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IoD Report September 2016

The 2016 Good Governance Report

The great governance debate continued

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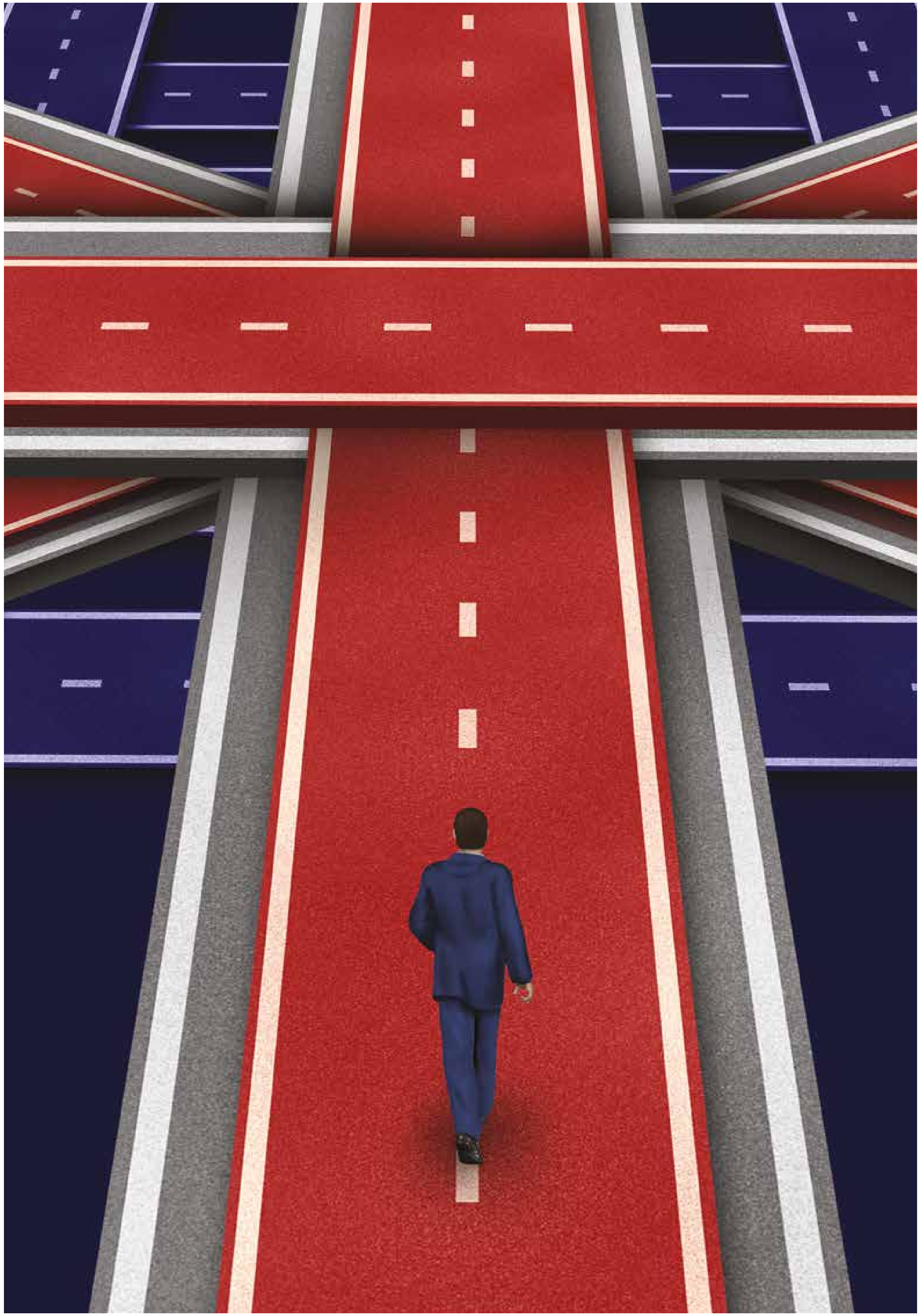

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by Ken Olisa OBE, deputy chair IoD, chairman of the advisory panel

Ken Olisa, OBE
Deputy chair, IoD, and chairman of the advisory panel

For more than 25 years, corporate governance has been a hotly debated topic, with the policy community and consultants leading the way in these deliberations. But no more.

In 1992, the Cadbury Committee's report laid the foundations for a more practical approach to the subject.

As the world's first known report on the subject, Cadbury was the response to a series of corporate scandals – Maxwell, Polly Peck and BCCI – in which customers, shareholders and pensioners had been robbed of millions of pounds. Its focus was, not unreasonably, on the quality of financial reporting and the veracity of a company's published accounts. As a result, Cadbury confined itself to those relatively technical aspects of corporate governance related to accounts and accountability.

The Cadbury recommendations were incorporated into the Combined Code which, though it has changed its name to the UK Corporate Governance Code, has stayed true to its roots and is still administered by the Financial Reporting Council (FRC).

The FRC's raison d'être is to promote high-quality corporate governance and reporting to foster investment. But even the FRC has recognised that if the UK Governance Code is to achieve its stated objective of promoting the long-term success of companies, then it needs to encourage boards to focus more strongly on the governance of the culture and behaviours of the organisations of which they are stewards. As such, the FRC recently launched a report exploring the relationship between corporate culture and long-term business success in the UK.

Today, corporate governance priorities bear little resemblance to those which exercised Sir Adrian Cadbury and his colleagues. The quality of financial reporting has been tackled by many regulatory bodies around the world and, as a consequence, the centre of gravity has shifted towards gaining an understanding of what makes an effective corporate body tick. Issues such as gender and ethnic diversity, corporate culture and stakeholder engagement now find themselves under the governance microscope.

Actually, 'microscope' is a poor metaphor: a better one might be 'cross hairs', as politicians and other policymakers increasingly turn their attention to the role and conduct of business within society.

In the UK, the House of Commons' Business, Innovation and Skills select committee has investigated and criticised the corporate governance of a range of household names. And the theme of "health and trust for the good of all" became prominent when changes to corporate governance formed a major plank of Theresa May's campaign en route to her becoming prime minister.

Across the Atlantic, after a long period when corporate governance was either not discussed at all or left to regulators such as the SEC, things have shifted tectonically. Reminding us that corporate governance is a matter of national competitive advantage, in July, a panel of heavyweight US executives launched a set of "common sense corporate governance principles" outlining recommendations for the effective management of corporations for long-term prosperity. In their open letter, the authors (who include Berkshire Hathaway's Warren Buffett and JP Morgan's Jamie Dimon) reminded the reader that the health of, and trust in, public corporations and financial markets is critical to economic growth and the financial futures of employees, retirees and investors.

It is against this backdrop that the IoD is delighted to publish our second research paper on the practitioners' answers to two key questions:

- What is good corporate governance?
- How do we measure it?

A year ago we launched our research report, *The Great Governance Debate: Towards a good governance index for listed companies*, which examined the issue from the standpoint of company directors and investors, rather than academics or regulators.

Our main finding was that governance was organic, rather than mechanical.

Using the definitions provided by the UK Corporate Governance Code and Companies Act we developed a simple model which presented some 50 variables in a way which enabled a ranking of the FTSE 100. The instrumental factors used in the ranking were drawn from a pool of informed commentators (directors, company secretaries, academics, etc) and then applied as objectively as possible.

Our aim was to stimulate a robust debate about the nature and calibration of good governance.

And we certainly achieved our objective! In a manner redolent of my school days I was summoned to the offices of several chairs of leading UK companies to explain myself and the IoD's methodology. It is for them to record how well we fared, but from an IoD perspective, I believe that we gave a good account of ourselves, refined our approach to the measurement methods and reinforced confidence in both the importance of corporate governance and – more importantly – its complex, organic nature.

For this second report, we have continued our successful partnership with Cass Business School and, as they explain in their foreword, we have refined our methodological approach. Specifically:

- We are using a refreshed list of indicators that assesses factors well beyond simple compliance with the UK code
- The Perception Survey from which we derive the list of instrumental factors is based on a wider and arguably more expert set of commentators. It is used to identify correlations between experts' perceptions of good governance and objectively measurable factors
- The weights assigned to the individual components are inferred on the basis of surveys of customer, investor and employee assessments of the quality of the corporate governance regime of the rated companies
- We have been much clearer in our explanation of how the rankings are produced

The result is a workable hypothesis describing (within the limits of what can currently be measured) what constitutes good corporate governance and how the many variables can be measured and judged.

This is a very long way from the currently widespread box-ticking regulatory approach to the topic. The FRC does of course allow for "explanations". Nevertheless, due to its focus on the UK code, many FTSE 100 companies see governance in pure compliance terms and it has mainly been reduced to the production of boilerplate paragraphs in annual reports.

Like the FRC's recent report on corporate culture, the IoD's aim is to provide directors with an understanding of the many factors that combine to determine good governance, so enabling them to configure their organisations in ways which suit their strategic purpose.

We hold that good governance isn't a question of meeting minimum requirements but rather it is the consequence of tuning many variables to produce optimal performance.

