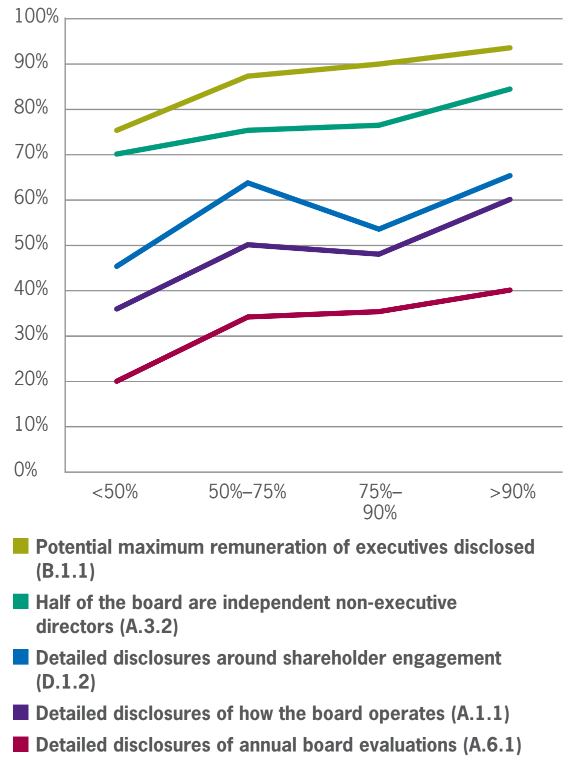
Dominant shareholders and governance

The governance of companies with dominant shareholder blocks has rarely been out of the news this year, with regular reports on the boardroom politics of, among other, well publicised mining and news companies.

There is a strong correlation between free float and Code compliance. Just 17% of those companies with less than 50% of shares in free float reported Code compliance. This compares to 59% for those with free float in excess of 90%.

The chart below looks at compliance with the spirit of key Code provisions in the context of a company's free float (the proportion of shares that are readily available for trading).

Compliance with key Code provisions by free float



Two decades of governance

Since Cadbury first put governance in the spotlight in the early nineties, a regular stream of guidance has kept it – and its evolution – centre stage.

It is almost two decades since the Cadbury Committee introduced the UK's first code of governance and ten years since Grant Thornton's first annual Corporate Governance Review.

Reflecting on the ten years, particularly striking is the dynamic nature of the FTSE 350 where nearly half of the companies at the time of our first review are no longer in the index. Changes brought about by events – such as takeover, delisting, bankruptcies and loss of value – emphasise the need for a Code which recognises that "one size does not fit all".

Ten years of gradual improvement

There has been year-on-year improvement in compliance with the Code and the quality of disclosures, with only a slight recalibration in the 2005 review, after the Higgs revisions came into force.

The quality of explanations for non-compliance has continued to improve, with 69% now providing detailed disclosures compared to 34% in 2004.

Looking at historic compliance reported by FTSE 350 companies, interestingly, despite annual compliance levels peaking at 50%, more than 90% of companies have been in compliance for at least one year. This demonstrates the Code's flexibility with companies dipping in and out in response to changing circumstances.

"There has been a general year-on-year improvement in compliance with the Code and the quality of disclosures"

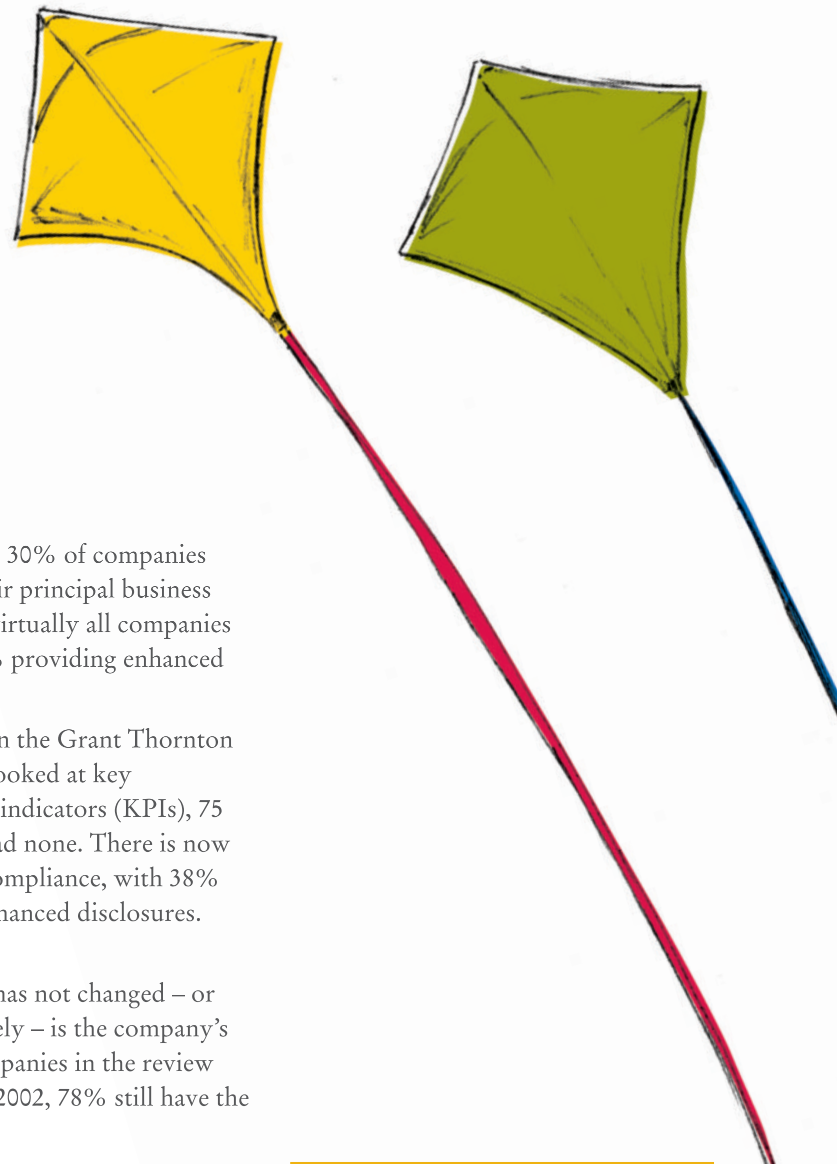
Seven companies have claimed full compliance with the Code every year. Of these, six are blue chip FTSE 100 constituents.

In contrast, five FTSE 350 members have never reported compliance over the decade, including two current FTSE 100 companies.

Other indicators of its positive impact:

- The number of companies where more than half the board, excluding the chairman, is independent (as first recommended in the 2003 Code revisions) rose from 62% in 2004 to 80% in 2011
- In 2004, less than half of companies undertook a board evaluation – another concept first introduced in 2003 by the Higgs report. By 2011 this had risen to 98%
- In 2004, only 30% of companies disclosed their principal business risks. Now, virtually all companies do, with 74% providing enhanced disclosures
- In 2007, when the Grant Thornton review first looked at key performance indicators (KPIs), 75 companies had none. There is now almost full compliance, with 38% providing enhanced disclosures.

One thing that has not changed – or at least very rarely – is the company's auditor. Of companies in the review each year since 2002, 78% still have the same auditor.



"One thing that hasn't changed is the company's auditor"

EVOLUTION OF UK CORPORATE GOVERNANCE OVER THE LAST 20 YEARS

1991

1992 CADBURY REPORT

IN RESPONSE TO UK GOVERNANCE FAILURES SUCH AS POLLY PECK, BCCI AND MAXWELL

- Separation of chairman and chief executive roles
- Requirement for two independent NEDs
- Requirement for audit committee of NEDs.

1995 GREENBURY REPORT

IN RESPONSE TO PUBLIC ANGER OVER EXECUTIVE PAY SUCH AS THE BRITISH GAS 'FAT CATS'

- Requirement for remuneration committee of NEDs
- Long-term performance related pay introduced.

1998 HAMPEL REPORT

REVIEWED IMPLEMENTATION OF CADBURY AND GREENBURY

- Combined Code on corporate governance issued
- A focus on principles as opposed to detailed guidelines.

1999 TURNBULL REPORT

TO CLARIFY REPORTING ON INTERNAL CONTROL

- Requirement for the board to review the system of internal control and risk management.

2003 HIGGS REPORT

IN RESPONSE TO US CORPORATE FAILURES SUCH AS ENRON, WORLDCOM AND TYCO

- Last major Code revisions
- Backed the 'comply or explain' principle (as opposed to US approach of regulation through the Sarbanes-Oxley Act)
- Requirement for at least half of board to be independent NEDs
- Introduced annual board and director evaluation.

2003 SMITH REPORT

IN RESPONSE TO CONCERNS OVER AUDITOR INDEPENDENCE

- Provides guidance on role and responsibilities of audit committees
- Focus on independence of external auditors and level of non-audit services provided.

2009 WALKER REVIEW

REVIEWED GOVERNANCE OF THE UK BANKING INDUSTRY IN RESPONSE TO THE GLOBAL FINANCIAL CRISIS

- Number of recommendations incorporated into the renamed 2010 UK Corporate Governance Code.

2010 STEWARDSHIP CODE

- Intended to enhance the quality of engagement between institutional investors and companies
- Supports the 'comply or explain' principle.

2011 FRC'S GUIDANCE ON BOARD EFFECTIVENESS

- Provides guidance on sections A and B of the Code around leadership and board effectiveness.

2011

Leadership

The significance of the chairman's role is gaining increasing emphasis but there remains a hard core of companies who are resisting the pressure to evaluate their leader's effectiveness.

"The FTSE 100 has taken the lead in opening the doors of the boardroom"

The role of the board

"Every company should be headed by an effective board which is collectively responsible for the long-term success of the company."

(UK Corporate Governance Code, Main Principle A.1)

The revised Code places a greater emphasis on how boards carry out their role, the behaviours they display and the culture they promote. In March 2011, the FRC issued its Board Effectiveness guidance, to stimulate boards' thinking on productive performance.

"An effective board should not necessarily be a comfortable place. Challenge, as well as teamwork, is an essential feature. Diversity in board composition is an important driver of a board's effectiveness, creating a breadth of perspective among directors, and breaking down a tendency towards 'group think'."

(FRC Guidance on Board Effectiveness, 1.3)

Lessons to learn

It is too early to judge the impact of this new guidance but, with 47% of companies still providing only basic information, lessons remain to be learnt – particularly among the Mid 250.

HOW MUCH DETAIL IS PROVIDED ON HOW THE BOARD OPERATES AND HOW ITS DUTIES ARE DISCHARGED EFFECTIVELY?

The FTSE 100 has taken the lead in opening the doors of the boardroom. The best disclosures analyse how the board spends its time considering strategy, performance, financing, governance and other areas, and outline actions planned for the coming year.

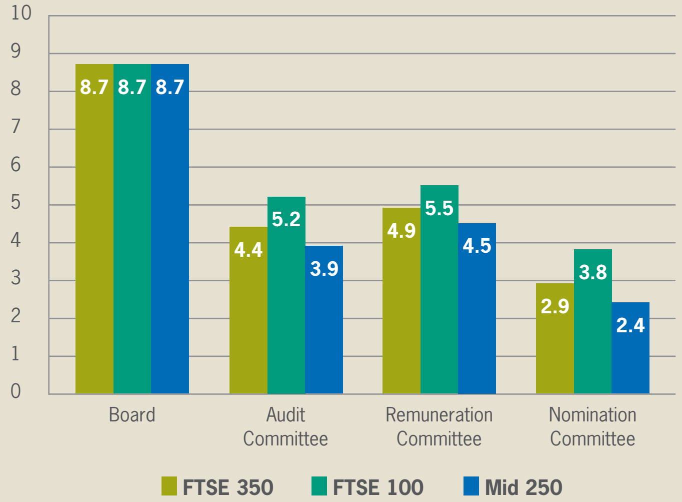
The trailblazing companies improve their disclosures every year, resisting the temptation to roll forward text from the previous report, and providing real insight into how their boards operate and take decisions.

Frequency of board meetings and time commitment

The Code specifies that "the board should meet sufficiently regularly to discharge its duties effectively".

The average number of board meetings per year is 8.7. The highest number is 33. Surprisingly, no explanation is given for this high incidence. A further 28 companies held meetings more than once a month, typically unscheduled meetings to deal with specific issues.

Average number of board and committee meetings



"The chairman remains an almost exclusively male role, with just two women holding the position"

The chairman

"The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role."

(UK Corporate Governance Code, Main Principle A.3)

As recognised in the FRC's Guidance on Board Effectiveness, "good boards are created by good chairmen". This guidance emphasises the chairman's role, including a long list of his responsibilities, and is a useful reference for senior independent directors who lead assessments of their chairman's performance.

Just 11 companies (2009: 13) now combine the role of chairman and chief executive, the lowest number since this review began ten years ago.

During the year, 39 companies appointed a new chairman – suggesting an average tenure of almost eight years. Of the new appointees, seven were not considered independent on appointment, being either former executives or shareholder representatives.

The chairman remains an almost exclusively male role, with just two women holding the position in the FTSE 350.

The Code, recognising the chairman's position as leader of the board, requires non-executive directors to appraise his performance at least once a year. This is in addition to the general board, committee and individual director evaluations that are led by the chairman.

Evaluation could do better

Fifty nine companies, including 13 in the FTSE 100, do not make it clear that their NEDs have met to appraise the chairman's performance. Of these, just ten report their non-compliance with the Code provision.

This figure has not changed over the last four years, which suggests that these companies do not feel the need to conduct separate appraisals. Very few companies provide good information on their evaluation process, with most quoting the Code verbatim.

Effectiveness

The continuing advance in non-executive presence and almost universal board evaluation is offset this year by foot-dragging over female appointments to the board.

The composition of the board

"The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively."

(UK Corporate Governance Code, Main Principle B.1)

The march of the non-execs

The average FTSE 350 board now has 5.3 NEDs, excluding chairmen, and three executive directors. This continues the trend of an increasing non-executive presence around the boardroom table: as recently as 2006, the FTSE 350 had more executives (4.6) than non-executives (4.4).

FTSE rank	Number of companies in group	Insufficient independent NEDs	NEDs on board (average)
1–100	100	13%	6.8
101–200	97	22%	5.0
201–350	101	25%	4.2
TOTAL	**298**	**20%**	**5.3**

Board structure and composition continues to be the most common reason for non-compliance: insufficient independent NEDs account for four of the five most common reasons for non-compliance. Of the 60 companies that did not have enough independent members, 23 were compliant for part of the year. For these it was due more to poor succession planning, than a fundamental breach with best practice.

It is encouraging to see a rise in the number of smaller companies with a majority of independent NEDs (75%, 2010: 64%).

The question of independence

The board is responsible for determining whether a director is independent. The Code gives examples of where independence may be compromised and asks that appointments in these circumstances are explained in the annual report.

There are 90 directors, across 67 companies, who have been assessed as independent notwithstanding these indicators. Of these, 54 have been on the board for more than nine years with a further 36 having a business relationship with suppliers, customers or partners.

Only a third of the 67 companies provide detailed explanations with 15 erroneously stating they are not compliant with this Code provision. This suggests some misunderstanding about independence.

Annual re-election may now be seen as the safeguard for investors, as they are able to vote against re-appointment if they have a concern.

FAST FACTS
ON BOARD COMPOSITION:

- Two companies have no executive directors
- All companies have at least two non-executives, with one company having 14 NEDs
- Four FTSE 100 companies have 17 directors
- The average FTSE 100 board has 11 members, compared with 8.5 members in the Mid 250
- The smallest boards, with five directors, are all in the Mid 250.

"Board structure and composition continues to be the most common reason for non-compliance"

Appointments to the board

"There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board."