Last year I compared governance to health. As anyone who has had a general blood test will know, it is the aggregate effect of many small elements which determines one's wellbeing, not compliance with just one or two headline factors.

The comparison has survived this year's refined approach. Boards concerned with good governance will find the following pages filled with useful pointers to the identification and assessment of what makes a well-governed company tick.

But perhaps the most important message is that it is practitioners, not experts, who need to appreciate the messages within this research.

For the first time ever, corporate governance has become a hot topic of conversation for legislators, regulators and the general public on both sides of the Atlantic.

It is, of course, important to note that in this report we are not trying to prescribe one precise route to governance, but to further understanding of the factors which, taken together, contribute to good governance. We hope that this will lead to boards discussing and agreeing which of these factors require focus in their organisation in order to optimise governance.

I do hope that you find this research of practical use and that you will join us for Round Two as the IoD leads the Great Governance Debate.

Thank you.

Ken Olisa

Ken Olisa
Deputy chair, IoD, chairman of the advisory panel

2 Supporting statement from the Chartered Quality Institute

by Estelle Clark

The IoD has initiated a vital debate around governance. A common criticism of the UK Corporate Governance Code is that it has led to compliance with a limited set of mechanistic corporate governance factors and has ceased to provide the level of confidence in performance that organisations and their stakeholders require in our fast-moving and globalised world. While some might argue that these factors were never designed to be predictors of behaviour and culture in the context of 21st-century business, others may say they remain relevant.

Society rightly believes that a corporate fish rots from the 'head': a complex operating environment being no excuse for doing business at the expense of doing the right thing. And society not only judges but also sentences organisations through deterioration in reputation and an impact on business value. Indeed, a head with a weak nervous-system link to the corporate 'body' can no longer be accepted as a reasonable way of going about things when the body's actions and decisions compromise the organisation's intent and its stakeholders' interests.

So, how does the head of a large complex organisation ensure that the operational body is fit to deliver strategy and to take account of the balance of stakeholder needs. Put another way, how do the executive and non-executive teams have confidence that the organisation does not have a horsemeat scandal waiting to emerge in its supply chain? How does it have confidence that increasingly short cycle times are not resulting in product design decisions that compromise safety or compliance requirements? And how will it understand the potential impact of its own decisions on the operation and its stakeholders?

The Chartered Quality Institute (CQI) and its community of 20,000 quality professional business partners exist to provide that insight and confidence through a closed-loop system of operational governance, assurance and improvement. This acts as the nervous-system link between leadership teams and their organisations, answering key questions for all:

- Is leadership intent defined so as to capture the full range of stakeholder requirements?
- Is leadership intent effectively implemented, producing the desired outcomes for the organisations and its stakeholders?
- Is there a culture of objective evaluation and a commitment to continually improve?

The CQI is delighted to sponsor the 2016 Good Governance report and to contribute to the Great Governance Debate. And in line with our Royal Charter, the CQI will be working over the coming months and years to help business leaders reinvigorate operational governance.

Estelle Clark
Head of profession, Chartered Quality Institute
Member of the advisory panel

3 Foreword from Cass Business School

by Professor Andrew Clare, Dr Nicholas Motson and Professor Paolo Volpin

Over the past 20 years, academics[1] and practitioners[2] have made several attempts at producing corporate governance (CG) indices, so far with limited success. Existing indices have often been criticised for adopting a kitchen-sink approach where large numbers of indicators are combined using an arbitrary weighting scheme to produce CG index scores for companies.[3] The 'tick-box approach' used to compile such indices can easily be gamed by companies, rendering them uninformative over time.[4]

The Institute of Directors in partnership with Cass Business School and the CQI is taking on this challenge. Our approach includes two important innovations. First, we use a new list of indicators that goes beyond simple compliance with the UK CG code. Although the emphasis is on public information, we combine data contained in the annual reports with other sources. Second, the weights assigned to the individual components are inferred on the basis of surveys of customer, investor and employee assessments of the quality of the corporate governance regime of the rated companies. This methodology automatically adjusts for the perceived importance of different governance mechanisms and implicitly creates a link between the index and firm performance. This will also significantly reduce the scope for gaming and preserve the relevance of the index over time.

We believe that our approach is an important step forward in trying to assess the importance of CG risk factors and, we hope, an important contribution to the Great Governance Debate.

Professor Andrew Clare

Professor Paolo Volpin

Dr Nick Motson

[1] La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) created an index of shareholder and creditor protection around the world based on laws in different countries. Gompers, Ishii, and Metrick (2003) developed a firm-level governance score, the G-index, for US firms mostly based on anti-takeover features. Bebchuk, Cohen, and Ferrell (2009) further refined the G-index focusing on size components, which they labelled the E-index.

[2] Commercial providers of CG indices are ISS-RiskMetrics, GovernanceMetrics International, Egan-Jones, and The Corporate Library.

[3] See Bhagat, Bolton, and Romano (2008).

[4] See the critical evidence in Johnson, Moorman, and Sorescu (2009) on governance ratings produced by academics and Daines, Gow, and Larcker (2010) on commercial ratings.

4 Executive summary

The purpose of this project is to reignite the governance debate by leading it away from the compliance approach to corporate governance that has become widespread in recent years. Our novel approach is to combine traditional governance indicators with a measure of the quality of corporate governance as perceived by stakeholders.

We follow two different approaches to measuring the corporate governance of a given firm.

- We select a list of objective, measurable factors drawn from public sources
- We conduct a survey of stakeholders' perceptions of corporate governance

The combination of these two components allows us to understand the relative importance of different governance factors as perceived by stakeholders. We then use the estimated model to build an index of corporate governance.

The results indicate that different components of corporate governance have different impacts on practitioners' perceptions of it. In other words, our methodology shows that the naïve approach of giving equal weights to different indicators (often adopted in the past) is inappropriate. Surprisingly, measures of Board Effectiveness have little effect on the perceived quality of corporate governance of a company. This is probably due to the fact that Board Effectiveness is hard to measure and that simple compliance with the UK CG code is not enough to receive a high CG score as perceived by stakeholders. Measures of the quality of Audit and Risk/External Accountability are the most important determinant of the perception of good corporate governance, followed by Shareholder Relations, then by Remuneration and Reward, then Stakeholder Relations, in that order.

The study also confirms that there is no agreement across stakeholders about the definition of good governance. Although measures of the quality of Audit and Risk/External Accountability are important across all types of respondents, different types of respondents emphasise different aspects of CG. Customers care about Audit and Risk/External Accountability and Shareholder Relations. Suppliers and media care about Audit and Risk/External Accountability. Investors and analysts care both about Audit and Risk/External Accountability and Stakeholder Relations.

This variation in preferences is an overlooked aspect in the debate on CG, and it deserves attention.

Having measured the degree to which the objective factors are correlated to perceptions, we then create a model that predicts the quality of governance at an organisation. This model indicates that British American Tobacco, Unilever and Royal Mail are among the FTSE 100's strongest governance performers.

The value of this new index critically depends on the quality of the stakeholder survey. With 1,977 individual rankings provided by 744 respondents, this year's survey gives us a good degree of confidence in the results. However, the ultimate test of the quality of a CG index is its usefulness to both investors and to other stakeholders in identifying future company performance. We look forward to assessing the predictive quality of this new indicator in the future. We also welcome engagement and challenge on how the analysis can be improved.

For the purposes of this study, we have used the UK Corporate Governance Code for a high-level definition of corporate governance, and section 172 of the Companies Act 2006 for a more detailed definition.

- UK Corporate Governance Code: "The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company."
- Companies Act 2006, section 172: "A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole, and in doing so have regard (amongst other matters) to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company."

The research was overseen by an advisory panel whose membership comprised independent members as well as representatives of the IoD and of Cass Business School, City University. The panel advises on and oversees the development of the methodology of each published report and acts as an ambassador in encouraging and supporting the good governance debate. To achieve this aim the panel:

- advises on and oversees the construction of the different approaches
- approves the governance criteria which determine the governance ranking of individual companies and revises these in light of experience and external challenges
- reviews the robustness and integrity of the results
- oversees the final results and publications associated with the research, and advises the IoD board on whether to approve the final report
- regularly reports to the IoD board on the panel's proceedings, as deemed appropriate by either the board or the panel

5 Methodology

In this section, we briefly describe the criteria for inclusion in the study; the set of corporate governance factors used; the way in which the survey was conducted; our approach to combining the CG factors; and the perception survey. A detailed description of our methodology is in Appendix B at the end of the report.

5.1 Inclusion in the study

We have included in the study the 100 largest companies listed on the London Stock Exchange as of 31 March 2016 provided that they:

- are not investment trusts
- have data for at least 80 per cent of the instrumental factors collected

5.2 CG Factors

We assess corporate governance across five key categories as shown in Figure 1 below. As last year, the choice of factors has been guided by the definition of corporate governance in the Companies Act 2006 and was informed both by the academic literature[5] on corporate governance and the views of the GGI's advisory panel. In this study we use a total of 34 factors across five general areas of governance: (see fig 1)

The choice of these variables is not meant to be exhaustive or definitive. Indeed, verifying whether these factors matter for the perception of corporate governance is one of the goals of this project to help push forward the corporate governance debate.

To construct an index from the raw data, we standardise the indicators so that they range between zero and 1,000, where zero is assigned to the company with the lowest factor score and 1,000 to the one with the highest. Each of the standardised scores is equally weighted and aggregated into one of five governance sub-indices:

i) Board Effectiveness

ii)Audit and Risk/External Accountability

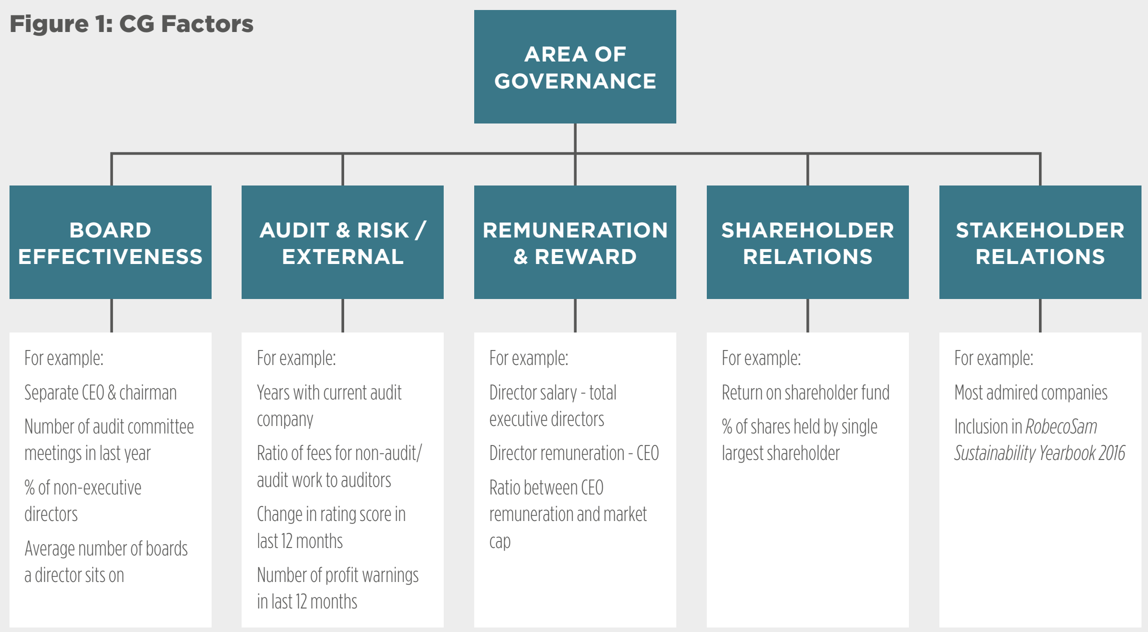
iii) Remuneration and Reward

iv) Shareholder Relations

v) Stakeholder Relations

The individual company scores in sub-indices are reported in Table A2 in Appendix B.

Figure 1: CG Factors



[5] The definitions of the 34 variables and the sources used to gather the data are reported in Table A1 in Appendix B.

5.3 Perception survey

An online survey was open from 9 February 2016 until 6 June 2016 at survey-ggi.rhcloud.com. A link to the survey was emailed to IoD members, FTSE 350 Company Secretaries, the Institute of Chartered Accountants in England and Wales and other professional bodies.

On entering the survey, participants were asked to provide a valid email address and their professional affiliation. They were then presented with a random sample of 30 companies from which they were invited to choose those they felt qualified to rate in terms of corporate governance (this random sample could be refreshed multiple times). Once the companies had been chosen the participant was asked to provide details of their relationship with the companies they chose, for example, “investor”, “customer”, “media” etc, before finally rating each company on a scale of one to 10.

In total 744 participants logged on to the site and provided 1,977 ratings on the 100 sample companies. The breakdown of responses by both the affiliation of the respondent and their relationship with the companies they rated is reported in Appendix B.

To make the comparison with our instrumental factor results simpler we multiply the ratings by 100, thus the range of possible scores is between zero and 1,000. In fact, the range of scores is between 500 and 860 with an average of 717. The full list is reported in Table A3 in Appendix B.

5.4 Our approach

The CG factors and the perception scores offer complementary measures of the quality of corporate governance within a firm.

Our approach consists of combining these measures by estimating the partial correlations between the perception survey and the CG factors. To achieve this we regress the perception scores against our five CG factors, estimating the following specification:

Perception Score = $\alpha + \beta 1 \times$ Board Effectiveness + $\beta 2 \times$ Audit and Risk / External Accountability + $\beta 3 \times$ Remuneration and Reward + $\beta 4 \times$ Shareholder Relations + $\beta 5 \times$ Stakeholder Relations + ε,

where α is a constant, $\beta 1$-$\beta 5$ are the coefficients of partial correlation between the perception score and each of the sub-indices, and ε is an error term.

This allows us to identify the weights ($\beta 1$- $\beta 5$) that we can apply to each of the five areas of governance in order to best match the perception survey scores. In addition, the process helps identify which of these factor scores has a statistically significant impact on the perception rating.

The results are reported in section 6.[6]

[6] As a technical comment, we report the results of Ordinary Least Square regressions. This approach assumes that the 1,977 observations are independent from one another. It is possible however that different respondents display systematic differences in the way in which they rate companies. In unreported regressions, we take care of this concern by allowing for respondent-specific fixed effects. The results are not significantly different and are available upon request. Similarly, the results reported in Section 6 do not control for industry characteristics. There may be significant differences across industries in the way CG is perceived. In unreported regressions, we take care of this concern by estimating industry-specific fixed effects. Again, the results are not significantly different from the ones reported here, thus alleviating these concerns.

6 Econometric results

The regression model, based upon 1,977 observations, is described in Table 1, where those weights that are statistically significant at the 10 per cent level of confidence are highlighted in bold.

Table 1 – Results for all respondents

	All respondents
Board Effectiveness	10.0%
Audit & Risk/External Accountability	**17.8%**
Remuneration and Reward	**6.9%**
Shareholder Relations	**11.0%**
Stakeholder Relations	**5.5%**
Baseline level	**383**
Observations	1,977

There are three observations that immediately follow from this table:

- All five sub-indices appear to have a positive weight attached. This is consistent with the hypothesis that the five governance factors measure corporate governance. However, it is important to note that there are, of course, other factors that are relevant such as organisational behaviour.
- The size of the coefficients ranges from 5.5 per cent to 17.8 per cent. This indicates that different factors have a different impact on corporate governance as perceived by stakeholders.
- The coefficient on Board Effectiveness is not statistically different from zero. This indicates that board effectiveness is not a key determinant of CG as perceived by stakeholders, and as defined by the indicators used here.

These observations suggest that the survey participants do not place equal weights on the five areas, with higher weights placed on Audit and Risk/External Accountability and lower on Board Effectiveness.

Using the affiliations provided by survey participants we can categorise them into five broad groups. The results are presented in Table 2. The table shows that there is a significant degree of heterogeneity across the groups. Board Effectiveness is only statistically significant for company secretaries and other, while Audit and Risk/External Accountability is statistically significant for three of the five groups, and is the most important factor overall in terms of the size of the coefficient. Remuneration and Reward is statistically significant for company secretaries and accountants only. Shareholder Relations and Stakeholder Relations are statistically significant for IoD members and company secretaries, respectively, and no other group.

To offer some insight into the way in which different stakeholders measure corporate governance, in Table 3, we examine the results according to the relationship of the participant with the company. Here we find that all groups care about Audit and Risk/External Accountability; customers also care about Shareholder Relations; while investors and analysts also care about Stakeholder Relations.