(UK Corporate Governance Code, Main Principle B.2)

The nomination committee is responsible for board appointments and ensuring there is an appropriate balance of skills, experience, knowledge and independence.

Disclosures of nomination committee work remains poor, in comparison to audit and remuneration committees. Only 37% (2010: 31%) provide the extra detail necessary to truly explain nomination committee activity, with eight companies providing no insight at all.

The debate around diversity

"The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender."

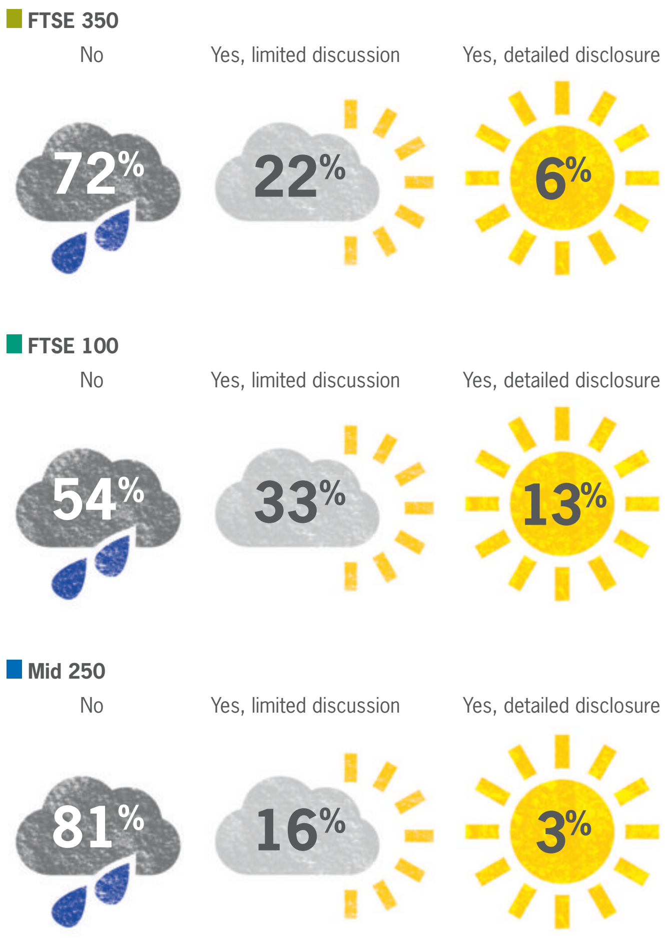
(UK Corporate Governance Code, Supporting Principle B.2)

The scarcity of women on UK boards has been the focus of considerable debate. In his review, Lord Davies has recommended that FTSE 100 companies increase female representation on boards to at least 25% by 2015. Only ten FTSE 100 – and 14 Mid 250 – companies currently meet this target.

All companies were required to state their 2015 targets and their action plan to achieve them by September 2011. According to the report by Cranfield School of Management, 'Women on Boards', published in October 2011, the response has been poor.

The 2010 Code requires gender to be considered in the appointment of directors and there is ongoing consultation on enhancing disclosure requirements in this area.

DO COMPANIES DISCUSS GENDER DIVERSITY?



"Lord Davies has recommended that FTSE 100 companies increase female representation on boards to at least 25% by 2015"

Effectiveness

While the Davies report was published after most of these annual reports, its focus had been well publicised: it is surprising, therefore, that so many companies (72%) make no mention of their intentions around female board representation. Only 6% provide the more detailed descriptions envisaged by Lord Davies, including measurable objectives for implementing the policy and progress on achieving such objectives.

Lifting female representation

Just 9.8% (2010: 8.8%) of director positions are held by women (see table below).

	% Director positions held by women			
	Chairman	Executive Director	NED	TOTAL
FTSE 100	1.0	5.9	18.2	**13.0**
Mid 250	0.5	4.3	11.5	**7.7**
FTSE 350	**0.7**	**4.9**	**14.4**	**9.8**

We estimate that another 340 women (FTSE 100: 108, Mid 250: 232), taking into account multiple directorships, are necessary to lift female representation to the 25% target. Nomination committees clearly have a busy time ahead.

	Number of female directors (taking into account multiple directorships)		
	2011 actuals	Level to achieve 25% representation	Gap
FTSE 100	121	229	108
Mid 250	107	339	232
FTSE 350	**228**	**568**	**340**

The low level of female penetration in the Mid 250 (7.7%), typically the recruiting ground for the FTSE 100, adds to this concern. Given that any appointment must look for relevant experience as well as particular expertise, the first consideration will be for those already in executive positions: yet here women represent only 4.9% of appointments.

If, as seems likely, these executives can only make the time to take on one non-executive role (and presently many cannot even do that) at least 300 appointments will need to come from other backgrounds.

Possible sources will be international directors from European countries who have already introduced quotas, or the UK's public sector. However, it seems unlikely that source will provide sufficient recruits. The other obvious source will be at senior management level (one below board) in the larger companies. One might imagine that women aged between 45 and 60 who report into the board should be the recipients of daily phone calls from 'headhunters'.

Talent retention

The relative size, profile and fees of the FTSE 100 mean that the Mid 250 will be hard pushed to attract their share of female talent. Mid 250 chairmen and nomination committees, therefore, must work doubly hard to identify, nurture and retain high quality individuals who will add to the gene pool of their boards, bringing the requisite expertise and experience (as well as diversity) to enhance the decision-making ability.

FAST FACTS
ON GENDER DIVERSITY:

- Just 10% of 2,775 directors in the FTSE 350 are female, with only two women chairmen
- There are 279 (2010: 247) director positions held by 228 women (2010: 217) when taking multiple directors into account
- Forty per cent of companies have exclusively male boards with over half of Mid 250 boards having no female presence
- Only 24 FTSE 350 companies meet the 25% criteria (10 FTSE 100, 14 Mid 250) with no companies having more than 40% women on the board
- Women hold more directorships in the FTSE 100 (143) than in the whole Mid 250 (130).

FAST FACTS
ON BOARD AGES:

- The oldest FTSE 350 director is 86
- Three chairmen are older than 80, with the oldest being 83
- The youngest director is 32
- The youngest chairman is 38
- The average non-executive age is almost 60
- One in five directors are above 65.

Increasing diversity

A focus on gender should not divert attention from the wider diversity of background and experience available to the board. Taking age as a reflection of experience, the analysis suggests a progression through the ranks to chairman as experience is gained.

Average age of FTSE 350 directors

	Number of directors	Average age
Executive	896	51.8
Non-executive	1,581	59.4
Chair	298	63.3
TOTAL	**2,775**	**57.5**

Age of directors

	Number of directors	% of directors
<40	39	1%
40–50	505	18%
50–65	1,702	61%
65–70	407	15%
>70	122	4%

Evaluation

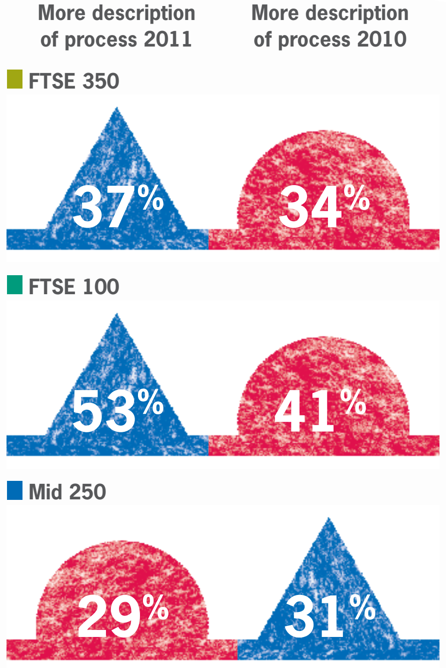
"The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors."

(UK Corporate Governance Code, Main Principle B.6)

The FRC, through the revised Code and its Guidance on Board Effectiveness, has increased the focus on evaluating the board, committees and individual directors.

Virtually all companies now undertake some form of annual evaluation. This is reflected in the more informative disclosures, particularly among the FTSE 100, with more than half now giving a detailed description of the process.

LEVELS OF DESCRIPTION OF BOARD EVALUATIONS



There is more reticence around discussing the outcome of evaluations and resultant action plans. Only 24% give real insight into how board effectiveness is being enhanced.

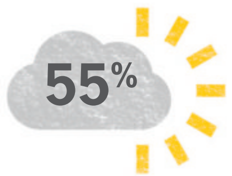
Effectiveness

DISCLOSURE LEVELS AROUND EVALUATION RESULTS AND SUBSEQUENT ACTION PLANS

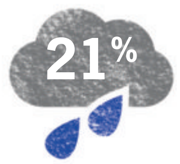
FTSE 350

Yes, strong description

Yes, limited description



No



"Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years."

(UK Corporate Governance Code, B.6.2)

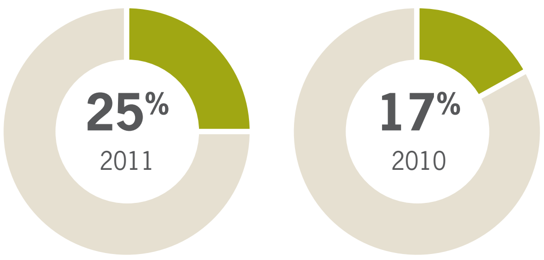
Tailoring evaluations

The involvement of an independent facilitator, to introduce a fresh perspective and add real value, was emphasised by the FRC in its 2010 revisions. Seventy four companies (2010: 50) engaged an external facilitator this year, with a further 51 planning to do so next year.

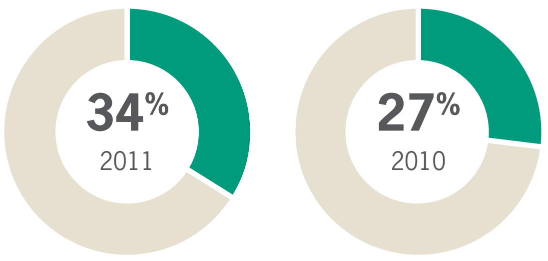
The use of an independent facilitator to evaluate a board's modus operandi is evolving. Anecdotal comment suggests that quality remains mixed. The best evaluations should be tailored to the specific circumstances of each company and be forward looking, rather than focusing on past decisions. The FRC, in its Guidance on Board Effectiveness, has set out a number of areas that could be considered.

EXTERNALLY FACILITATED BOARD EVALUATIONS

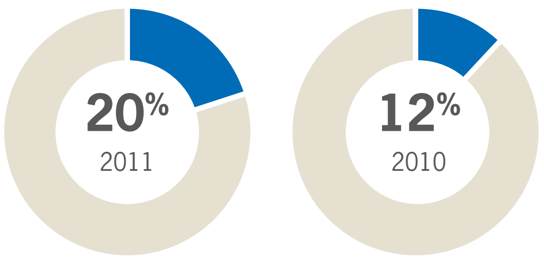
FTSE 350



FTSE 100



Mid 250



Re-election

"All directors of FTSE 350 companies should be subject to annual election by shareholders."

(UK Corporate Governance Code, B.7.1)

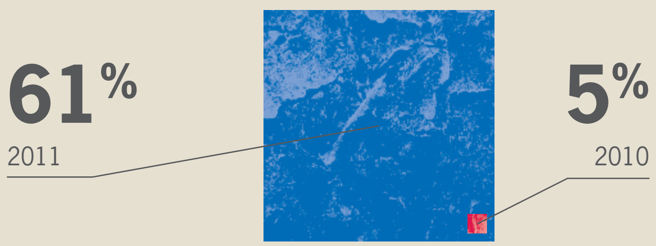
A controversial addition to the 2010 Code was the provision that all FTSE 350 company directors should be annually re-elected. This was a significant change from the previous guidance, which recommended re-elections every three years.

COMPANIES THAT ANNUALLY RE-ELECT THEIR DIRECTORS

FTSE 350

FTSE 100

Mid 250



The majority of companies 70% (2010: 6%) have already introduced annual re-election. This number is expected to increase in 2012, with only a small proportion of companies choosing not to comply.

Commitment, development, information and support

"All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively."

(UK Corporate Governance Code, Main Principle B.3)

If one assumes that an NED typically sits on two out of three board committees, they would attend an average of 16.8 (FTSE 100: 18.4, Mid 250: 15.9) formal board and committee meetings. In addition, they would also need to attend AGMs, familiarisation visits, investor engagement and strategy days.

	FTSE 100	Mid 250
Average number of meetings for NED*	18.4	15.9
Average fees**	£79,500	£48,500
Average fee per meeting	£4,300	£3,050

*Assuming membership of 2 out of 3 principal board committees
** Source: Hemscott

Rising Mid 250 fees

Average non-executive director fees have risen by 5% in the Mid 250, with no real movement in the FTSE 100. NEDs in the FTSE 100 receive an average per meeting rate of £4,300 compared to £3,050 in the Mid 250.

Non-executive director terms and conditions of employment can help shareholders to understand NEDs expected time commitment and responsibilities. However, more than one third of the FTSE 350 do not indicate where such terms and conditions may be inspected.

Accountability

As compliance with the Turnbull guidance becomes commonplace, attention is turning to more sophisticated risk reporting, including more informed disclosures into the effectiveness of internal control.

Risk management and internal control

"The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems."

(UK Corporate Governance Code, Main Principle C.2)

Virtually all companies are now in full compliance with the Turnbull Guidance on Internal Control, which was first issued in 1999 and most recently revised in 2005. The debate has now moved on from undertaking an annual review of internal control and simple risk identification to the management of risk – its mitigation and link to internal control. Strong progress is being made in this area.

Good quality disclosures on risk management and internal control

	Strong internal control disclosures	Strong risk management disclosures
FTSE 350	74%	55%
FTSE 100	87%	68%
Mid 250	68%	48%

"Boards are concentrating on strategic and reputational risks capable of undermining the long-term viability of their company"

The FRC's September 2011 paper 'Boards and Risk' summarises its discussions with companies, investors and advisers which reflects a growing board awareness of and focus on risk.

The paper provides helpful insights as to the issues boards are facing and their varying responses. Use of the classic risk map, prioritising risk by probability and impact, remains widespread. Many boards are looking to develop new approaches to managing and monitoring their risks, in particular focusing on areas of change.

Focusing on strategic risk

Many boards are now concentrating on those strategic and reputational risks capable of undermining the long-term viability of their company rather than the wider array of generic risks. Furthermore, the management of operational risks, such as health and safety, liquidity and quality control is delegated to board or management sub-committees, although the board retains ultimate responsibility.

There continues to be a disjointed approach to reporting on risks and risk management in annual reports with disclosures split between the principal risk section of the business review and the internal control statement in the governance report. Notwithstanding this confusion, we detect a shift of focus away from risk capture toward seeking to embed risk management into the heart of the organisational culture.

"With the increasing focus on risk management, the debate as to whether to separate risk from audit committee responsibility will continue"

Effective internal control

While there is little appetite for a Sarbanes-Oxley style audit of internal control, the FRC's Effective Company Stewardship review proposes that auditors should formally report their views on the effectiveness of internal control to the audit committee.

Just a quarter of companies provide real insight into how they review the effectiveness of their internal control system. This figure has barely moved for five years. In the absence of clear guidance, the depth, extent and frequency of review is destined to remain unclear.

Following its informal consultation, the FRC believes that the Turnbull Guidance remains an effective framework for reviewing risk management and internal control systems. However the guidance is due to be updated in 2012, to address the Code's increased focus on risk.

The emergence of risk committees

The Walker review recommended that all financial institutions – that is banks and life insurance companies – introduce risk committees. All but one have now established such committees with board representation.

Industry (size)	Separate risk committee %	With board representation %
Financials (12)	92.3	100.0
Non-financials (286)	33.0	88.3

FAST FACTS
ON AUDIT COMMITTEES:

- The average number of audit committee meetings was 4.4 per year (FTSE 100: 5.2, Mid 250: 3.0)
- Three companies, all in the FTSE 100, met more than once a month
- One company does not have an audit committee.