Table 2 – Results by respondent affiliation

	IoD	Company Secretaries	Accountants	Journalists	Other
Board Effectiveness	-0.4%	**32.5%**	9.1%	-22.2%	**77.1%**
Audit & Risk/External Accountability	**20.7%**	11.8%	**19.9%**	**38.9%**	2.8%
Remuneration and Reward	3.7%	**16.4%**	**18.0%**	5.9%	11.5%
Shareholder Relations	**13.9%**	-5.8%	11.3%	28.0%	-2.3%
Stakeholder Relations	3.8%	**18.1%**	10.1%	-5.6%	-4.4%
Baseline level	**436**	**299**	**300**	328	188
Observations	1376	**228**	131	72	170

Table 3 – Results by relationship with company

	Customers	Suppliers	Media	Investors/ Analysts	Other
Board Effectiveness	-3.6%	26.6%	-29.5%	5.4%	**19.3%**
Audit & Risk/External Accountability	**13.7%**	**17.4%**	**24.3%**	**29.6%**	**17.8%**
Remuneration and Reward	7.6%	-3.2%	-1.7%	8.4%	**13.4%**
Shareholder Relations	**21.0%**	-2.0%	28.8%	13.2%	-8.3%
Stakeholder Relations	-4.7%	11.1%	0.1%	**14.8%**	**11.3%**
Baseline level	**455**	**443**	**508**	**292**	**389**
Observations	687	222	108	337	623

7 A model score

Using the weights described in the equation below we can calculate a model score for each company as follows:

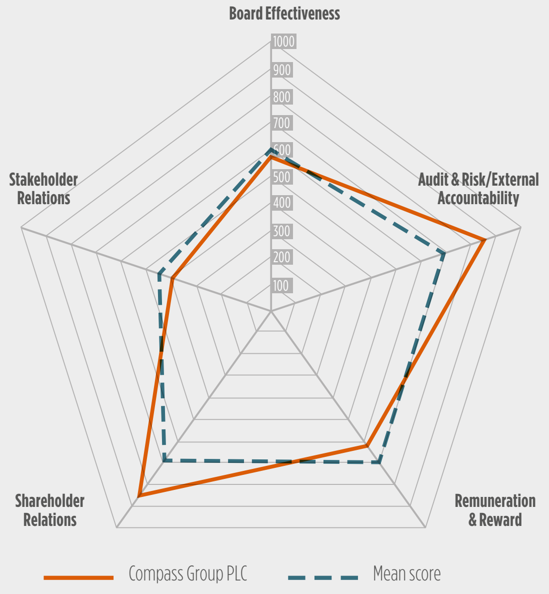
Model score = 383
+ (10.0% × Board Effectiveness)
+ (17.8% × Audit & Risk/External Accountability)
+ (6.9% × Remuneration & Reward)
+ (11.0% × Shareholder Relations)
+ (5.5% × Stakeholder Relations)

Rather than relying upon a naïve equal weight approach, using our approach the weights attributed to each of the five areas of governance is guided by the perception survey. To illustrate the information we can derive from our methodology the boxes labelled Example 1 and Example 2 present the results for two companies where there are material differences in the company's ranking based on the two approaches.

We can draw equivalent graphs for all of the 100 companies included in the sample. The model scores are reported in Appendix A for all 100 companies.

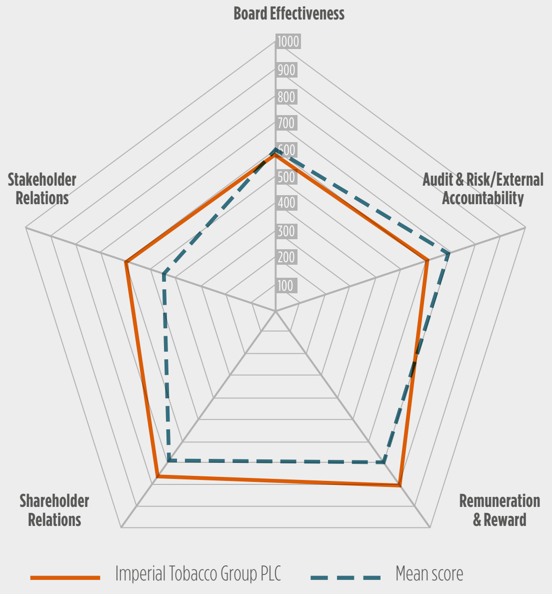
Example 1 - Compass Group Plc

The five components of CG can be represented within a pentagon, where each of the rays from the centre represents one of the five CG sub-indices.



If we were to weight equally these scores (see Table A2 in Appendix B), the company would be 35th in the ranking, however the perception score is 843 (see Table A3 of Appendix B), which puts Compass fourth in the ranking. Because our model places higher weights on "Audit and Risk/External Accountability" and "Shareholder Relations", where the company scores better than average, but lower weight on the other three areas, where the company scores slightly below, the model score for Compass of 750 puts them at 13th in our composite ranking.

Example 2 – Imperial Tobacco Group PLC



An equally weighted score of CG (see Table A2 in Appendix B) would put Imperial Tobacco 25th in the ranking. As shown in Table A3 of Appendix B, according to the perception score, Imperial Tobacco is 87th in the ranking. However, because Imperial Tobacco Group Plc scores better than average in areas such as "Stakeholder Relations" and "Remuneration and Reward", which have lower weights in our model, but below average in "Audit and Risk/External Accountability", the model score is 723, placing the company 49th in our composite ranking.

8 Interim conclusions and next steps

In this project we combine traditional governance indicators with a measure of the quality of corporate governance as perceived by stakeholders. The key findings are that:

1) We can reject the naïve hypothesis that all components of corporate governance have an equal impact on the perception of corporate governance:

- Measures of the quality of Audit and Risk/External Accountability are the most important determinants of corporate governance as perceived by all stakeholders
- Measures of Board Effectiveness have little effect on the corporate governance of a company, as perceived by stakeholders

2) While every group of respondents seems to care about Audit and Risk/External Accountability, there are interesting differences across stakeholders:

- Customers care more about Shareholder Relations
- Investors and analysts care more about Stakeholder Relations

Both these findings are likely to stimulate the debate on corporate governance, but a word of caution is also needed. The quality of the findings critically depends on the quality of the perception survey. This year, with 1,977 perception scores from 744 individuals we are more confident of the robustness of our findings. However, the heterogeneity across the respondents is large. Although we have reported results for individual sub-groups, the power of the results is much more limited when the sample is split. We will continue to work to increase the size and representativeness of the survey for next year's report so that we can have even greater confidence in our findings.

If you have any comments about the content of this report please email Oliver Parry, secretary to the advisory panel, at **oliver.parry@iod.com.**

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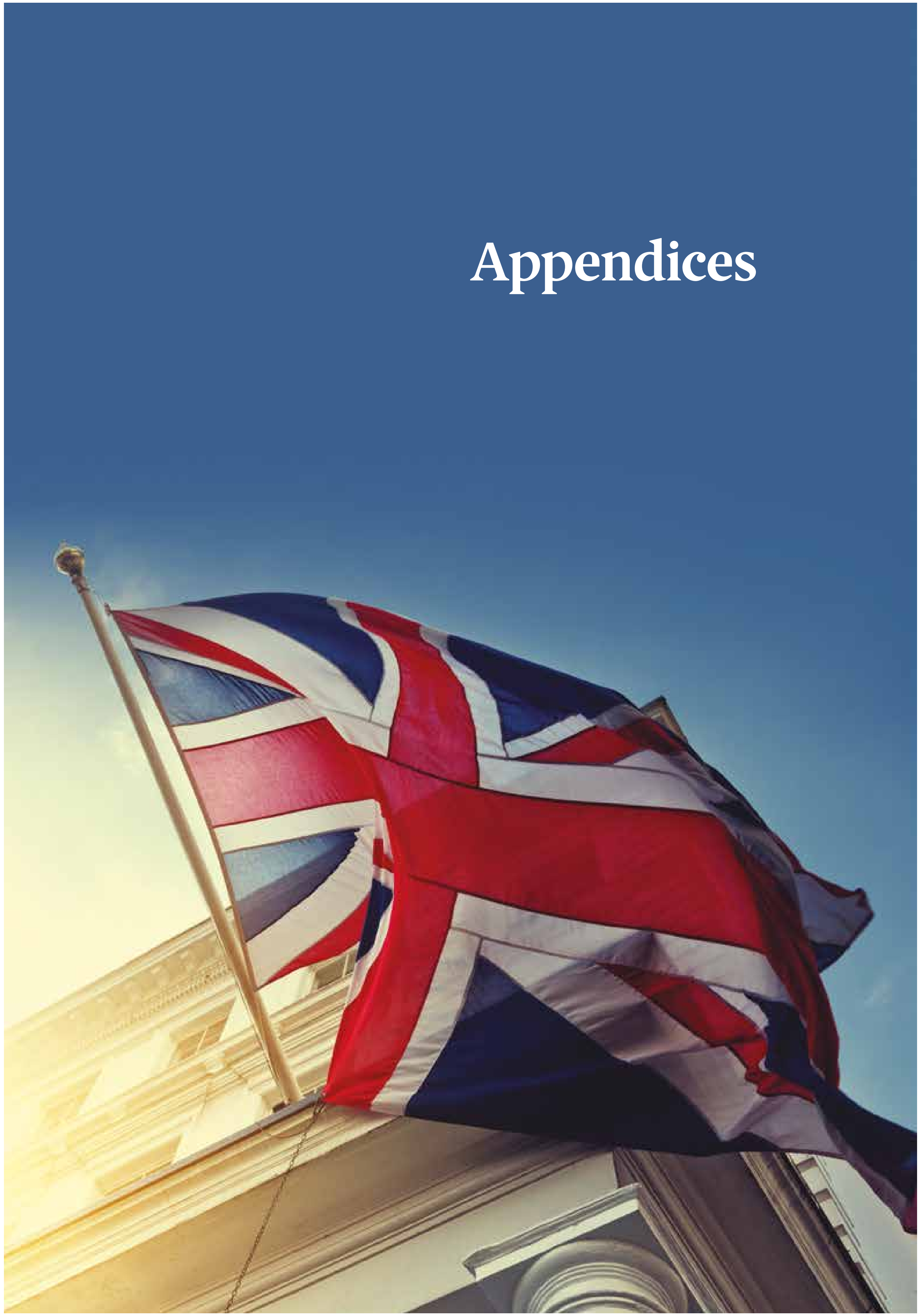
Appendices



10 Appendix A – Full Ranking

For each of the 100 companies, the table below reports the model score.