This practice is less widespread outside the sector, with just a third of companies having a separate risk committee. The majority continue to address risk through the full board and audit committee.

The existence of a risk committee does not relieve the board of their ultimate responsibility for risk and they remain responsible for making all final decisions. But with the increasing focus on risk management, the debate as to whether to separate risk from audit committee responsibility will continue.

Audit committee

"The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor."

(UK Corporate Governance Code, Main Principle C.3)

Twenty two companies (2010: 28) do not identify a committee member with recent and relevant financial experience, with 16 failing to report on this non-compliance. It is surprising that a small minority still choose not to comply with this long-standing Code provision.

Assurance

Companies keep their auditors for longer than they retain most of their employees, yet they remain taciturn about if, and when, they review this long-standing relationship.

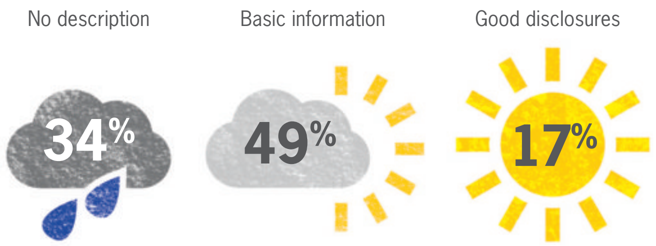
External audit

A job for life?

During the year, five FTSE 350 companies changed their auditors with a further six stating they would hold a tender in the next year.

Taking these figures with the actual number of changes over the previous four years (2010: 8, 2009: 16, 2008: 7, 2007: 8), on average, a FTSE 350 company changes auditor just once every 34 years.

QUALITY OF DISCLOSURES ON DECISION TO APPOINT, REAPPOINT OR REMOVE AUDITORS (FTSE 350 2011)



While the quality of disclosures around reappointing auditors has improved slightly, only 17% (2010: 14%) provide full explanations. There remain 34% (2010: 45%) who give no information whatsoever despite these disclosures first being introduced in the FRC Guidance on Audit Committees in 2008.

"On average, a FTSE 350 company changes auditor just once every 34 years"

Towards mandatory tendering

The FRC will soon consult on introducing mandatory competitive tendering every ten years and on enhanced disclosures as to a company's decision-making process. With 83% of companies giving no information as to when their audit was last tendered or how long the auditors have been in place, stakeholders have little information to form a judgement. It remains to be seen whether the FRC's plans will improve competition and market participation.

Auditor remuneration

Audit fees across the FTSE 350 rose this year by 2%, with a small decline in fees from the largest companies more than offset by a 7% increase in the Mid 250.

FTSE rank	Current year		Previous year	
	Average audit fee (£m)	Average non-audit fee (£m)	Average audit fee (£m)	Average non-audit fee (£m)
1–100	6.24	2.21	6.34	2.48
101–200	1.23	0.68	1.14	0.66
201–350	0.54	0.36	0.51	0.39
1–350	**2.66**	**1.08**	**2.60**	**1.15**

Note: Audit fees include fees paid for audit related services

The percentage of non-audit fees to audit fees has risen to almost 80% (FTSE 100: 56%, Mid 250: 91%). This number is perhaps skewed by 12 companies that either floated in the year or undertook a capital restructuring. Excluding these companies, the level of non-audit fees reduces to 66% of audit fees, a slight reduction on 2010 when there was even less capital market activity.

FTSE rank	Number of companies in review	Average non-audit fees as a percentage of audit fees (%)*	
		Current year	Previous year
1–100	100	56.4	54.3
101–200	97	93.2	80.1
201–350	101	89.2	88.1
TOTAL	**298**	**79.5**	**74.7**

* These percentages represent the average non-audit fees paid by each individual FTSE 350 company as a percentage of their audit fees – as such they are not weighted by value of fees.

The FRC updated its guidance on audit committees in December 2010, providing additional advice in respect of using auditors to provide non-audit services and clarifying required annual report disclosures. Initial indications suggest that the European Commission are considering stringent restrictions on the level of non-audit fees.

FAST FACTS
ON EXTERNAL AUDITS:

- Ten companies (2010: nine) did not use their auditor to provide any non-audit services in the year
- Seventy three companies (2010: 56) paid more to their auditor for non-audit services than audit services, with 20 (2010: 14) having non-audit fees at levels more than twice their audit fees
- Eighty three per cent of companies did not disclose when they last held a tender for external audit
- Of the 50 companies that provide this information, only 16 held a tender in the last five years.

"Thirty six FTSE 350 companies still operate without an internal audit function"

PREVALENCE OF INTERNAL AUDIT FUNCTIONS

Existence of an internal audit function or equivalent

Internal audit

Thirty six FTSE 350 companies still operate without an internal audit function predominantly at the smaller end of the FTSE 250. Explanations cite their small size, lack of complexity and the proximity of senior management to operations.

Almost a quarter of companies outsource their internal audit function, fully or partially, with a small number using their external auditor for aspects of the internal audit function. The revised FRC Guidance on Audit Committees, issued in December 2010, provides additional advice on this contentious practice, discussing the potential negative impact on both internal control and investor perceptions.

The Chartered Institute of Internal Auditors recommends that the effectiveness of internal audit functions undergoes independent external review at least every five years. Companies are falling well short of best practice with only 12 companies undertaking such a review this year.

Remuneration

Expanding remuneration reports and remuneration committee meetings underline the sensitivity of an increasing number of executive remunerations, but are disclosures sacrificing quality for quantity?

Reward levels and components

"Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."

(UK Corporate Governance Code, Main Principle D.1)

Remuneration disclosures are often a complex and lengthy mix of audited and unaudited information.

Extensive regulations and guidance have improved the quantity of disclosure, but have often led to a lack of clarity and the use of extensive boilerplate.

Most respondents to the BIS consultation on The Future of Narrative Reporting remained unimpressed with the quality of reporting. In particular, there was a perceived lack of clarity around the link between remuneration and company performance.

The Association of British Insurers has recently issued its 'Principles of Remuneration' which provides guidance to shareholders, directors and remuneration committees on the manner in which remuneration should be determined and structured.

A recent wide ranging BIS discussion paper on executive remuneration is likely to broaden the debate.

Quality falls as quantity grows

"Upper limits should be set and disclosed."

(UK Corporate Governance Code, schedule A)

Ninety one per cent of FTSE 350 companies set upper limits for annual bonuses of executive directors as required by the Code, but 28 do not. Of these, half are in the financials industry.

This year the average maximum bonus increased to 147% (2010: 138%) of basic salary. Bonuses above 150% of basic salary were offered by 111 companies (2010: 99).

Level of potential maximum bonus

Percentage of salary	2011	2010
Between 0 – 50%	7	8
Between 51 – 100%	84	116
Between 101 – 150%	96	80
Between 151 – 200%	58	47
Over 200%	25	32
No limit	28	20
TOTAL	**298**	**303**

"Regulations and guidance have improved the quantity of disclosure, but have often led to a lack of clarity"

FAST FACTS ON REMUNERATION:

- Half of companies pay executive bonuses in a mix of cash and shares
- Thirty two per cent pay bonuses in cash only and 3% in shares only
- Seventeen per cent of companies do not provide information on how bonuses are paid
- Twenty one per cent of companies have in place some form of claw back mechanism for annual performance related bonuses
- In virtually all companies (96%) executive directors participate in long-term incentive schemes.

The level of executive bonuses by industry

Industry (size)	Average maximum potential bonus as % of salary	Average actual bonus awarded as % of salary	Average actual bonus awarded as % of maximum
Telecommunications (7)	196	94	48
Financials (61)	193	143	74
Healthcare (7)	166	112	67
Oil & gas (18)	151	98	65
Consumer goods (26)	144	117	82
Technology (15)	149	90	62
Basic materials (27)	144	88	61
Consumer services (66)	135	116	86
Industrials (62)	123	77	62
Utilities (9)	120	79	65
TOTAL	**147**	**108**	**73**

Companies awarded, on average, actual bonuses at 108% of basic salary (2010: 91%) which compares to an average maximum of 147%.

The FSA's updated Remuneration Code of December 2010, which covers 2,700 regulated firms, has not stopped the financials industry awarding the largest bonuses, at an average of 143% of basic salary.

Procedure

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration."

(UK Corporate Governance Code, Main Principle D.2)

The average remuneration committee meets five times a year, more than any other board committee. This demonstrates the increased sensitivity and public interest in executive remuneration, the growing complexity of executive pay and long-term incentive schemes and the extensive disclosures required in the annual report.

Eleven per cent of companies (36) do not meet remuneration committee membership criteria. Of these, 23 either had their chairman taking the chair of the committee (nine) or had a committee chairman who was not considered independent on appointment (14). The remainder had insufficient independent non-executives.

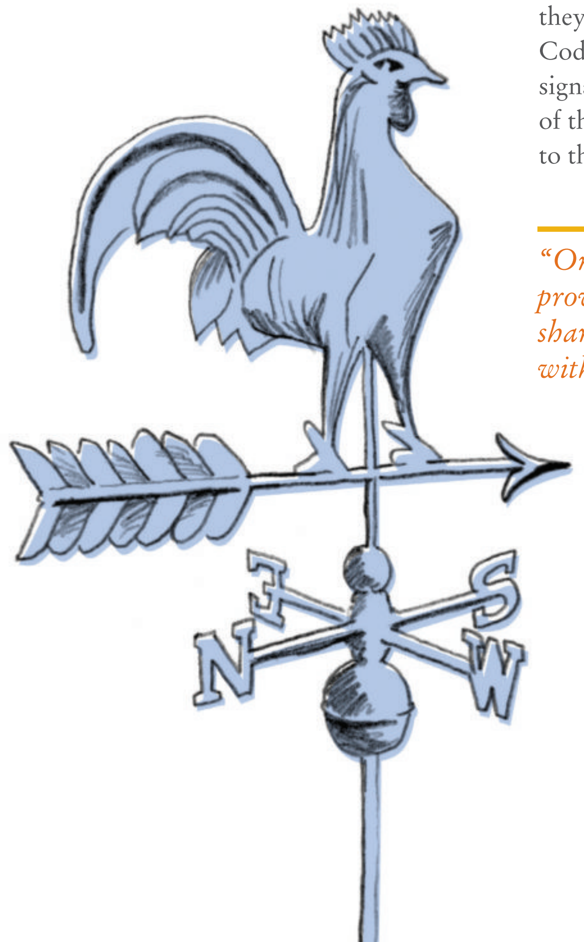
"The average remuneration committee meets five times a year, more than any other board committee"

Relations with shareholders

Dialogue between boards and investors is essential to good governance, but the quality varies considerably – although the FTSE 350 is getting better at disclosing the nature and extent of their engagement.

"There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place."

(UK Corporate Governance Code, Main Principle E.1)



The success of the 'comply or explain' principle relies on the active engagement of shareholders.

The FRC emphasised the importance of shareholder engagement with its 2010 Stewardship Code. This code's stated aim is to promote good governance in investee companies through high quality dialogue.

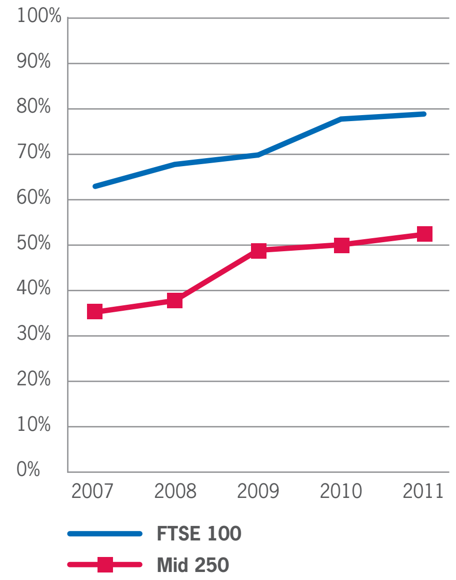
Institutional investors were encouraged to publish a statement on their website of the extent to which they have applied the Stewardship Code. To date, more than 150 signatories – accounting for about 40% of the equity market – have signed up to this code.

"Only 53% of Mid 250 companies provide detailed information on shareholder relations, compared with 79% of FTSE 100 companies"

Company disclosures on shareholder engagement have continued to improve, with 62% (2010: 59%) now providing detailed information on steps taken to communicate with their shareholders.

There remains a significant disparity between the FTSE 100 and Mid 250 companies. Only 53% of Mid 250 companies provide detailed information on shareholder relations, compared with 79% of FTSE 100 companies.

Companies with strong disclosures around shareholder engagement



Relations with shareholders

Investor engagement shortfalls

"The chairman should discuss governance and strategy with major shareholders."

(UK Corporate Governance Code, E1.1)

The Investment Management Association's first report on adherence to the Stewardship Code noted that the majority of institutional investors rarely engage with the chairman and non-executive directors of their investee companies, only contacting them in exceptional circumstances or to raise concerns.

This is at odds with the UK Corporate Governance Code, which guidance encourages chairmen and senior independent directors to actively seek engagement with major shareholders. It also suggests that non-executive directors be offered the opportunity to attend these meetings and challenges boards to reflect on whether broader participation, outside of executive management, is required for the whole board to understand the views of shareholders.

While privately many companies may find it impractical for their non-executives to meet with shareholders, only ten companies reported non-compliance with the code as they do not want their NEDs to meet with investors.

There appears to be some disparity between what is disclosed in the accounts and what the Investment Management Association (IMA) is reporting. Perhaps the improvement in disclosure represents growing best intentions and next year's IMA report will reflect improvements in practice.

"The majority of institutional investors rarely engage with the chairman and non-executive directors of their investee companies"

Narrative reporting

Companies are making strides in outlining their business models and KPIs yet strategy exposition is still unclear and reports continue to expand.

Financial and business reporting

"The board should present a balanced and understandable assessment of the company's position and prospects."

(UK Corporate Governance Code, Main Principle C.1)

"The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company."

(UK Corporate Governance Code, C.1.2)

The FRC's 2010 code revisions require companies to disclose their business model. There has been a slow but steady improvement in this regard, with 27% (2010: 23%) providing strong descriptions. While there is no standard definition of business model, in essence, the FRC wants companies to provide clarity around how they create and sustain value.

The best companies structure their narrative reporting around their business model. They also identify key strengths, such as access to funding, intellectual property and human capital, as well as recognising the potential impact of external factors.

Extent of good financial and business reporting disclosures

	Business description	Business model	Strategy description	Connected reporting	Risk disclosure	KPI disclosure
FTSE 350	88%	27%	43%	21%	74%	38%
FTSE 100	98%	31%	57%	28%	84%	54%
Mid 250	83%	25%	35%	18%	69%	29%

Narrative reporting

"The best companies structure their narrative reporting around their business model"

Strategic clarity falters

The majority of companies provide good descriptions of the nature of their business and its structure but less than half provide the same clarity around their strategy, with barely one in five linking it to their risks and KPIs. There are even fewer good examples of the business model where companies seem to be struggling to explain how they create and sustain value. The International Integrated Reporting Council's (IIRC) work in this area should provide more guidance.

The FRC has proposed the launch of a Financial Reporting Lab, which "seeks to create an environment that encourages management and investors to come together to innovate and shape reporting in order to meet better their needs". Its aim of promoting quality of information over quantity is timely, as the length of annual reports grew once again by 5%.

Continuing inexorable growth

Last year, this review challenged companies to cut the length of the narrative section of their annual reports by 10% or six pages.

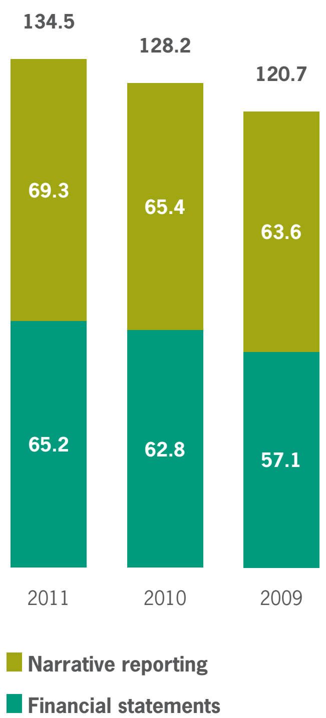
Thirty nine companies achieved this target of a 10% reduction with another 40 making some headway. However, annual reports continued their inexorable growth, averaging 135 pages (2010: 128) with the narrative front end taking up just over half.

All companies are required to publish hard copies of their annual report. Companies are increasingly utilising innovative technology to make online reports more accessible and engaging, for example by enabling readers to turn pages on screen, navigate through menus and using interactive references.

BIS is consulting on a new reporting framework with the aim of materially simplifying narrative reporting for quoted companies. This proposes the introduction of a concise Strategic Report which summarises business model, financial results, strategy and risks, as well as highlights of remuneration and governance.

The intent is commendable, but the challenges are considerable.

LENGTH OF ANNUAL REPORTS (PAGES)



Principal risks

"The business review must contain … a description of the principal risks and uncertainties facing the company."

(Companies Act 2006, Section 417; 3b)

The quality of risk disclosures has improved, with 74% (2010: 63%) providing more detail on risks, their specific impact on the company and its mitigating actions. Many companies present this information in a table, improving accessibility for users.

The best companies link risks to their business model, strategy and, in some cases, KPIs. However, most companies continue to have standalone risk disclosures, with limited linkage to other areas of the business review.

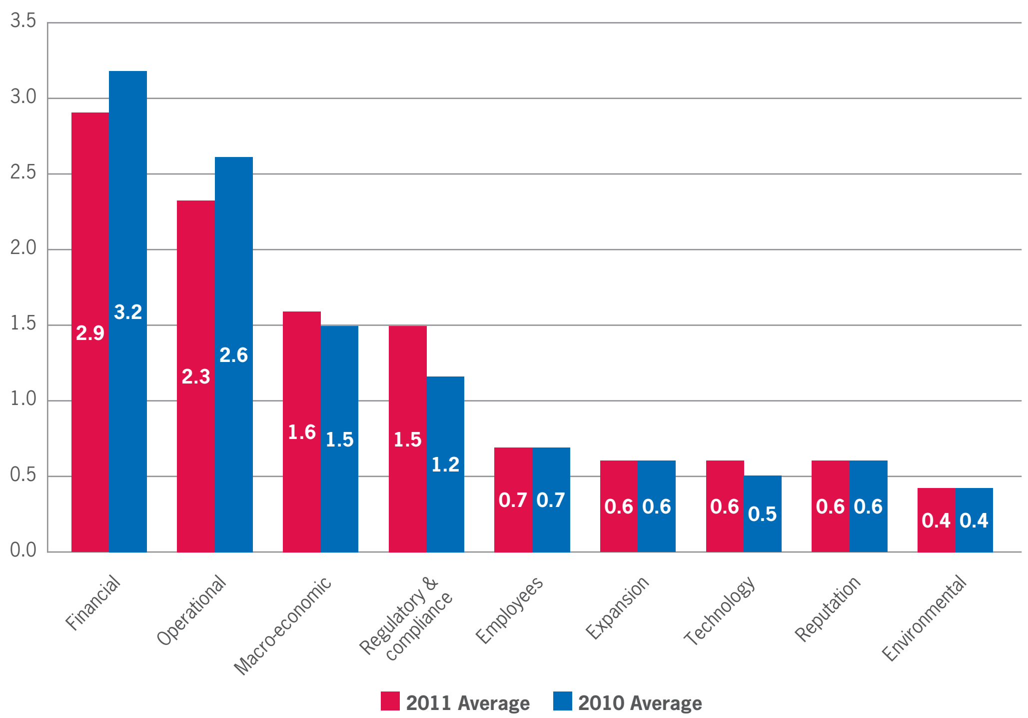
Demand for strategic risk disclosure

The FRC discusses risk reporting in its September 2011 paper 'Boards and Risk'. It reports that investors do not find long lists of generic risks useful, preferring companies to focus on strategically significant risks and linking these disclosures into the business model. In particular, they are interested in how a company's risk exposure will change following changes to its strategy or the business environment.

Typically, companies highlight 11.3 (2010: 11.2) risks with financial (2.9) and operational (2.3) risks most prevalent. One hundred and sixty companies list more than ten risks, including 22 that cite 20 or more principal risks.

As profits have returned and efficiency drives implemented, the focus has switched to other risks that may impede growth. This year regulatory risk is a growing concern.

Average number of principal risks identified



"Investors do not find long lists of risks useful, preferring companies to focus on strategically significant risks"

Key performance indicators

The business review should include, "to the extent necessary for an understanding of the development, performance or position of the company's business, analysis using financial key performance indicators, and where appropriate, analysis using other key performance indicators".
(Companies Act 2006, Section 417, 6)

KPI quality rises

The quality of KPI disclosures is improving with 38% of companies (2010: 31%) providing detailed descriptions.

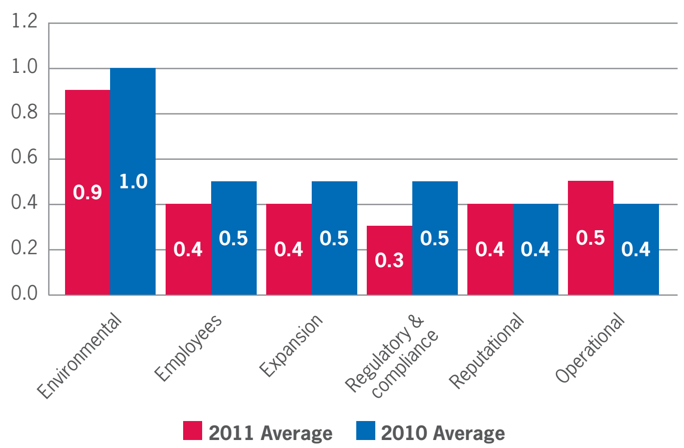
The most informative reports explain why KPIs were chosen and explicitly link them to objectives, often via a table or diagram. They also compare performance with previous years and set broad targets for future years. However, good examples are few and far between as most companies do not set future KPI objectives.

The average number of KPIs is 8.3 (5.3 financial and 3.0 non-financial). Financial KPIs are well established but non-financial practice is continuing to evolve, with 75 companies providing no non-financial KPIs.

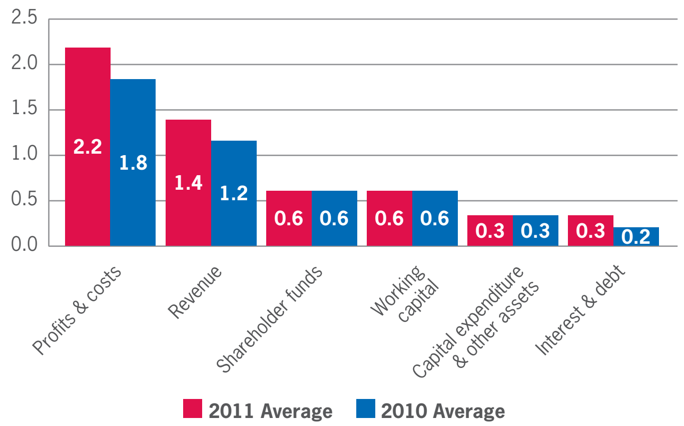
Many companies report additional KPIs, covering social, environmental and employee matters, in the corporate responsibility section of their annual report. This practice is giving rise to yet more information but less clarity as to what is of strategic importance.

Overall, it is apparent that considerable confusion remains as to which KPIs should be included in the printed annual report and where, and what indicators should be reported separately online.

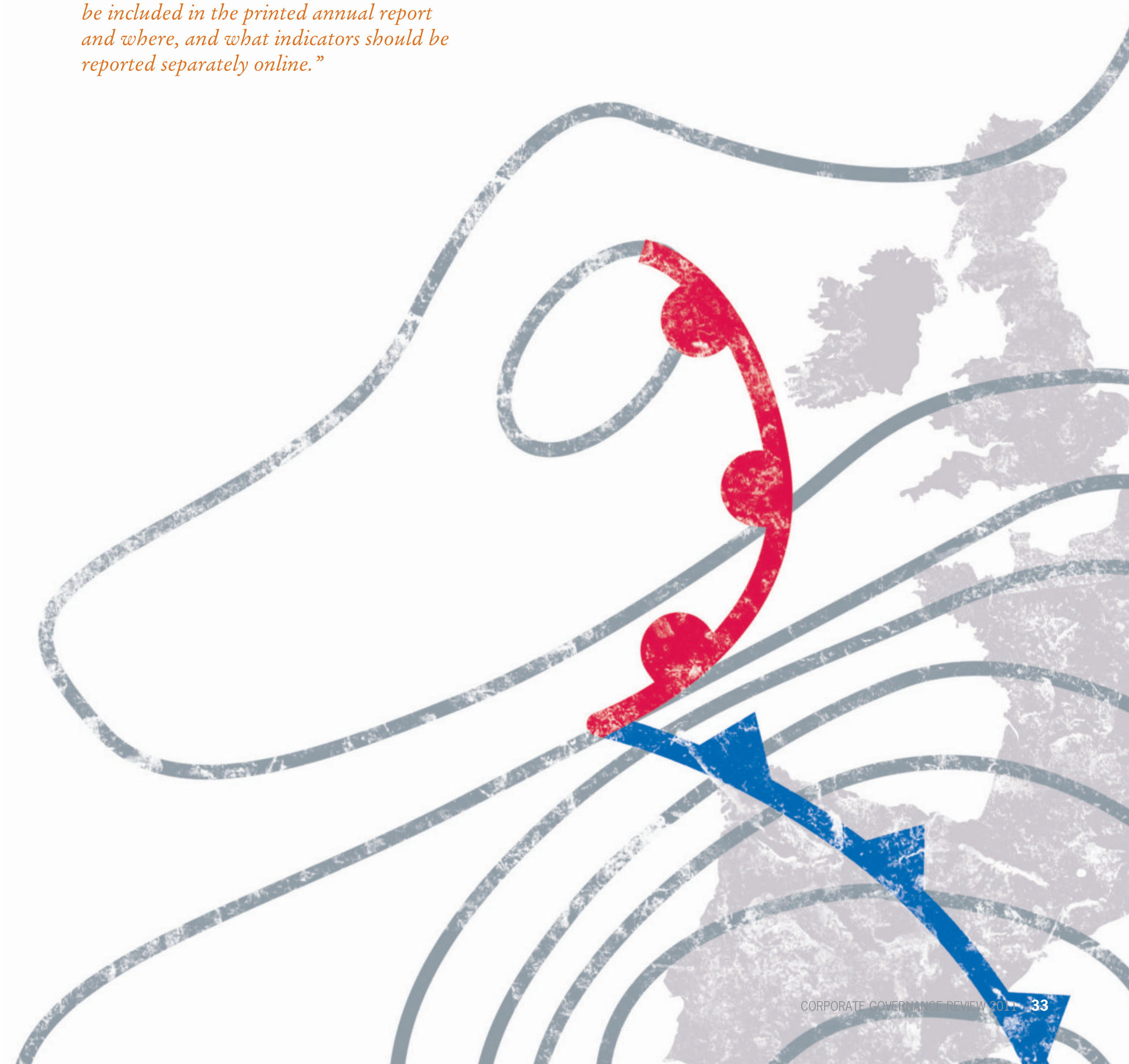
Breakdown of non-financial KPIs by type. Average number in FTSE 350



Breakdown of financial KPIs by type. Average number in FTSE 350



"Overall, it is apparent that considerable confusion remains as to which KPIs should be included in the printed annual report and where, and what indicators should be reported separately online."



Recent developments

	Comments	Timing
Governance of companies		
The UK Corporate Governance Code	• FRC is consulting on changes to the Code in relation to: – disclosures around gender diversity in response to Lord Davies' report 'Women on Boards'. – tenders for audit at least every ten years with enhanced disclosures (Effective Company Stewardship: next steps).	• Consultation ongoing. • Changes to the Code to be published in 2012 and apply to financial years beginning on or after 1 October 2012.
QCA Corporate Governance Guidelines for Smaller Quoted Companies (September 2010)	• Adapted from the UK Corporate Governance Code specifically for AIM and smaller quoted companies.	• Currently effective.
FRC discussion paper on Boards and Risk (September 2011)	• A summary of discussions with companies, investors and advisers. • The Turnbull guidance on Internal Control considered broadly fit for purpose with a limited review to be performed to reflect the Code's increased focus on risk. • Recognises heightened awareness of risk at board level and need to develop more meaningful integrated reporting linking business model, strategy, key risks and mitigation.	• Limited review of Turnbull guidance planned during 2012.
FRC guidance on Audit Committees (December 2010)	• Limited changes made on consideration of non-audit services (including elements of internal audit) provided by a company's auditor.	• Effective from 30 April 2011.
FRC Guidance on Board Effectiveness (March 2011)	• Relates primarily to Sections A and B of the Code on the leadership and effectiveness of the board. • Intended to stimulate board's thinking on how they can carry out their role most effectively. • Emphasises the role of the chairman in leading the board.	• Issued in March 2011.
Governance of investors		
Stewardship Code for Institutional Investors	• Over 150 signatories accounting for about 40% of the equity market. • Of the top 30 investors in the UK equity market, 25 are signed up and four of the remainder are sovereign wealth funds.	• Voluntary disclosures from September 2010.
European Commission		
European Commission Green Paper on the EU corporate governance framework	• Considers the comply or explain principle and introduces concept of monitoring bodies. • Poses 25 questions ranging from board governance practice to institutional engagement.	• Initial consultation ended July 2011. • No imminent change expected.
European Commission Green Paper on audit policy	• Considers market concentration of auditors. • Audit quality and governance. • Audit mandate and communication.	• Initial consultation ended December 2010 with summary of responses published in February 2011. • No imminent change expected.
European Commission Green Paper on corporate governance in financial institutions	• Questions the future of the 'comply or explain' principle. • A broader review planned on corporate governance within listed companies.	• Initial consultation ended September 2010. • No imminent change expected.

	Comments	Timing
Gender diversity		
The Davies Report on Women on Boards (February 2011)	• FTSE 350 chairman to announce the percentage of women they aim to have on boards in 2013 and 2015. • FTSE 100 boards should aim for a minimum of 25% female representation by 2015.	• FTSE 350 companies to publish 2013 and 2015 targets by September 2011.
Narrative reporting		
Government consultation on "The Future of Narrative Reporting" Discussion paper on "Executive Remuneration"	• Proposes a new framework for narrative reporting with the aim of cutting the complexity and length of annual reports. • Introduces a new Strategic Report, a concise summary of the company's business model, financial results, strategic direction and risks. This should also include highlights from the governance and remuneration reports. • Removes outdated disclosure requirements. • Various proposals around remuneration disclosures and process including a separate discussion paper on executive remuneration.	• Consultation closes on 25 November 2011. • Further guidance to be developed before implementation
FRC "Effective Company Stewardship"	• Discussion paper published by the FRC in January 2011 with a summary of responses published in September 2011 setting out the next steps: – Financial Reporting Laboratory launched in October 2011. – Proposes extending the remit of the audit committee to determine whether the annual report viewed as a whole is fair and balanced.	• FRC supporting the government in its proposals. • Financial Reporting Laboratory launched in October 2011.
International Integrated Reporting Committee (IIRC)	• Discussion Paper, 'Towards Integrated Reporting – Communicating Value in the 21st Century' published in September 2011. • Objective of developing a new approach to reporting, building on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence. • Two year pilot programme commencing in October 2011.	• Consultation on discussion document closes 14 December. • Exposure Draft of an International Integrated Reporting Framework to be published for comment in 2012.