Full Ranking

Rank	Name	Model Score
1	British American Tobacco Plc	793
2	Unilever Plc	778
3	Diageo Plc	775
4	Sage Group Plc	769
5	Next Plc	763
6	Kingfisher Plc	762
7	DS Smith Plc	761
8	United Utilities Group Plc	758
9	Royal Mail Plc	755
10	Admiral Group Plc	755
11	Royal Dutch Shell Plc	750
12	RSA Insurance Group Plc	750
13	Compass Group Plc	750
14	Marks & Spencer Group Plc	750
15	Smith & Nephew Plc	747
16	Aviva Plc	746
17	Intercontinental Hotels Group	745
18	Vodafone Group Plc	744
19	National Grid Plc	744
20	Whitbread Plc	742
21	Intertek Group Plc	740
22	Reckitt Benckiser Group Plc	739
23	ARM Holdings Plc	737
24	Smiths Group Plc	737
25	Capita Plc	736

Rank	Name	Model Score
26	Merlin Entertainment Plc	736
27	Severn Trent Plc	734
28	Legal & General Group Plc	733
29	Rightmove Plc	733
30	Old Mutual Plc	733
31	Standard Life Plc	731
32	Experian Plc	731
33	DCC Plc	730
34	St James's Place Plc	729
35	Astrazeneca Plc	729
36	Pennon Group Plc	728
37	Lloyds Banking Group Plc	728
38	BHP Billiton Plc	728
39	GlaxoSmithKline Plc	728
40	BT Group Plc	727
41	Croda International Plc	727
42	Barratt Developments Plc	725
43	ITV Plc	725
44	Mondi Plc	724
45	Intl Consolidated Airlines Group	724
46	GKN Plc	724
47	Rio Tinto Plc	724
48	Hargreaves Lansdown Plc	724
49	Imperial Tobacco Group Plc	723
50	Coca-Cola Hbc Ag-Di	723

Rank	Name	Model Score
51	Johnson Matthey Plc	722
52	Rexam Plc	722
53	Wolseley Plc	722
54	Centrica Plc	720
55	Burberry Group Plc	720
56	RELX Plc	719
57	Persimmon Plc	719
58	Ashtead Group Plc	717
59	London Stock Exchange Group	715
60	Inmarsat Plc	715
61	Easyjet Plc	714
62	Carnival Plc	713
63	Babcock Intl Group Plc	711
64	WM Morrison Supermarkets	711
65	Glencore Plc	711
66	Bunzl Plc	711
67	Shire Plc	706
68	Fresnillo Plc	706
69	BAE Systems Plc	706
70	Taylor Wimpey Plc	705
71	Informa Plc	704
72	3I Group	700
73	Royal Bank Of Scotland Group	699
74	BP Plc	694
75	Direct Line Insurance Group	694

Rank	Name	Model Score
76	HSBC Holdings Plc	693
77	Standard Chartered Plc	691
78	Randgold Resources Ltd	689
79	SSE Plc	689
80	Pearson Plc	687
81	Schroders Plc	686
82	Barclays Plc	686
83	Antofagasta Plc	685
84	Provident Financial Plc	683
85	Sainsbury (J) Plc	681
86	Auto Trader Group Plc	679
87	Prudential Plc	678
88	Hikma Pharmaceuticals Plc	675
89	TUI Ag-Di	673
90	Sky Plc	672
91	Dixons Carphone Plc	671
92	Worldpay Group Plc	665
93	SABMiller Plc	664
94	Travis Perkins Plc	661
95	Investec Plc	661
96	WPP Plc	660
97	Associated British Foods Plc	655
98	Rolls-Royce Holdings Plc	648
99	Berkeley Group Holdings	641
100	Tesco Plc	603

11 Appendix B – Detailed explanation of the methodology

In this appendix, we provide a detailed explanation of our methodology. We start with the selection of the CG factors and we proceed with the description of the perception survey.

11.1 The CG factors approach

When constructing an index from instrumental factors there are three key decisions that will drive the final outcome: the choice of factors; how those factors are converted to a score; and finally how much weight is given to each individual score in the final index calculation. We will examine each of these in turn.

The choice of CG factors

For a factor to be included, data has to be readily available from public sources and we openly acknowledge that there are some potentially important factors that we have not been able to include in this year's study. The choice of factors has been guided by the definition of corporate governance in the Company Act 2006 and was informed both by the academic literature on corporate governance and the views of the GGI's advisory panel. In this study we use a total of 34 factors across the five areas of governance: Board Effectiveness, Audit and Risk/External, Remuneration and Reward, Shareholder Relations, and Stakeholder Relations. Table A1 contains a complete list of the factors used, how each one is measured, its impact on the score as well as the source of the data.

Converting factors to a score

In order to construct an index from the raw data collected for each factor we need a clear and logical way to convert each one into a score.

For factors that are a yes/no answer the process is quite simple. If the factor is considered to be a positive indicator of good governance, such as "separate CEO & chairman", then the score is 1,000 for yes and zero for no. If, however, the factor is considered to be a negative indicator of good governance, such as "less than eight or more than 15 directors", then the score is zero for yes and 1,000 for no.

For factors that are a continuous variable such as "CEO salary" the comparison across companies becomes somewhat more complex, so we rely on a process known as minimum – maximum normalisation. If the factor is considered to be a positive indicator of governance, the company with the highest value is awarded 1,000, and the company with the lowest score is awarded zero.[7] For all other companies the score is 1,000 times the difference between their value and the minimum divided by the difference between the maximum and minimum according to the following formula.

$$\text{FactorScore} = \frac{1{,}000 \times (\text{CompanyFactorValue - min (FactorValue)})}{\text{max (FactorValue) - min (FactorValue)}}$$

If the factor is likely to have a negative effect on corporate governance (eg, an indicator of profit warnings), we follow exactly the same process but subtract the factor score from 1,000.

Where data for a factor is not available for a particular company they are awarded the average factor score.

The choice of factor weights

We have no prior way of knowing, for example, if Board Effectiveness is more or less important than Shareholder Relations, or by how much.

For this reason, we take the naïve approach of using equal weights, as a starting point. For each company a score is calculated by first taking the average score within each category and then taking the average score across the five categories. The end result of this is that each of the five categories is given an equal weight of 20 per cent in the total score. We will revisit the importance of this assumption later in the report.

In theory the range of possible scores is between zero and 1,000. The actual range of scores is between 455 and 778 with an average of 626. The table below shows the top and bottom deciles while a complete list is contained in Table A2

Top decile		
Rank	Name	Total Score
1	British American Tobacco Plc	778
2	Royal Mail Plc	757
3	Unilever Plc	737
4	United Utilities Group Plc	736
5	Kingfisher Plc	719
6	Sage Group Plc	718
7	Next Plc	711
8	Intercontinental Hotels Group	711
9	Diageo Plc	705
10	National Grid Plc	703

Bottom decile		
Rank	Name	Total Score
91	Standard Chartered Plc	541
92	Dixons Carphone Plc	540
93	Rolls-Royce Holdings Plc	539
94	Prudential Plc	534
95	Investec Plc	521
96	Worldpay Group Plc	520
97	WPP Plc	494
98	TUI Ag-Di	492
99	Tesco Plc	469
100	Berkeley Group Holdings	455

[7] To minimise the influence of outliers, all continuous variables are winsorized at the fifth and the 95th percentile.

11.2 Perception survey

An online survey was open from 9 February until 6 June 2016 at survey-ggi.rhcloud.com. A link to the survey was emailed to IoD members, FTSE 350 company secretaries, the Institute of Chartered Accountants in England and Wales and other professional bodies.

The survey mechanics

On entering the survey, participants were asked to provide a valid email address and their professional affiliation. They were then presented with a random sample of 30 companies from which they were invited to choose those they felt qualified to rate in terms of corporate governance (this random sample could be refreshed multiple times). Once the companies had been chosen the participant was asked to provide details of their relationship with the companies they chose eg "investor", "customer", "media" etc, before finally rating each company on a scale of one to 10.

In total 744 participants logged on to the site and provided 1,977 ratings on our 100 sample companies. The tables below show the breakdown of responses by both the affiliation of the respondent and their relationship with the companies they rated.

Responses/ratings by affiliation

	Responses	Ratings
Institute of Directors	508	1,376
FTSE 350 company secretary	54	151
Institute of Chartered Secretaries and Administrators	35	77
Journalist	18	72
Association of Chartered Certified Accountants	11	22
Tomorrow's Company Good Governance Forum	4	5
Chartered Institute for Securities and Investment	7	2
The Investment Association	5	8
CFA Institute	2	0
Institute of Chartered Accountants in England and Wales	29	109
Other	71	155
Total	**744**	**1,977**

Ratings by relationship with company

	Ratings
Customer	687
Investor	302
Supplier	222
Media	108
Employee	26
Analyst	35
Regulator	9
Other	588
Total	**1,977**

Results

To make the comparison with our instrumental factor results simpler we multiply the ratings by 100; thus once again in theory the range of possible scores is between zero and 1,000. In fact, the range of scores is between 500 and 860 with an average of 717, the table below shows the top and bottom deciles while a complete list is contained in Table A3.

Top decile

Rank	Name	Total Score
1	Smiths Group Plc	860
2	Rexam Plc	850
3	Auto Trader Group Plc	850
4	Compass Group Plc	843
5	Ashtead Group Plc	833
6	National Grid Plc	832
7	Legal & General Group Plc	825
8	Unilever Plc	823
9=	Investec Plc	817
9=	Worldpay Group Plc	817

Bottom decile

Rank	Name	Total Score
91	Berkeley Group Holdings	613
92	Mondi Plc	600
93	Sky Plc	583
94	RELX Plc	567
95	Glencore Plc	557
96	Royal Bank Of Scotland Group	548
97	Carnival Plc	542
98	Shire Plc	540
99	Tesco Plc	526
100	Hikma Pharmaceuticals Plc	500

Table A1 – Definition of the CG Factors				
Area of governance	**Instrumental factor**	**Measure**	**Expected impact on CG**	**Source**
Board effectiveness	Separate CEO and chairman	Yes/No	Positive	Morningstar
Board effectiveness	Independent chairman	Yes/No	Positive	Morningstar
Board effectiveness	Is chairman on nomination committee	Yes/No	Positive	Morningstar
Board effectiveness	Number of audit committee meetings in last year	Number	Positive	Morningstar
Board effectiveness	Number of remuneration committee meetings in last year	Number	Positive	Morningstar
Board effectiveness	Number of nomination committee meetings in last year	Number	Positive	Morningstar
Board effectiveness	Percentage of NEDs	%	Positive	Morningstar
Board effectiveness	Percentage of directors on board more than nine years	%	Negative	Morningstar
Board effectiveness	Percentage of directors resigned or voted off in last three years	%	Negative	FAME
Board effectiveness	Percentage of women directors	%	Positive	FAME
Board effectiveness	Percentage of non-British directors	%	Positive	FAME
Board effectiveness	Average number of boards a director sits on	Number	Negative	FAME
Board effectiveness	Percentage of board meetings attended per director	%	Positive	Morningstar
Board effectiveness	Number of board meetings held	Number	Positive	Morningstar
Board effectiveness	Less than eight or more than 15 directors	Yes/No	Negative	Morningstar
Audit and risk/External accountability	Years with current audit company	Number	Negative	Morningstar
Audit and risk/External accountability	Ratio of fees for non-audit/audit work to auditors	%	Negative	Morningstar
Audit and risk/External accountability	Downgraded credit rating (QUI score) percentage in last 12 months	%	Negative	FAME
Audit and risk/External accountability	Number of profit warnings in last 12 months	Number	Negative	Morningstar News Summary
Remuneration and reward	Director salary – CEO	Number	Negative	Morningstar
Remuneration and reward	Director salary – total executive directors	Number	Negative	Morningstar
Remuneration and reward	Director salary – total NEDs	Number	Negative	Morningstar
Remuneration and reward	Director remuneration – CEO	Number	Negative	Morningstar
Remuneration and reward	Director remuneration – total executive directors	Number	Negative	Morningstar
Remuneration and reward	Ratio between CEO remuneration and market capitalisation	%	Negative	Morningstar
Remuneration and reward	Total value of equity-based compensation paid to board	Number	Positive	Morningstar
Shareholder relations	Shareholder meetings held in last 12 months (EGM)	Number	Negative	Morningstar News Summary
Shareholder relations	Return on shareholder funds	Number	Positive	FAME
Shareholder relations	Percentage of shares held by single largest shareholder	%	Negative	Morningstar
Stakeholder relations	Most admired companies	Score	Positive	managementtoday.co.uk/go/bmac-2015-list/
Stakeholder relations	Participating in information initiatives, eg Carbon Disclosure Programme	Score	Positive	cdp.net/CDPResults/CDP-UK-climate-change-report-2015.pdf
Stakeholder relations	Participating in information initiatives, eg Global Reporting Initiative	Yes/No	Positive	database.globalreporting.org/
Stakeholder relations	Business in the Community Corporate Responsibility Index 2016	Yes/No	Positive	bitc.org.uk/services/benchmarking/cr-index
Stakeholder relations	Inclusion in RobecoSam Sustainability Yearbook 2016	Banded rating (1-4)	Positive	yearbook.robecosam.com/companies.html#s

Table A2 – The CG Scores

Rank	Name	Board Effectiveness average	Audit and Risk/External Accountability average	Remuneration and Reward average	Shareholder Relations average	Stakeholder Relations average	Total score
1	British American Tobacco Plc	696	818	709	967	698	778
2	Royal Mail Plc	528	708	931	721	896	757
3	Unilever Plc	753	850	679	802	600	737
4	United Utilities Group Plc	635	761	866	721	651	727
5	Kingfisher Plc	709	800	871	685	531	719
6	Sage Group Plc	622	848	880	781	460	718
7	Next Plc	598	788	676	924	569	711
8	Intercontinental Hotels Group	647	690	767	753	698	711
9	Diageo Plc	673	943	489	807	616	705
10	National Grid Plc	620	715	698	747	734	703
11	Smith & Nephew Plc	664	734	799	727	570	699
12	Croda International Plc	588	554	911	841	551	689
13	DS Smith Plc	633	905	750	680	472	688
14	ARM Holdings Plc	613	704	871	705	536	686
15	Marks & Spencer Group Plc	644	800	722	738	515	684
16	Severn Trent Plc	615	677	941	693	493	684
17	Royal Dutch Shell Plc	752	793	744	692	419	680
18	BT Group Plc	682	523	753	938	499	679
19	Aviva Plc	744	752	592	757	541	677
20	Johnson Matthey Plc	619	600	829	726	590	673
21	Experian Plc	525	688	720	794	637	673
22	Admiral Group Plc	581	772	969	941	98	672
23	Coca-Cola Hbc Ag-Di	487	711	871	598	687	671
24	Rexam Plc	607	606	836	731	572	670
25	Imperial Tobacco Group Plc	584	616	794	760	596	670
26	Astrazeneca Plc	676	696	594	668	709	669
27	Intertek Group Plc	690	733	665	767	488	668
28	Whitbread Plc	656	781	667	728	496	666
29	Reckitt Benckiser Group Plc	589	808	393	748	788	665
30	Smiths Group Plc	676	739	746	721	434	663
31	Rio Tinto Plc	702	656	635	671	646	662
32	Old Mutual Plc	740	713	659	685	494	658
33	RSA Insurance Group Plc	641	939	774	560	374	658
34	Legal & General Group Plc	672	715	676	748	477	657
35	Compass Group Plc	571	850	620	850	394	657
36	GlaxoSmithKline Plc	615	649	525	905	571	653
37	Vodafone Group Plc	572	886	718	669	416	652
38	Standard Life Plc	659	736	605	722	532	651
39	DCC Plc	723	711	867	663	276	648
40	BHP Billiton Plc	751	681	793	687	323	647
41	Rightmove Plc	603	747	893	734	255	646
42	Pennon Group Plc	532	745	953	714	270	642
43	Merlin Entertainment Plc	636	854	945	524	251	642
44	Barratt Developments Plc	532	763	714	679	515	641
45	Bunzl Plc	565	608	738	736	550	640
46	Wolseley Plc	546	717	722	717	492	639
47	Persimmon Plc	432	710	878	745	422	638
48	St James's Place Plc	529	751	805	773	329	637
49	RELX Plc	539	688	575	788	596	637
50	BAE Systems Plc	532	560	779	798	507	635