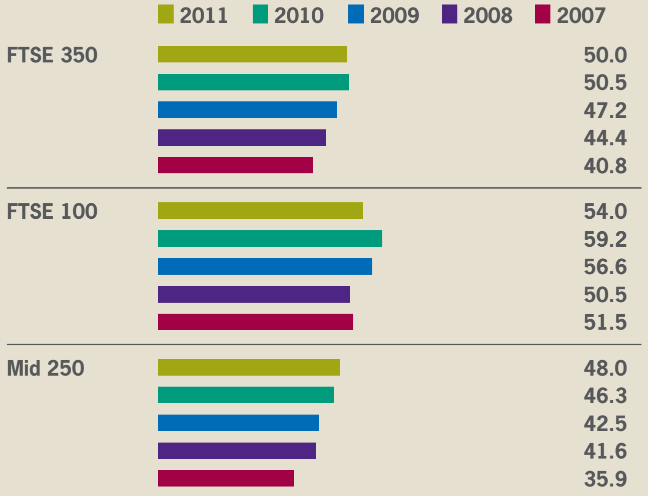
Appendix

Compliance with the Code

QUESTION 1. DO THEY CLAIM FULL COMPLIANCE WITH THE COMBINED CODE?

Guidance: "The following additional items must be included in its annual financial report: a statement as to whether the listed company has: (a) complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code; or (b) not complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code." (Listing Rule 9.8.6 (6))

Figure 1 (%)



COMPLIANCE BY INDUSTRY

Figure 2

Industry (size)	Claim full compliance or provide "more" explanation % 2011	2010	2009
Healthcare (7)	100%	100%	100%
Telecommunications (7)	100%	100%	100%
Utilities (9)	100%	100%	89%
Basic Materials (27)	96%	96%	81%
Oil & Gas (18)	89%	95%	79%
Industrials (62)	86%	87%	89%
Consumer Goods (26)	85%	82%	83%
Technology (15)	80%	88%	73%
Consumer Services (66)	79%	88%	77%
Financials (61)	78%	77%	84%

QUESTION 2. OF THE 149 COMPANIES WHO DO NOT CLAIM FULL COMPLIANCE WITH THE CODE, TO WHAT DEGREE DO THEY EXPLAIN THEIR REASON FOR NON-COMPLIANCE?

Guidance: "A company that has not complied with the Code must include in its financial report a statement setting out the company's reasons for non-compliance." (Listing Rule 9.8.6(6) (b) (iii))

Figure 3 (%)

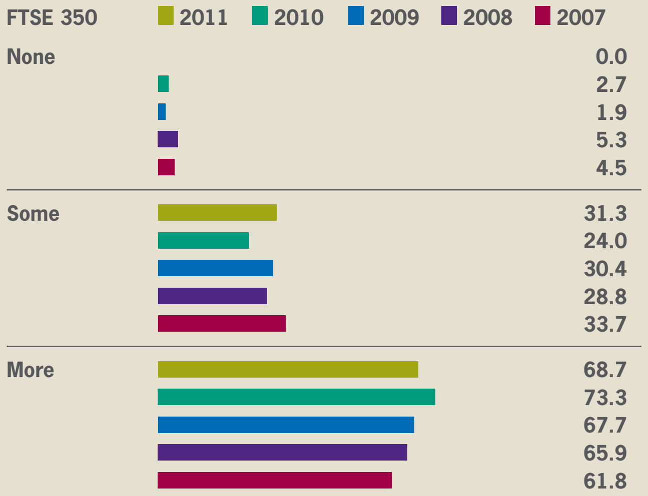


Figure 4 (%)

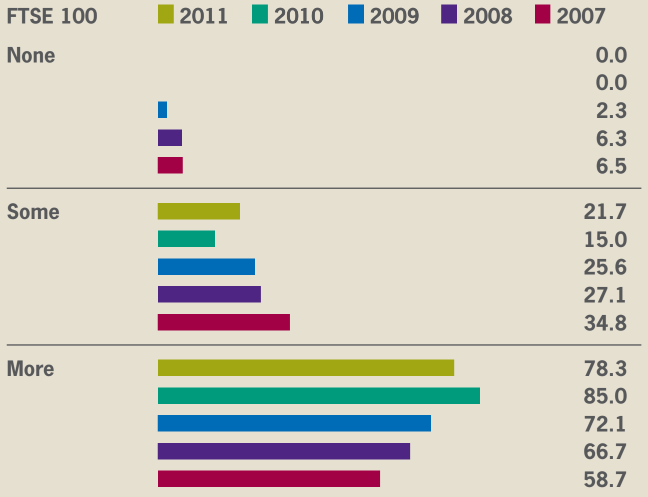
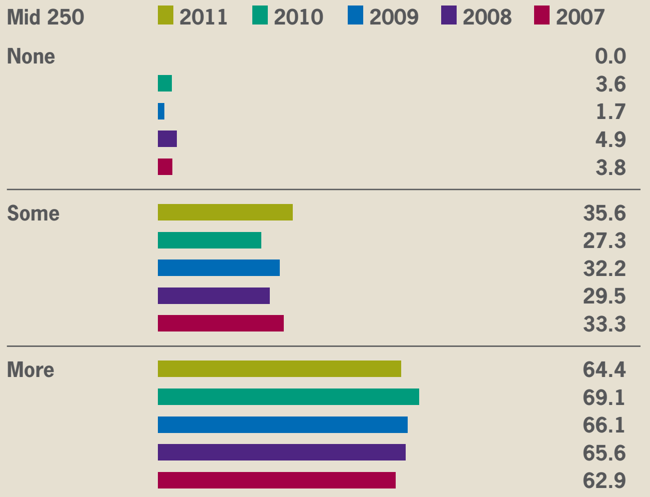


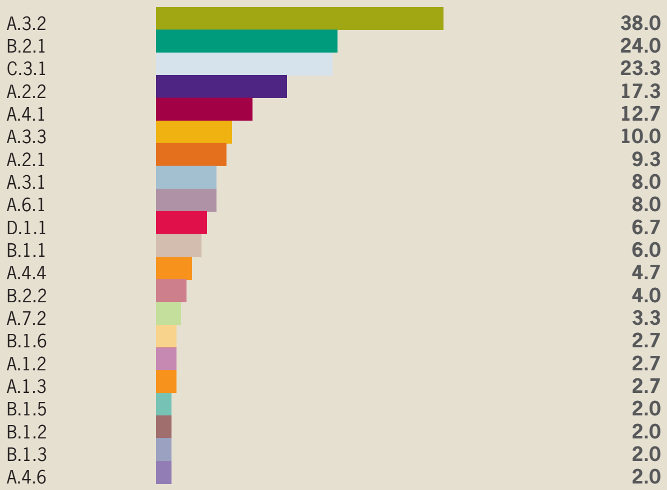
Figure 5 (%)



'More' disclosure is achieved where a company provides a detailed explanation to support each area of the Code with which they choose not to comply. This includes the reasons for their non-compliance and an explanation as to why they feel that this non-compliance is in the best interests of the company and the shareholders. Those companies providing 'more' disclosure often laid out this information in a tabular format, providing an easy to digest set of explanations for shareholders, who may be unfamiliar with the Code's provisions.

QUESTION 3. OF THE 149 COMPANIES WHO DO NOT CLAIM FULL COMPLIANCE WITH THE CODE WHICH PROVISIONS DO THEY MOST COMMONLY CHOOSE NOT TO COMPLY WITH?

Figure 6 (%)



Code provisions

A.3.2	38.0	At least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent.
B.2.1	24.0	The board should establish a remuneration committee of at least three independent non-executive directors. The company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman.
C.3.1	23.3	The board should establish an audit committee of at least three independent non-executive directors. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.
A.2.2	17.3	The chairman should on appointment meet the independence criteria set out in A.3.1.
A.4.1	12.7	There should be a nomination committee. A majority of members… should be independent non-executive directors.
A.3.3	10.0	The board should appoint one of the independent non-executive directors to be the senior independent director.
A.2.1	9.3	The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.
A.3.1	8.0	The board should identify in the annual report each non-executive director it considers to be independent. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination.
A.6.1	8.0	The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.
D.1.1	6.7	Non-executive directors should be offered the opportunity to attend meetings with major shareholders and should expect to attend them if requested by major shareholders.
B.1.1	6.0	The remuneration committee should consider whether the directors should be eligible for annual bonuses. Upper limits should be set and disclosed.
A.4.4	4.7	The terms and conditions of appointment of non-executive directors should be made available for inspection.
B.2.2	4.0	The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman.
A.7.2	3.3	Non-executive directors should be appointed for specified terms subject to re-election and to Companies Act provisions relating to the removal of a director.
A.1.3	2.7	Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance.
B.1.6	2.7	Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.
A.1.2	2.7	The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the nomination, audit and remuneration committees.
B.1.5	2.0	The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination.
B.1.2	2.0	Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.
B.1.3	2.0	Remuneration for nonexecutive directors should not include share options.
A.4.6	2.0	A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments.

Appendix

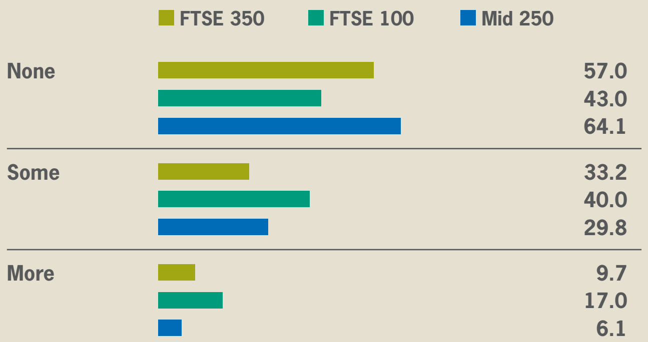
Leadership

The role of the board

QUESTION 4. TO WHAT EXTENT ARE THE FEATURES OF GOVERNANCE DISCUSSED IN THE CHAIRMAN'S STATEMENT?

Guidance: "Chairmen are encouraged to report personally in their annual statements how the principles relating to the role and effectiveness of the board (in Sections A and B of the new Code) have been applied." (UK Corporate Governance Code, Preface paragraph 7)

Figure 7 (%)



QUESTION 5. IS THERE A STATEMENT OF HOW THE BOARD OPERATES AND HOW ITS DUTIES ARE DISCHARGED EFFECTIVELY?

Guidance: "The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management." (UK Corporate Governance Code, A.1.1)

Figure 8 (%)

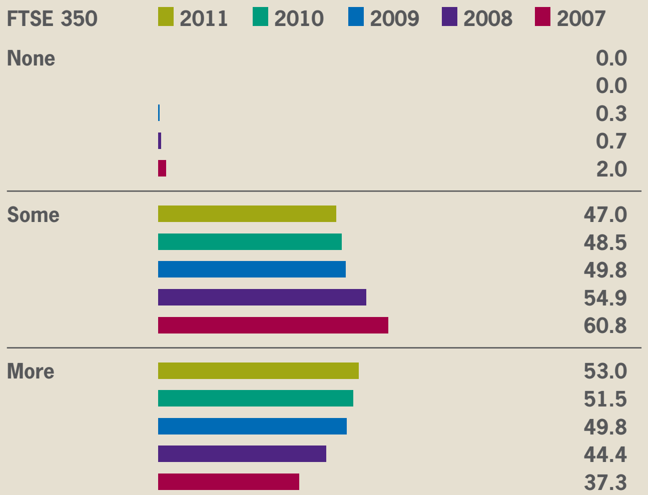


Figure 9 (%)

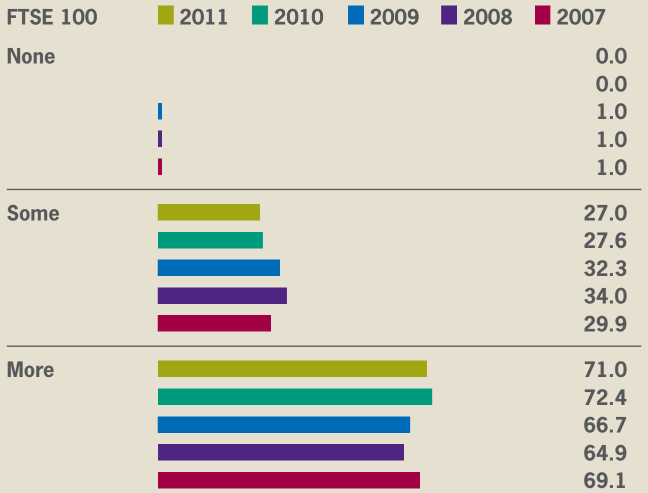
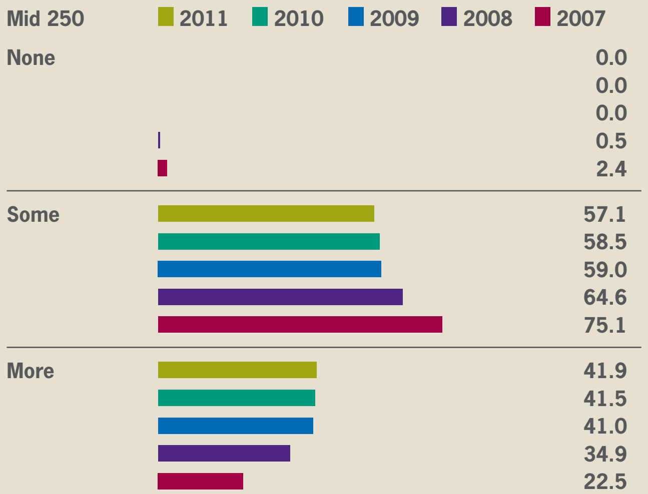


Figure 10 (%)



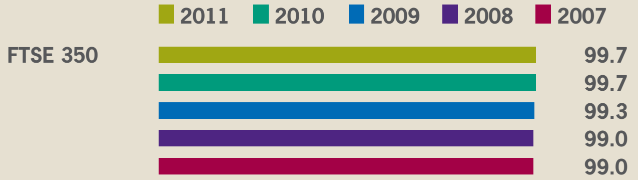
The most informative disclosures included detail of the following areas:

- The board's governance practices and linkage to ethical practices
- An established framework for management practice
- Details of meetings of the board and committees, including focus and remit
- Powers and authorities retained by the board and those delegated to management
- Areas of strategic importance
- Governance oversight practices.

QUESTION 6. IS THE NUMBER OF MEETINGS OF THE BOARD AND COMMITTEES AND OVERALL ATTENDANCE DISCLOSED?

Guidance: "[The annual report] should also set out the number of meetings of the board and its committees and individual attendance by directors." (UK Corporate Governance Code, A.1.2)

Figure 11 (%)



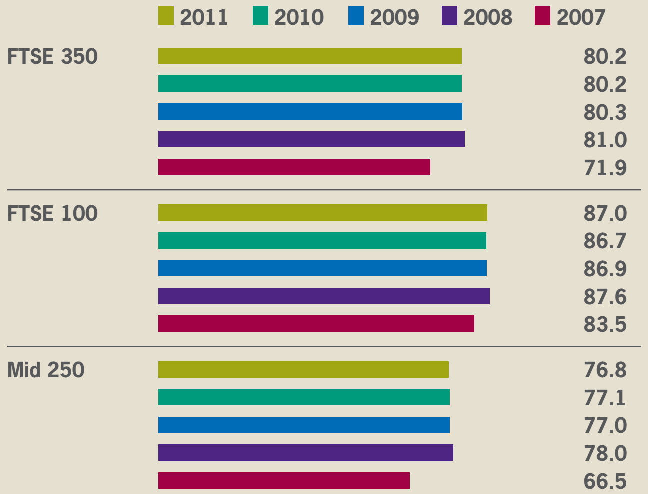
The Chairman

QUESTION 7. LED BY THE SENIOR INDEPENDENT DIRECTOR, DO THE NON-EXECUTIVE DIRECTORS MEET WITHOUT THE CHAIRMAN AT LEAST ANNUALLY TO APPRAISE THE CHAIRMAN'S PERFORMANCE?