Table A2 – The CG Scores

Rank	Name	Board Effectiveness average	Audit and Risk/External Accountability average	Remuneration and Reward average	Shareholder Relations average	Stakeholder Relations average	Total score
51	Lloyds Banking Group Plc	744	770	474	641	540	634
52	Burberry Group Plc	571	710	504	776	594	631
53	GKN Plc	567	740	874	700	272	631
54	Hargreaves Lansdown Plc	610	693	962	755	121	628
55	Centrica Plc	612	756	741	617	398	625
56	Capita Plc	583	826	800	768	139	623
57	WM Morrison Supermarkets	553	681	831	644	405	623
58	Pearson Plc	632	443	857	690	487	622
59	Intl Consolidated Airlines Group	608	766	694	719	304	618
60	Mondi Plc	640	745	649	754	298	618
61	ITV Plc	667	725	799	750	142	617
62	Fresnillo Plc	607	758	845	377	486	615
63	Inmarsat Plc	573	696	867	715	213	613
64	Easyjet Plc	668	759	753	508	371	612
65	London Stock Exchange Group	553	764	568	661	511	611
66	Glencore Plc	547	713	870	665	222	604
67	Carnival Plc	529	758	796	661	265	602
68	Babcock Intl Group Plc	576	731	675	668	350	600
69	Randgold Resources Ltd	593	547	686	685	480	598
70	Ashtead Group Plc	474	746	761	826	181	597
71	Hikma Pharmaceuticals Plc	512	482	865	607	518	597
72	Shire Plc	688	647	507	771	347	592
73	Royal Bank Of Scotland Group	721	740	693	354	448	591
74	SSE Plc	534	569	878	680	290	590
75	Sainsbury (J) Plc	586	579	808	487	474	587
76	Auto Trader Group Plc	422	515	1000	705	272	583
77	Taylor Wimpey Plc	592	695	634	737	251	582
78	Schroders Plc	415	683	747	539	519	581
79	Barclays Plc	626	577	491	669	536	580
80	Provident Financial Plc	518	569	591	702	518	580
81	Informa Plc	571	739	884	647	0	568
82	HSBC Holdings Plc	520	697	423	699	499	568
83	Direct Line Insurance Group	639	707	736	518	232	566
84	Sky Plc	608	506	354	692	668	566
85	3I Group	592	715	640	690	188	565
86	BP Plc	690	753	430	473	468	563
87	SABMiller Plc	632	472	651	552	505	562
88	Associated British Foods Plc	600	462	837	395	515	562
89	Travis Perkins Plc	561	381	855	713	296	561
90	Antofagasta Plc	625	721	685	429	296	551
91	Standard Chartered Plc	723	736	147	608	489	541
92	Dixons Carphone Plc	513	564	593	704	327	540
93	Rolls-Royce Holdings Plc	649	371	500	631	544	539
94	Prudential Plc	599	637	193	721	518	534
95	Investec Plc	591	498	590	692	237	521
96	Worldpay Group Plc	536	656	704	430	272	520
97	WPP Plc	581	733	194	394	567	494
98	TUI Ag-Di	586	711	146	695	321	492
99	Tesco Plc	609	164	488	650	435	469
100	Berkeley Group Holdings	415	704	359	398	400	455

Table A3 – The perception score

Rank	Name	Survey Score	Number of Ratings	Max Rating	Min Rating
1	Smiths Group Plc	860	5	10	7
2	Rexam Plc	850	4	10	7
2	Auto Trader Group Plc	850	8	10	7
4	Compass Group Plc	843	7	10	7
5	Ashtead Group Plc	833	3	9	8
6	National Grid Plc	832	31	10	5
7	Legal & General Group Plc	825	24	10	6
8	Unilever Plc	823	43	10	6
9	Investec Plc	817	18	10	5
9	Worldpay Group Plc	817	6	10	3
11	Intl Consolidated Airlines Group	814	7	10	5
12	Rightmove Plc	809	11	10	6
13	Marks & Spencer Group Plc	803	59	10	5
14	Croda International Plc	800	5	8	8
14	Informa Plc	800	1	9	5
16	Hargreaves Lansdown Plc	796	23	10	5
17	Smith & Nephew Plc	793	15	10	4
18	Astrazeneca Plc	790	29	10	3
19	Standard Life Plc	789	35	10	5
20	Admiral Group Plc	788	8	10	6
21	Intercontinental Hotels Group	784	25	10	5
22	Intertek Group Plc	783	6	10	7
22	Antofagasta Plc	783	6	10	6
24	Royal Dutch Shell Plc	783	41	10	3
25	Diageo Plc	780	25	10	2
25	ARM Holdings Plc	780	5	9	6
25	Johnson Matthey Plc	780	10	9	5
28	Sainsbury (J) Plc	778	37	10	1
29	Pennon Group Plc	771	7	9	5
30	United Utilities Group Plc	770	10	10	1
31	Fresnillo Plc	767	6	10	4
32	GKN Plc	765	17	10	6
33	Merlin Entertainment Plc	764	11	9	5
34	Inmarsat Plc	760	5	10	5
35	Coca-Cola Hbc Ag-Di	756	9	9	6
35	Bunzl Plc	756	9	10	6
37	Prudential Plc	754	26	10	3
38	BP Plc	752	44	10	3
39	Whitbread Plc	752	25	10	3
40	Old Mutual Plc	750	14	10	5
41	Rolls-Royce Holdings Plc	748	27	10	5
42	British American Tobacco Plc	747	19	10	1
43	GlaxoSmithKline Plc	747	45	10	3
43	London Stock Exchange Group	747	15	10	4
45	BAE Systems Plc	745	42	10	1
46	ITV Plc	743	23	10	5
47	Provident Financial Plc	743	7	10	5
47	Associated British Foods Plc	743	14	10	4
49	Sage Group Plc	738	26	10	4
50	Aviva Plc	738	32	9	3

Table A3 – The perception score

Rank	Name	Survey Score	Number of Ratings	Max Rating	Min Rating
50	Taylor Wimpey Plc	738	8	9	7
52	Barratt Developments Plc	736	14	10	4
53	RSA Insurance Group Plc	735	20	9	5
54	Wolseley Plc	733	9	10	4
54	Randgold Resources Ltd	733	3	8	7
56	Burberry Group Plc	730	20	10	4
57	Schroders Plc	725	16	8	6
57	SABMiller Plc	725	8	9	3
59	DS Smith Plc	720	5	9	5
60	Pearson Plc	719	16	9	4
61	Babcock Intl Group Plc	718	11	9	2
62	St James's Place Plc	717	23	10	1
63	TUI Ag-Di	714	7	9	4
64	Kingfisher Plc	713	16	9	4
65	Easyjet Plc	710	50	10	3
66	Next Plc	708	13	10	5
67	Direct Line Insurance Group	707	14	9	3
68	Royal Mail Plc	705	41	9	1
69	Standard Chartered Plc	705	22	10	2
70	Vodafone Group Plc	700	48	10	2
71	BHP Billiton Plc	696	23	10	4
72	Reckitt Benckiser Group Plc	693	14	9	5
73	3I Group	690	10	9	3
74	Lloyds Banking Group Plc	689	54	10	1
75	Severn Trent Plc	688	16	9	1
76	HSBC Holdings Plc	683	48	10	1
77	WM Morrison Supermarkets	683	23	9	2
78	Persimmon Plc	672	18	10	2
78	Dixons Carphone Plc	672	18	10	3
80	BT Group Plc	667	64	10	1
81	SSE Plc	664	14	8	3
82	Centrica Plc	663	30	10	2
83	DCC Plc	650	2	10	2
83	WPP Plc	650	14	7	6
85	Travis Perkins Plc	648	21	9	2
86	Rio Tinto Plc	644	9	10	1
87	Imperial Tobacco Group Plc	640	10	9	1
88	Barclays Plc	638	63	10	1
89	Capita Plc	630	37	10	3
90	Experian Plc	624	21	9	2
91	Berkeley Group Holdings	613	8	9	1
92	Mondi Plc	600	2	8	4
93	Sky Plc	583	36	10	2
94	RELX Plc	567	3	9	1
95	Glencore Plc	557	14	9	1
96	Royal Bank Of Scotland Group	548	44	10	1
97	Carnival Plc	542	12	8	1
98	Shire Plc	540	5	8	3
99	Tesco Plc	526	46	9	1
100	Hikma Pharmaceuticals Plc	500	4	7	2

12 Advisory Panel

Ken Olisa, OBE

Chairman of the advisory panel and deputy chair, IoD

Ken Olisa is founder and chairman of Restoration Partners, the boutique technology merchant bank and architects of the Virtual Technology Cluster model. His technology career spans more than 30 years, commencing with IBM, from whom he won a scholarship while at Fitzwilliam College, Cambridge University. In 1992, after 12 years as a senior executive at Wang Labs in the US and Europe, he founded Interregnum, the technology merchant bank. He was elected as a fellow of the British Computer Society in 2006. He has considerable public company board-level experience on both sides of the Atlantic and is currently a director of Thomson Reuter. He is also deputy chair of the Institute of Directors. He is a freeman of the City of London; past master of the Worshipful Company of Information Technologists; a director of the Thomson Reuters Foundation; chairman of Thames Reach (for which he received his OBE in 2010) and of Shaw Trust, and was an original member of Independent Parliamentary Standard Authority and founder and chairman of the Powerlist Foundation. In 2009, he was named the *Sunday Times* Not for Profit Non-Executive Director of the Year. He was voted number one in the Powerlist's Top 10 most influential British black people in 2016. In 2015, the Queen appointed him as her lord-lieutenant of Greater London.

Dr Roger M Barker

Dr Roger Barker is an internationally active expert in corporate governance and board effectiveness. Prior to launching his own consultancy practice, he served as the director of corporate governance and professional standards at the Institute of Directors for eight years, where he remains a senior consultant. He also sits on the board of European Women on Boards ASBL. He is a UK member of the European Economic and Social Committee (the EU advisory body), senior adviser to the board of the European Confederation of Directors Associations (ecoDa) and chairman of its education programme for European directors. A former investment banker, he spent 13 years in a variety of research and management roles in the equities businesses of UBS and Bank Vontobel, both in the UK and Switzerland. He is the holder of a doctorate from Oxford University and the author of several books on corporate governance and board effectiveness.