Guidance: "Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance." (UK Corporate Governance Code, A.4.2)

"The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors." (UK Corporate Governance Code, B.6.3)

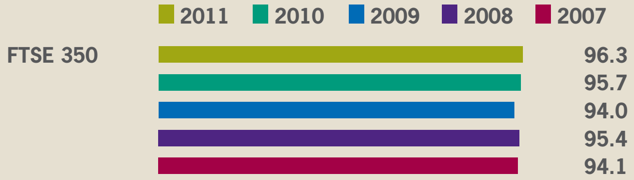
Figure 12 (%)



QUESTION 8. ARE THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE SEPARATE?

Guidance: "The roles of chairman and chief executive should not be exercised by the same individual." (UK Corporate Governance Code, A.2.1)

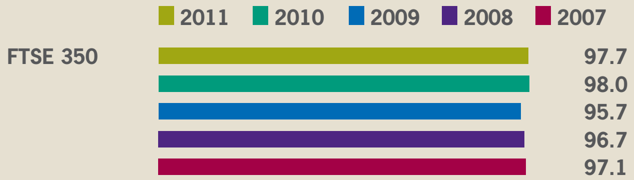
Figure 13 (%)



QUESTION 9. DOES THE REPORT IDENTIFY THE CHAIRMAN, THE DEPUTY CHAIRMAN (WHERE THERE IS ONE), CHIEF EXECUTIVE, SENIOR INDEPENDENT DIRECTOR, MEMBERS AND CHAIRS OF THE NOMINATION, AUDIT AND REMUNERATION COMMITTEES?

Guidance: "The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees." (UK Corporate Governance Code, A.1.2)

Figure 14 (%)



Appendix

Effectiveness

The composition of the board

QUESTION 10. IS AT LEAST HALF OF THE BOARD (EXCLUDING THE CHAIRMAN) COMPRISED OF INDEPENDENT NON-EXECUTIVE DIRECTORS?

Guidance: "Except for smaller companies at least half of the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent." (UK Corporate Governance Code, B.1.2)

Figure 15 (%)

	2011	2010	2009	2008	2007
FTSE 350	79.9	77.9	73.2	79.4	73.5
FTSE 100	87.0	88.8	84.8	90.7	89.7
Mid 250	76.3	72.7	67.5	74.2	66.0

QUESTION 11. ARE THERE ANY DIRECTORS ASSESSED AS INDEPENDENT WHO ARE DISCLOSED AS NOT MEETING THE CRITERIA IN PROVISION B.1.1?

Guidance: "The board should identify in the annual report each non-executive director it considers to be independent." (UK Corporate Governance Code, B.1.1)

The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- has been an employee of the company or group within the last five years
- has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme
- has close family ties with any of the company's advisers, directors or senior employees
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies
- represents a significant shareholder, or
- has served on the board for more than nine years from the date of their first election.

Figure 16 (%)

FTSE 350 (2011)

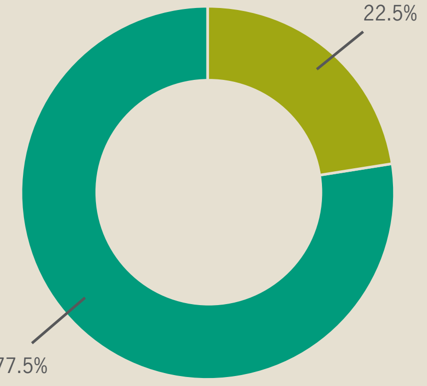


Figure 17

Which criteria do directors assessed as independent by boards not meet? (Number of directors)

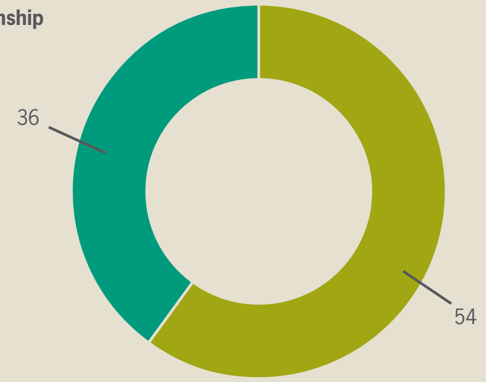


Figure 18 (%)

How well do companies describe their assessment of independence for these directors?

	None	Some	More
FTSE 350 (2011)	1.5	64.2	34.3

Appointments to the board

QUESTION 12. ARE THE COMMITTEE MEMBERSHIP REQUIREMENTS MET?

"A majority of members of the nomination committee should be non-executive directors. The chairman or an independent non-executive director should chair the committee." (UK Corporate Governance Code, B.2.1)

Figure 19 (%)

Nomination Committee

	2011	2010	2009	2008	2007
Nomination Committee	93.8	94.8	91.3	92.7	94.6

QUESTION 13. IS THERE A DESCRIPTION OF THE WORK OF THE NOMINATION COMMITTEE, INCLUDING THE PROCESS IT HAS USED IN RELATION TO BOARD APPOINTMENTS?

Guidance: "A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments." (UK Corporate Governance Code, B.2.4)

Figure 20 (%)

FTSE 350	2011	2010	2009	2008	2007
None	2.7	2.6	4.0	9.8	15.0
Some	60.1	66.7	66.6	66.7	61.4
More	37.2	30.7	29.4	23.5	23.5

Figure 21 (%)

FTSE 100	2011	2010	2009	2008	2007
None	0.0	0.0	1.0	8.2	6.2
Some	41.0	51.0	52.5	52.6	53.6
More	59.0	49.0	46.5	39.2	40.2

Figure 22 (%)

Mid 250	2011	2010	2009	2008	2007
None	4.0	3.9	5.5	11.0	19.1
Some	69.7	74.1	73.0	73.2	65.1
More	26.3	22.0	21.5	15.8	15.8

Those companies providing 'more' disclosure gave details on:

- succession planning
- search and interview processes and the use of external recruitment consultants
- the skills required for the board
- process for reviewing effectiveness of the board
- consideration of re-appointment of directors.

QUESTION 14. HOW MUCH EXPLANATION IS THERE OF THE COMPANY'S POLICY ON GENDER DIVERSITY IN THE BOARDROOM?

"[The annual report] should include a description of the board's policy on gender diversity in the boardroom, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives". (change to UK Corporate Governance Code, B.2.4 as proposed by FRC in their consultation document: gender diversity on boards)

Figure 23 (%)

	None	Some	More
FTSE 350	72.1	21.5	6.4
FTSE 100	54.0	33.0	13.0
Mid 250	81.3	15.7	3.0

The best companies stated a commitment to improve female representation at board level, setting out broad targets and policies intended to achieve them.

Appendix

Evaluation

QUESTION 15. HOW MUCH EXPLANATION IS THERE OF HOW THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS ARE ANNUALLY FORMALLY EVALUATED FOR THEIR PERFORMANCE?

Guidance: "The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted." (UK Corporate Governance Code, B.6.1)

Figure 24 (%)

FTSE 350	2011	2010	2009	2008
None	2.3	3.0	3.3	7.8
Some	60.4	62.7	64.9	69.6
More	37.2	34.3	31.8	22.5

Figure 25 (%)

FTSE 100	2011	2010	2009	2008
None	2.0	1.0	3.0	7.2
Some	45.0	58.2	59.6	70.1
More	53.0	40.8	37.4	33.0

Figure 26 (%)

Mid 250	2011	2010	2009	2008
None	2.5	3.9	3.5	8.1
Some	68.2	64.9	67.0	74.2
More	28.8	31.2	29.5	17.7

Strong disclosures included the following:

- a full description of the appraisal process, including the use of independent experts
- the key categories considered, including board and committee structures, board dynamics, the conduct and frequency of board meetings, the consideration of strategic issues by the board and the information provided to directors
- evaluation criteria linked to overall strategy (as well as operational and financial performance)
- use of peer review between directors and senior management
- inclusion of major shareholder feedback as a measure of performance
- achievement of KPIs and specific reference to objectives set for the coming year
- outcomes from the evaluation and any resultant actions.

QUESTION 16. WAS THERE AN EXTERNALLY FACILITATED BOARD EVALUATION IN THE YEAR?

Guidance: "Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years." (UK Corporate Governance Code, B.6.2)

Figure 27 (%)

	2011	2010	2009
FTSE 350	24.8	16.5	14.7
FTSE 100	34.0	26.8	21.2
Mid 250	20.2	12.0	11.5

Effectiveness

Re-election

QUESTION 17. ARE DIRECTORS SUBJECT TO RE-ELECTION ON AN ANNUAL BASIS?

Guidance: "All directors of FTSE 350 companies should be subject to annual election by shareholders." (UK Corporate Governance Code, B.7.1)

Figure 28 (%)

	2011	2010
FTSE 350	69.5	5.6
FTSE 100	87.0	7.1
Mid 250	60.6	4.9

Commitment, development, information and support

QUESTION 18. IS IT DISCLOSED THAT THE TERMS AND CONDITIONS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS ARE AVAILABLE FOR INSPECTION?

Guidance: "The terms and conditions of appointment of non-executive directors should be made available for inspection." (UK Corporate Governance Code, B.3.2)

Figure 29 (%)

	2011	2010	2009	2008	2007
FTSE 350	64.4	62.7	67.6	61.4	58.2

Committee membership and terms of reference

QUESTION 19. IS IT DISCLOSED THAT THE TERMS OF REFERENCE FOR THE AUDIT, REMUNERATION AND NOMINATION COMMITTEES ARE AVAILABLE FOR INSPECTION?

Guidance: "The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available[1]." (UK Corporate Governance Code, C.3.3)

"The remuneration committee should make available[1] its terms of reference, explaining its role and the authority delegated to it by the board." (UK Corporate Governance Code, D.2.1)

"The nomination committee should make available[1] its terms of reference, explaining its role and the authority delegated to it by the board." (UK Corporate Governance Code, B.2.1)

[1]The requirement to make the information available could be met by including the information on a website that is maintained by or on behalf of the company.

Figure 30 (%)

	2011	2010	2009	2008	2007
FTSE 350	96.6	94.7	95.7	93.8	93.1

Appendix

Accountability

Risk management and internal control

QUESTION 20. IS THERE A STATEMENT THAT THERE IS AN ONGOING PROCESS FOR IDENTIFYING, EVALUATING AND MANAGING THE SIGNIFICANT RISKS FACED BY THE COMPANY?

Guidance: "The board should, as a minimum, disclose that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, [and] that it has been in place for the year under review." (Turnbull, paragraph 34)

Figure 31 (%)

	2011	2010	2009	2008	2007
FTSE 350	99.0	98.0	98.0	98.4	98.0

QUESTION 21. IS THERE A STATEMENT THAT A REVIEW OF THE EFFECTIVENESS OF THE GROUP'S INTERNAL CONTROLS HAS BEEN UNDERTAKEN AT LEAST ANNUALLY?

Guidance: "The board should at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so." (UK Corporate Governance Code, C.2.1)

Figure 32 (%)

	2011	2010	2009	2008	2007
FTSE 350	99.7	100.0	100.0	99.0	96.4

QUESTION 22. HOW MUCH INFORMATION IS PROVIDED ON THE PROCESS THE BOARD/COMMITTEES HAVE APPLIED IN REVIEWING THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL?

Guidance: "In relation to Code provision C.2.1, the board should summarise the process it has applied in reviewing the effectiveness of the system of internal control." (Turnbull paragraph 36)

Figure 33 (%)

FTSE 350	2011	2010	2009	2008	2007
None	4.4	7.3	8.7	14.7	11.4
Some	70.1	67.3	67.2	61.4	60.8
More	25.5	25.4	24.1	23.9	27.8

Figure 34 (%)

FTSE 100	2011	2010	2009	2008	2007
None	3.0	3.1	4.0	5.2	1.0
Some	58.0	63.3	62.6	62.9	59.8
More	39.0	33.7	33.3	32.0	39.2

Figure 35 (%)

Mid 250	2011	2010	2009	2008	2007
None	5.1	9.3	11.0	19.1	16.3
Some	76.3	69.3	69.5	60.8	61.2
More	18.7	21.5	19.5	20.1	22.5

Most companies made reference to their application of the Turnbull guidance in this area, but 'more' was achieved by those companies that then went on to provide a detailed description of how they have applied this guidance to their own process. This could include:

- the areas of the system that have been reviewed and the rationale for their selection
- the method used for analysis (eg through review of reports from management, self-certification and/or internal audit)
- reviews of any internal guidance documents on internal control
- any specific areas which are given a more detailed review due to their importance to the sector/industry in which the company operates.

QUESTION 23. HOW MUCH INFORMATION IS THERE SURROUNDING THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL PROCESS?

Guidance: "The annual report and accounts should include such meaningful, high level information… to assist shareholders' understanding of the main features of the company's risk management processes and system of internal control." (Turnbull paragraph 33)

Figure 36 (%)

FTSE 350	2011	2010	2009	2008	2007
None	0.0	0.0	0.0	1.0	2.3
Some	25.8	22.4	24.4	25.5	25.5
More	74.2	77.6	75.6	73.5	72.2

Figure 37 (%)

FTSE 100	2011	2010	2009	2008	2007
None	0.0	0.0	0.0	1.0	1.0
Some	13.0	10.2	12.1	11.3	10.3
More	87.0	89.8	87.9	87.6	88.7

Figure 38 (%)

Mid 250	2011	2010	2009	2008	2007
None	0.0	0.0	0.0	1.0	2.9
Some	32.3	28.3	30.5	32.1	32.5
More	67.7	71.7	69.5	67.0	64.6

Best disclosures outlined the key elements of a company's internal control system including:

- the organisation structure and reporting lines
- procedures to ensure compliance with external regulations
- procedures to learn from control failures
- range of corporate policies, procedures and training
- examples of reviews of control activities and response resolution
- active engagement of senior management in process.

QUESTION 24. HOW MUCH INFORMATION IS THERE SURROUNDING THE COMPANY'S RISK MANAGEMENT PROCESS IN PARTICULAR?

Guidance: "The annual report and accounts should include such meaningful, high level information… to assist shareholders' understanding of the main features of the company's risk management processes and system of internal control." (Turnbull paragraph 33)

Figure 39 (%)

	FTSE 350	FTSE 100	Mid 250
None	0.0	0.0	0.0
Some	45.0	32.0	51.5
More	55.0	68.0	48.5

Best disclosures outlined the key elements of a company's risk management system including:

- the process by which risks are identified and prioritised
- how the effectiveness of risk responses are assessed
- responsibilities for risk management within the business
- the frequency and nature of risk reporting and key risk indicators
- the extent to which risk is embedded in strategic decision making.

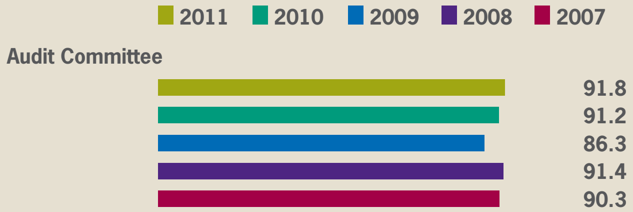
Appendix

Audit committee

QUESTION 25. ARE THE COMMITTEE MEMBERSHIP REQUIREMENTS MET?

"The board should establish a remuneration committee of at least three … independent non-executive director members." (UK Corporate Governance Code, D.2.1)

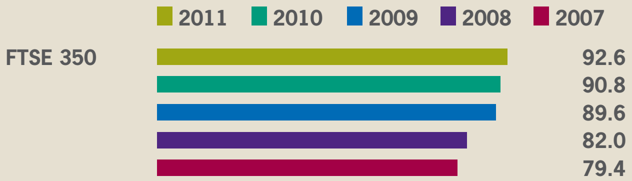
Figure 40 (%)



QUESTION 26. DOES THE AUDIT COMMITTEE IDENTIFY AT LEAST ONE MEMBER WITH RECENT AND RELEVANT FINANCIAL EXPERIENCE?

Guidance: "The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience." (UK Corporate Governance Code, C.3.1)

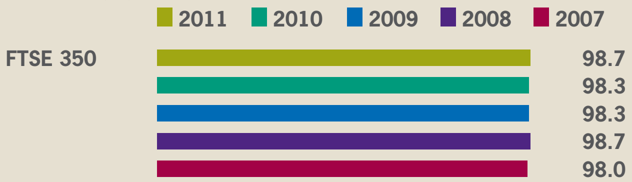
Figure 41 (%)



QUESTION 27. IS THERE A SEPARATE SECTION OF THE ANNUAL REPORT WHICH DESCRIBES THE WORK OF THE COMMITTEE?

Guidance: "A separate section of the annual report should describe the work of the committee in discharging those responsibilities." (UK Corporate Governance Code, C.3.3)

Figure 42 (%)



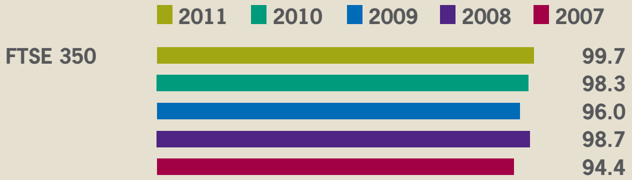
Assurance

External audit

QUESTION 28. IF THE AUDITOR PROVIDES NON-AUDIT SERVICES, IS THERE A DESCRIPTION AS TO HOW THE AUDITOR'S OBJECTIVITY AND INDEPENDENCE IS SAFEGUARDED?

Guidance: "The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded." (UK Corporate Governance Code, C.3.7)

Figure 43 (%)



QUESTION 29. DOES THE COMPANY PROVIDE A BREAKDOWN OF AUDIT AND NON-AUDIT FEES?

Guidance: "[The annual report] should:… set out… the fees paid to the auditor for audit services, audit related services and other non-audit services; and if the auditor provides non-audit services, other than audit related services, explain for each significant engagement, or category of engagements, what the services are." (FRC Guidance on Audit Committees, 4.38)

Figure 44

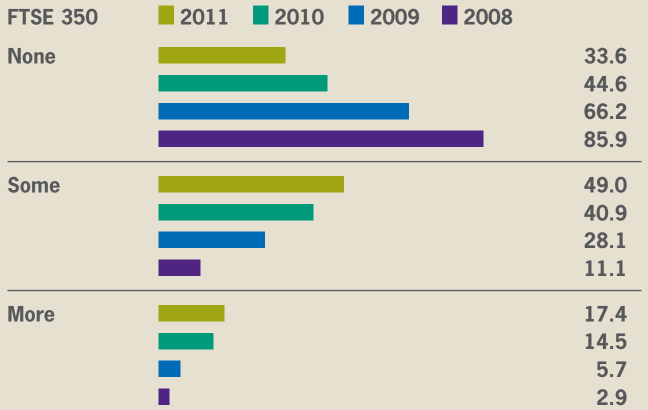
	Average non-audit fees as a percentage of audit fees* (%)	
Industry (size)	**Current year**	**Prior year**
Basic Materials (27)	117.6	34.9
Consumer Goods (26)	99.3	84.0
Healthcare (7)	97.9	66.7
Oil & Gas (18)	91.1	123.7
Consumer Services (66)	87.3	75.0
Utilities (9)	74.0	140.2
Financials (61)	73.4	83.6
Telecommunications (7)	61.0	110.7
Industrials (62)	57.6	53.3
Technology (15)	49.3	70.3
OVERALL AVERAGE	**79.5**	**74.7**

*Audit fees include fees paid for audit related services

QUESTION 30. HOW MUCH INFORMATION DOES THE AUDIT COMMITTEE PROVIDE ON HOW IT REACHED ITS RECOMMENDATION TO THE BOARD ON THE APPOINTMENT, REAPPOINTMENT OR REMOVAL OF THE EXTERNAL AUDITORS?

Guidance: "The audit committee section of the annual report should explain to shareholders how it reached its recommendation to the board on the appointment, reappointment or removal of the external auditors. This explanation should normally include supporting information on tendering frequency, the tenure of the incumbent auditor and any contractual obligations that acted to restrict the committee's choice of external auditors." (FRC Guidance on Audit Committees, 4.23.)

Figure 45 (%)



'More' disclosure is achieved by including information on:

- dates of appointment and length of tenure
- tender frequency and processes
- restrictions and/or contractual obligations on the choice of auditor
- a review of the auditor's effectiveness
- an assessment of the auditor's qualifications, expertise and resources.

Internal audit

QUESTION 31. DOES THE COMPANY HAVE AN INTERNAL AUDIT FUNCTION OR EQUIVALENT?

Guidance: "The audit committee should monitor and review the effectiveness of the internal audit activities. (UK Corporate Governance Code, C.3.5)

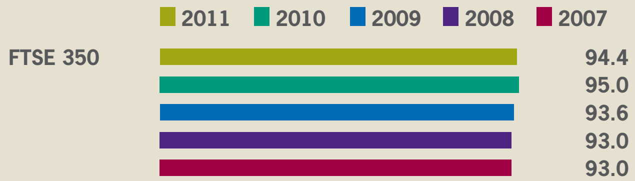
Figure 46

FTSE rank	Do they have an internal audit function or equivalent?
1–100	99%
101–200	86%
201–350	79%
1–350	**88%**

QUESTION 32. OF THE COMPANIES WHICH DO NOT HAVE AN INTERNAL AUDIT FUNCTION, IS THE ABSENCE OF THE FUNCTION EXPLAINED AND IS THERE DISCLOSURE THAT A REVIEW OF THE NEED FOR ONE HAS BEEN CARRIED OUT DURING THE YEAR AND A RECOMMENDATION MADE TO THE BOARD?

Guidance: "Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report…" (UK Corporate Governance Code, C.3.5)

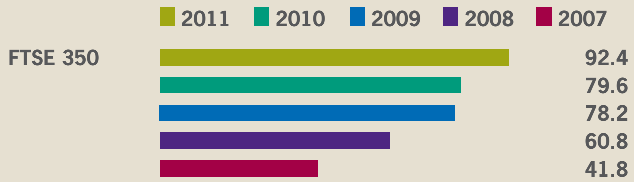
Figure 47 (%)



QUESTION 33. OF THE COMPANIES WHICH HAVE AN INTERNAL AUDIT FUNCTION, DOES THE AUDIT COMMITTEE MONITOR AND REVIEW THE EFFECTIVENESS OF INTERNAL AUDIT ACTIVITIES?

Guidance: "The main role and responsibilities of the audit committee should… include… to monitor and review the effectiveness of the company's internal audit function." (UK Corporate Governance Code, C.3.2)

Figure 48 (%)



Appendix

QUESTION 34. HAS THERE BEEN AN INDEPENDENT EXTERNAL REVIEW OF THE INTERNAL AUDIT FUNCTION IN THE CURRENT YEAR?

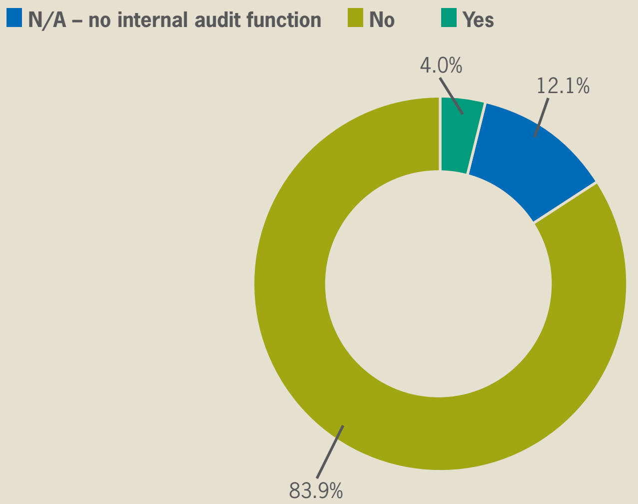
Guidance: "The audit committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors." (FRC Guidance on Audit Committees, 4.1.3)

"Internal assessments should include: Ongoing reviews of the performance of… internal audit…; and periodic reviews performed through self-assessment or by other persons…" (International Standards for the Professional Practice of Internal Auditing – 1311)

"External assessments should be conducted at least once every five years. The potential need for more frequent external assessments… should be discussed… with the board. Such discussions should also consider the size, complexity and industry of the organisation." (International Standards for the Professional Practice of Internal Auditing – 1312)

Figure 49 (%)

FTSE 350



Remuneration

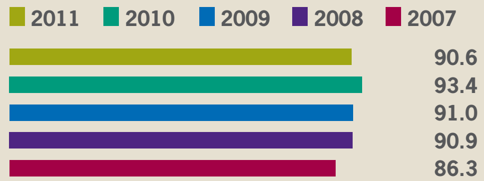
Levels and components of remuneration

QUESTION 35. DOES THE COMPANY STATE THE POTENTIAL MAXIMUM REMUNERATION AVAILABLE FOR EXECUTIVE DIRECTORS?

Guidance: "The performance-related elements of executive directors' remuneration should be stretching and designed to promote the long-term success of the company…" (UK Corporate Governance Code, D.1)

"Upper limits should be set and disclosed." (UK Corporate Governance Code, Schedule A)

Figure 50 (%)

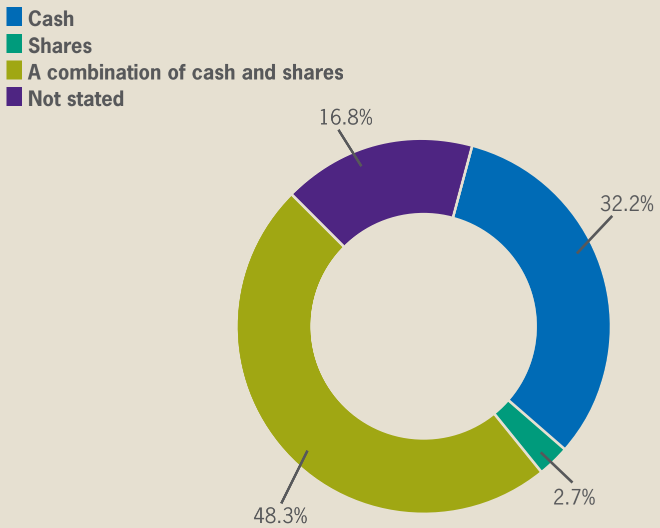


QUESTION 36. HOW ARE ANNUAL EXECUTIVE DIRECTOR BONUSES PAID?

Guidance: "The remuneration committee should consider whether the directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretching and designed to promote the long-term success of the company. Upper limits should be set and disclosed. There may be a case for part payment in shares to be held for a significant period. (UK Corporate Governance Code, schedule A)

Figure 51 (%)

FTSE 350

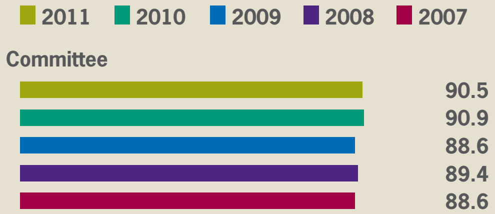


Procedure

QUESTION 37. ARE THE COMMITTEE MEMBERSHIP REQUIREMENTS MET?

Guidance: "The board should establish an audit committee of at least three… members, who should all be independent non-executive directors." (UK Corporate Governance Code, C.3.1)

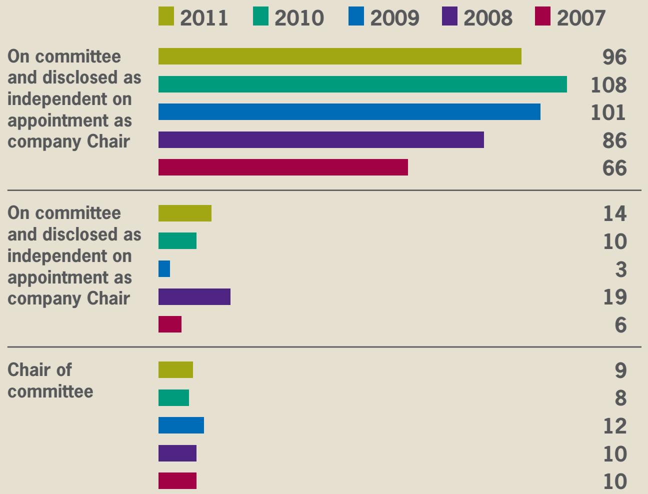
Figure 52 (%)



QUESTION 38. IF THE CHAIRMAN SITS ON THE REMUNERATION COMMITTEE, DOES HE/SHE CHAIR IT?

Guidance: "The company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman." (UK Corporate Governance Code, D.2.1)

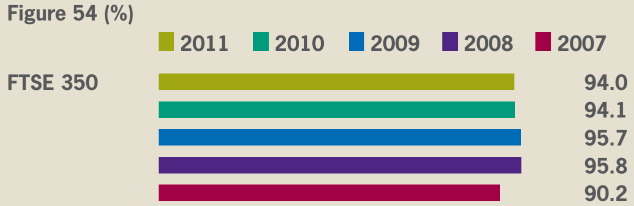
Figure 53



QUESTION 39. IS IT STATED THAT THE BOARD (OR SHAREHOLDERS WHERE REQUIRED) SET THE REMUNERATION FOR THE NON-EXECUTIVE DIRECTORS?

Guidance: "The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors." (UK Corporate Governance Code, D.2.3)

Figure 54 (%)



Appendix

Relations with shareholders

QUESTION 40. TO WHAT DEGREE DOES THE BOARD DEMONSTRATE THE STEPS TAKEN TO UNDERSTAND THE VIEWS OF MAJOR SHAREHOLDERS?

Guidance: "The board should state in the annual report the steps they have taken to ensure that members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about their company…" (UK Corporate Governance Code, E.1.2)

Figure 55 (%)
FTSE 350

	2011	2010	2009	2008	2007
None	0.0	0.7	3.0	2.6	7.8
Some	38.3	40.3	41.5	50.0	48.4
More	61.7	59.1	55.5	47.4	43.8

Figure 56 (%)
FTSE 100

	2011	2010	2009	2008	2007
None	0.0	1.0	4.0	2.1	3.1
Some	21.0	21.4	26.3	29.9	34.0
More	79.0	77.6	69.7	68.0	62.9

Figure 57 (%)
Mid 250

	2011	2010	2009	2008	2007
None	0.0	0.5	2.5	2.9	10.0
Some	47.0	49.3	49.0	59.3	55.0
More	53.0	50.2	48.5	37.8	34.9

Many companies had separate sections for shareholder relations, with the best companies making reference to:
- avenues for engagement with shareholders
- non-executive engagement with investors
- format of communication
- dedicated resources such as an investor relations department
- use of company website with dedicated investor section
- frequency of presentations to the City and financial institutions.

Narrative reporting

Financial and business reporting

QUESTION 41. HAS THE COMPANY PROVIDED A SEPARATE BUSINESS REVIEW IN THE DIRECTORS' REPORT?