Professor Andrew Clare

Andrew Clare is the professor of asset management at Cass Business School. He was a senior research manager in the monetary analysis wing of the Bank of England, which supported the work of the Monetary Policy Committee. While at the Bank, he was responsible for equity market and derivatives research. He also spent three years working as the financial economist for Legal and General Investment Management (LGIM), where he was responsible for the group's investment process and where he began the development of LGIM's initial liability-driven investment offering. He is the co-author of *The Trustee Guide to Investment*. He has published extensively in both academic and practitioner journals on a wide range of economic and financial market issues. In a survey published in 2007, he was ranked as the world's ninth-most prolific finance author of the past 50 years. He serves on the investment committee of the GEC Marconi pension plan, which oversees the investments and investment strategy of this £4bn scheme; is a trustee and chairman of the investment committee of the £2.5bn Magnox Electric Group pension scheme, and was recently appointed a trustee of the £500m Amey pension scheme.

Estelle Clark

Estelle Clark is currently the CQI head of profession, responsible for driving strategic transformation of the CQI policy framework. She was previously its chair. Today she is also chairman of the technical and advisory board of Lloyd's Register Quality Assurance (LRQA), chairman of the stakeholder board of Riversimple (a company based in Wales, which has designed the world's lightest and most fuel-efficient car) and a member of the policy advisory council of the UK Accreditation Service (UKAS). She also judges a number of quality awards. Until June 2015, she was group director of safety and business assurance for Lloyd's Register, responsible for ensuring the organisation was effective in delivering the strategic ambitions while managing business risk. She joined Lloyd's Register in 2007 having held similar director-level roles at ABB Alstom Power, Fujitsu and the UK Financial Ombudsman Service. Her professional background is in management systems, customer engagement and project management. In 2009, she was awarded the Women in the City (of London) Lifetime Achievement award by Coutts Bank. In 2006-07, she won the awards as both UK and European Quality Leader of the Year. She is a chartered fellow of the CQI and a fellow of the Royal Society of Arts.

George Dallas

George Dallas was appointed policy director at the International Corporate Governance Network in 2014, where he coordinates its governance polices and committees and plays an active role in the regulatory outreach. As a member of ICGN since 2000, he served as chairman of its business ethics committee from 2009 to 2014. He is a member of the steering committee of the Centre for Corporate Governance Research at Cass Business School, where he teaches an executive education course in corporate governance. He also works as an independent adviser. Recent projects include an assignment for the World Bank to develop a stewardship code in Kenya and a study of European Union corporate governance policy on behalf of the CFA Institute. Previously, he served six years as director of corporate governance at F&C Investments (now BMO Global Asset Management) in London (£100bn in assets under management), where he led its global policies relating to corporate governance, including proxy voting and engagement matters. Prior to joining F&C in 2008, he was a managing director at Standard & Poor's, where he held a range of managerial and analytical roles in New York and London over a 24-year period, including head of its European credit rating operations and its London office, global head of emerging markets, and head of its governance services unit. He also served on the boards of S&P affiliates in France and Spain. He began his career in corporate banking at Wells Fargo bank, and is published widely in the fields of corporate governance and responsible investment, including the book *Governance and Risk* (McGraw-Hill, 2004). He is a member of the private sector advisory group of the World Bank Group's global corporate governance forum, and is a member of the corporate governance advisory group of the Institute of Chartered Accountants of England and Wales. He holds a BA degree, with distinction, from Stanford University and an MBA from the Haas School of the University of California at Berkeley.

Mark Goyder

Mark Goyder is an award-winning speaker, writer and broadcaster with over 15 years' experience as a manager in manufacturing. He is founder and chief executive of Tomorrow's Company, a London-based business think tank that works with business leaders and investors to inspire and enable business to be a force for good in society. It has a particular focus on good governance, company leadership and investor stewardship. Tomorrow's Company paved the way for changes in the definition of directors' duties under UK company law. It redefined the concept of corporate social responsibility in the 1990s and is now championing a new agenda for excellence in stewardship by asset owners, asset managers, boards and shareholders.

Jonathan Knight

Jonathan Knight is associate director at Board Intelligence, the board reporting and governance experts, whose mission is to help boards have more informed and strategic conversations by enabling directors to "see what matters". He heads the firm's technology arm, whose services make it easy for organisations of all sizes to benefit from best practice information and to achieve a step change in their reporting. Board Intelligence is a leading voice in the governance debate, hosting and taking part in key initiatives, including a regular *FT* column and the firm's own influential think tank "The Board is Dead. Long Live the Board". Highlighted as a *Guardian* Rising Star in 2015, he also serves as an adviser for technology start-ups and holds an MSc from the University of Cambridge.

Gilly Lord

Gilly Lord is a PwC UK partner, chartered accountant and council member at the Institute of Chartered Accountants in England and Wales. She is PwC UK's head of regulatory affairs and is responsible for the firm's relationships with regulators and professional bodies as well as personally leading on many areas of public policy. She is a member of PwC's assurance executive board where she has responsibility for audit strategy and transformation. Previously, she was a partner in PwC's financial services regulatory team, leading regulatory investigations (s166s) and advising banking clients on the impact of regulation. She has also been a partner in the PwC top-tier assurance practice, leading FTSE 100 audits.

Dr Nick Motson

Dr Nick Motson holds a BSc from City University Business School, an MSc from London Business School and a PhD from Cass Business School. Following a 13-year career as a proprietary trader of interest rate derivatives in the City of London for various banks including First National Bank of Chicago, Industrial Bank of Japan and Wachovia, he returned to Cass in 2005 to pursue his doctoral studies. Upon completion of his PhD he joined the faculty of finance full time in 2008 and is now associate dean of the MSc programme. His research interests include asset management, portfolio construction, smart beta, hedge funds and structured products. In 2009 he was awarded the Sciens Capital Award for Best Academic Article in *The Journal of Alternative Investments* for his paper "Locking in the Profits or Putting It All on Black? An empirical investigation into the risk-taking behaviour of hedge fund managers". He teaches extensively at master's level on alternative investments, derivatives and structured products and in recognition of the quality of his teaching he was nominated for the *Economist* Intelligence Unit Business Professor of the Year Award in 2012. As well as teaching and researching at Cass, he actively consults for numerous banks and hedge funds.

Peter Swabey

Peter Swabey is policy and research director at ICSA: The Governance Institute. Based in London, he is responsible for developing ICSA's profile to members, regulators, policymakers, employers and other stakeholders by delivering thought leadership and lobbying campaigns aligned to ICSA strategy and promoting strong governance as the vital ingredient for success in organisations. Though he joined ICSA in 2013, he has almost 30 years' experience of the share registration industry. He joined from Equiniti where he was company secretary and industry leadership director; he was also a director of Equiniti David Venus, its company secretarial services provider. He is a member of the ICSA company secretary's forum, the CBI companies committee, the QCA corporate governance expert group and the shareholder voting working group, as well as being an alternate member of the takeover panel and a past chairman of the ICSA registrars group. A history graduate, and fellow of ICSA, he is a regular speaker at industry conferences and events, with an industry-wide reputation as an expert on shareholder and corporate governance matters.

Professor Paolo Volpin

Professor Paolo Volpin is the head of the finance faculty at Cass Business School. He is also a research fellow of the Centre for Economic Policy Research, and a research associate of the European Corporate Governance Institute. Prior to joining Cass Business School, he was an associate professor of finance at the London Business School. He has published in the *American Economic Review*, *Journal of Finance*, *Journal of Financial Economics*, *Review of Financial Studies*, *Review of Finance*, *Journal of Economic Perspectives* and others. His research in corporate finance, especially in the field of corporate governance, has won several awards. He holds a PhD in economics from Harvard University.

Chris Walton

Chris Walton is the chair of the strategy committee of NC KazMunayGas, the state oil company of Kazakhstan. In addition to his role as audit chair at the IoD, he is an audit and risk committee member for the Department for Culture, Media and Sport. In the past, he has been chairman of Lothian Buses, Goldenport Holdings and Asia Resource Minerals Plc, and the senior independent director and audit chair of Rockhopper Exploration Plc. He has also served two terms as audit chair of the Kazakhstan State Railways. As finance director of easyJet, he directed its IPO. Before this, he held senior posts at Qantas, Air New Zealand and Australia Post. He has also worked for BP Australia, the Australian Senate and Rio Tinto Hamersley Iron.

Oliver Parry

Secretary

Oliver Parry is secretary to the advisory panel and head of corporate governance at the IoD, a role he has occupied since 2014. Prior to joining the IoD he was a senior director at Redleaf Polhill, a leading capital markets and investor relations company in the City of London. Between 2011 and 2013, he served as head of communications at the Financial Reporting Council, the UK's governance regulator and accountancy standard setter. He has extensive experience of working with a number of listed companies as well as professional services firms. In the early part of his career he held various positions in the Conservative party and in parliament.

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