Guidance: "Unless the company is entitled to small companies exemption in relation to the directors' report, the report must contain a business review." (Companies Act 2006 s417; 1)

Figure 58 (%)

	2011	2010	2009	2008	2007
FTSE 350	97.3	97.0	96.0	94.4	90.8

QUESTION 42. TO WHAT EXTENT DO COMPANIES DESCRIBE THEIR BUSINESS AND THE EXTERNAL ENVIRONMENT IN WHICH THEY OPERATE?

Guidance: "The review required is a balanced and comprehensive analysis of the development and performance of the company's business during the financial year, and the position of the company's business at the end of that year, consistent with the size and complexity of the business." (Companies Act 2006 s417; 4)

Figure 59 (%)
FTSE 350

	2011	2010	2009	2008	2007
None	0.0	0.0	0.3	1.6	4.9
Some	12.1	12.9	15.4	16.3	43.1
More	87.9	87.1	84.3	82.0	52.0

Companies providing 'more' detailed disclosures give a description of:
- the structure of the business
- the company's main products and services,
- main operating facilities and locations,
- key customers and suppliers,
- relevant sector or industry specific information including the regulatory and competitive environment.

QUESTION 43. TO WHAT EXTENT DO COMPANIES DESCRIBE THEIR BUSINESS MODEL?

Guidance: "The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company." (UK Corporate Governance Code, C.1.2)

Figure 60 (%)
FTSE 350

	2011	2010
None	0.3	8.9
Some	72.5	67.3
More	27.2	23.1

Companies giving more detailed descriptions:
- provide clarity around how they create and sustain value
- structure their narrative reporting around the business model, including linkage to strategy and objectives
- explain not just what they do, but how they do it
- describe their key strengths and differentiators from competitors such as financial strength, intellectual property, human capital and access to natural resources
- recognise the impact of external factors.

Appendix

QUESTION 44. TO WHAT EXTENT DO COMPANIES DESCRIBE THE LIKELY FUTURE DEVELOPMENT OF THEIR BUSINESS?

Guidance: "The business review must… include the main trends and factors likely to affect the future development, performance and position of the company's business" (Companies Act 2006 s417; 5a)

Figure 61 (%)
FTSE 350

	2011	2010	2009	2008	2007
None	0.0	0.3	0.7	4.6	17.0
Some	57.4	58.1	69.6	68.3	62.7
More	42.6	41.6	29.8	27.1	20.3

Figure 62 (%)
FTSE 100

	2011	2010	2009	2008	2007
None	0.0	0.0	1.0	4.1	13.4
Some	43.0	50.0	60.6	55.7	58.8
More	57.0	50.0	38.4	40.2	27.8

Figure 63 (%)
Mid 250

	2011	2010	2009	2008	2007
None	0.0	0.5	0.5	4.8	18.7
Some	64.6	62.0	74.0	74.2	64.6
More	35.4	37.6	25.5	21.1	16.7

The best disclosures provide:

- a clear description of the company's objectives
- an explanation of strategies designed to achieve these objectives
- areas of business which the company expects to develop in the near future
- general discussion of more long term plans
- relevant information on trends and factors, both company specific and market-wide.

QUESTION 45. TO WHAT EXTENT DOES THE COMPANY'S STRATEGY/ STRATEGIC OBJECTIVES LINK TO SPECIFIC RISKS, OPPORTUNITIES AND KPIS?

Guidance: "The FRC believes that, in future, narrative reports should focus primarily on strategic risks rather than operational risks and those risks that arise naturally and without action by the company; and disclose the risks inherent in their business model and their strategy for implementing that business model." (FRC Effective Company Stewardship: Next Steps, Summary of Action)

Figure 64 (%)
FTSE 350

	FTSE 350	FTSE 100	Mid 250
None	10.7	5.0	13.6
Some	68.1	67.0	68.7
More	21.1	28.0	17.7

QUESTION 46. IS THERE A STATEMENT THAT AN ASSESSMENT OF THE IMPACT OF THE COMPANY'S BUSINESS ON THE ENVIRONMENT HAS BEEN UNDERTAKEN?

Guidance: "In the case of a quoted company the business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about (i) environmental matters, (ii) the company's employees, and (iii) social and community issues." (Companies Act 2006 s417; 5b)

Figure 65 (%)

	2011	2010	2009	2008
FTSE 350	99.0	98.0	95.0	59.8

Principal risks

QUESTION 47. TO WHAT EXTENT DO COMPANIES DESCRIBE THEIR PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES?

Guidance: "The business review must contain a description of the principal risks and uncertainties facing the company." (Companies Act 2006 s417; 3)

Figure 66 (%)
FTSE 350

	2011	2010
None	0.3	0.3
Some	25.5	36.3
More	74.1	63.4

Figure 67 (%)
FTSE 100

	2011	2010
None	0.0	0.0
Some	16.0	25.5
More	84.0	74.5

Figure 68 (%)
Mid 250

	2011	2010
None	0.5	0.5
Some	30.3	41.5
More	69.2	58.1

Companies giving more detailed descriptions provided:

- sufficient detail to understand the risk, and how it specifically relates to the business
- an indication of how company strategy is impacting the risk profile
- an analysis of the potential impact of the risk
- information on how each risk is being mitigated
- detail on how the risk is being monitored and measured through, for example, the use of key risk indicators.

Appendix

An analysis of the average number of risks disclosed by category by industry

Figure 68

	FTSE 350	Healthcare (7)	Oil & Gas (18)	Utilities (9)	Consumer Services (66)	Basic Materials (27)	Telecommunications (7)	Consumer Goods (26)	Industrials (62)	Financials (61)	Technology (15)
Financial	2.9	2.6	3.6	2.7	2.8	2.9	2.1	2.3	2.6	3.7	1.7
Operational	2.3	3.4	2.7	2.7	2.4	2.9	2.9	1.8	2.1	2.0	2.9
Macro-economic	1.6	1.9	1.8	1.6	1.7	1.7	1.9	2.0	1.4	1.3	1.3
Regulatory & compliance	1.5	4.1	2.1	2.7	1.6	1.1	1.6	1.7	1.3	1.2	1.3
Employees	0.7	0.6	0.8	0.3	0.9	0.7	0.1	0.7	0.8	0.7	0.5
Expansion	0.6	1.4	0.7	0.9	0.6	0.9	0.7	0.6	0.6	0.3	0.7
Reputation	0.6	0.0	1.6	0.6	1.0	0.5	0.4	0.8	0.4	0.5	0.3
Technology	0.6	0.1	0.3	0.7	1.0	0.4	2.0	0.5	0.7	0.5	1.1
Environmental	0.4	0.4	0.9	0.4	0.2	0.8	0.0	0.5	0.5	0.1	0.1
Average total number of risks	**11.3**	**14.6**	**14.3**	**12.4**	**12.2**	**11.8**	**11.7**	**10.9**	**10.3**	**10.1**	**9.7**

Key performance indicators

QUESTION 48. TO WHAT EXTENT DO COMPANIES DESCRIBE SPECIFIC KEY PERFORMANCE INDICATORS (KPIS) WHICH MEASURE THE PERFORMANCE OF THEIR BUSINESS?

Guidance: "The [business] review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include (a) analysis using financial key performance indicators, and (b) where appropriate, analysis using other key performance indicators."

'Key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively. (Companies Act 2006 s417; 6)

Figure 69 (%)

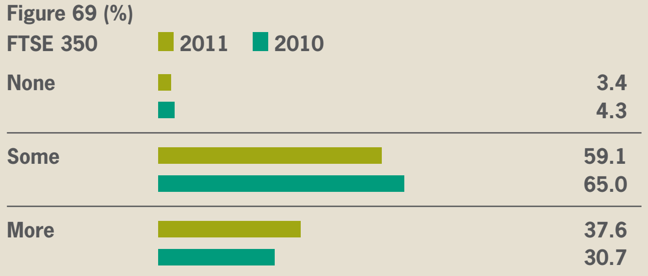


Figure 70 (%)

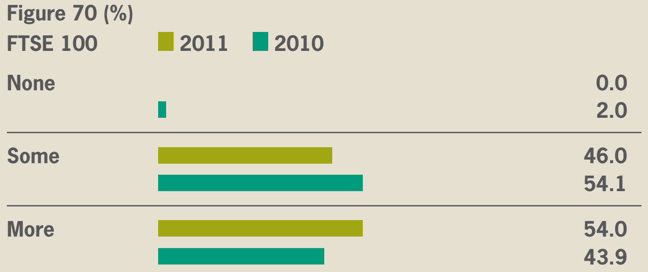
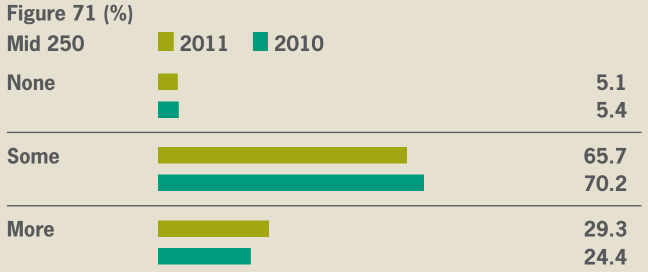


Figure 71 (%)



The best disclosures:

- link KPIs to the company's objectives explaining why they have been selected and what they measure
- disclose quantifiable results that are compared to prior years
- explain how they are calculated and the source of data
- include future targets or expectations.

Appendix

An analysis of the average number of KPIs disclosed by category by industry

Figure 72

	FTSE 350	Utilities (9)	Consumer Goods (26)	Basic Materials (27)	Oil & Gas (18)	Consumer Services (66)	Industrials (62)	Technology (15)	Financials (61)	Telecommunications (7)	Healthcare (7)
Profit and costs	2.2	2.6	2.0	2.4	2.4	2.5	2.0	2.4	1.9	1.9	1.6
Revenue	1.4	0.4	1.5	0.5	1.2	2.0	1.5	1.8	0.9	1.9	2.0
Shareholders funds	0.6	1.0	0.5	0.4	0.4	0.4	0.6	0.4	1.1	0.4	0.3
Working capital	0.6	0.2	0.8	0.5	0.8	0.3	0.9	0.9	0.5	0.3	1.0
Capital expenditure & other assets	0.3	0.4	0.2	0.4	0.5	0.1	0.2	0.1	0.5	0.4	0.0
Interest and debt	0.3	0.6	0.4	0.1	0.1	0.3	0.3	0.1	0.3	0.0	0.0
Average total number of financial KPIs	**5.3**	**5.3**	**5.5**	**4.3**	**5.4**	**5.8**	**5.4**	**5.7**	**5.2**	**4.8**	**4.8**

	FTSE 350	Utilities (9)	Consumer Goods (26)	Basic Materials (27)	Oil & Gas (18)	Consumer Services (66)	Industrials (62)	Technology (15)	Financials (61)	Telecommunications (7)	Healthcare (7)
Environmental	0.9	1.7	1.7	1.6	0.4	0.5	0.8	0.5	0.5	0.9	0.1
Operational	0.5	1.0	0.3	1.1	1.0	0.4	0.1	0.5	0.2	0.0	0.1
Expansion	0.4	0.2	0.6	0.6	0.6	0.6	0.5	0.4	0.5	0.1	0.1
Employees	0.4	1.0	0.4	0.6	0.5	0.3	0.6	0.2	0.4	0.0	0.3
Reputation	0.4	1.7	0.4	0.1	0.1	0.6	0.3	0.3	0.5	0.1	0.0
Regulatory & compliance	0.3	1.0	0.6	0.6	0.5	0.2	0.4	0.1	0.0	0.0	0.1
Average total number of non-financial KPIs	**3.0**	**6.7**	**4.0**	**4.6**	**3.1**	**2.6**	**2.8**	**1.9**	**2.1**	**1.1**	**0.9**
Total number of KPIs	**8.3**	**12.0**	**9.5**	**8.9**	**8.5**	**8.4**	**8.2**	**7.6**	**7.3**	**5.9**	**5.7**

About Grant Thornton

A global footprint

Grant Thornton International
- Fee income $4 billion
- $1.7 billion assurance
- Over 100 countries
- 490 locations
- c.30,000 staff
- Over 2,600 partners
- Global strategy, global brand, global values

Grant Thornton UK LLP
- c. 4,000 staff
- 27 offices
- Over 200 partners
- Fee income $600m
- Full service practice with extensive specialist advisory services

Offices around the world

Albania
Argentina
Armenia
Australia
Austria
Bahamas
Belgium
Bermuda
Bolivia
Botswana
Brazil
Bulgaria
Canada
Cayman Islands
Channel Islands
Chile
China
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Finland
France
Gabon
Germany
Ghana
Gibraltar
Greece
Guatemala
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Japan
Jamaica
Jordan
Kenya
Korea
Kuwait
Lebanon
Liechtenstein
Luxembourg
Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Nicaragua
Nigeria
Norway
Pakistan
Panama
Peru
Philippines
Poland
Portugal
Puerto Rico
Qatar
Romania
Russia
Saudi Arabia
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Thailand
Tunisia
Turkey
Turks & Caicos Islands
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Venezuela
Vietnam
Zambia
Zimbabwe

International service lines

Assurance
- Audit
- Shared audit
- Corporate governance
- Accounting support
- Technical accounting
- Royalty audits

Tax
- Corporate tax
- Personal tax
- Employer solutions
- Expatriate tax
- Indirect tax
- International tax
- Outsourced compliance services
- Tax investigation services
- Transfer pricing
- Transaction tax
- Wealth management and financial planning

Advisory
- Commercial Intelligence
- Business risk services
- Corporate finance
- Corporate simplification
- Forensic and investigation services
- Government and infrastructure services
- Internet intelligence and brand protection
- Restructuring and post-deal services
- Recovery and reorganisation
- Valuations

Business Risk Services

We have proven international capability and experience of adding value to clients' governance, risk, internal audit, technology and business process change programmes.

Assurance
- Outsourcing or co-sourcing of internal audit
- Internal audit effectiveness reviews
- Operational audit
- Revenue, contract and cost verification audits
- SSAE16/ISAE 3402 and AAF 01/06

Advisory
- Governance
- Enterprise risk management
- Process and control improvement
- Post-merger integration
- Fraud risk assessment
- Programme management
- Sarbanes-Oxley

Information technology
- IT governance and strategy
- IT assessment and due diligence
- Security services
- Solution selection
- IT audit
- Business continuity and disaster recovery
- Data mining and investigations
- Digital forensics

Contact us

For further information on any of the issues explored in this report contact:

Simon Lowe
T 020 7728 2451
E simon.j.lowe@uk.gt.com

Business Risk Services

Martin Gardner
T 020 7728 2847
E martin.n.gardner@uk.gt.com

Eddie Best
T 020 7728 2849
E eddie.j.best@uk.gt.com

Sandy Kumar
T 020 7728 3248
E sandy.kumar@uk.gt.com

For other queries please contact your local Grant Thornton office:

Belfast
T 028 9031 5500

Birmingham
T 0121 212 4000

Bristol
T 0117 305 7600

Cambridge
T 01223 225600

Cardiff
T 029 2023 5591

Edinburgh
T 0131 229 9181

Gatwick
T 01293 554130

Glasgow
T 0141 223 0000

Ipswich
T 01473 221491

Kettering
T 01536 310000

Leeds
T 0113 245 5514

Leicester
T 0116 247 1234

Liverpool
T 0151 224 7200

London
T 020 7383 5100

Manchester
T 0161 953 6900

Milton Keynes
T 01908 660666

Newcastle
T 0191 261 2631

Northampton
T 01604 826650

Norwich
T 01603 620481

Oxford
T 01865 799899

Reading
T 01189 839600

Sheffield
T 0114 255 3371

Slough
T 01753 781001

Southampton
T 023 8038 1100

Or alternatively, email us at heretohelp@uk.gt.com

Grant Thornton

www.grant-thornton.co.uk

EPI768