British study finds strong links between corporate governance records and financial performance

A recent study by the Association of British Insurers (ABI) has found that companies that adhere to corporate governance guidelines produce returns 18 per cent higher than those who do not. Further, every breach of best practice reduces a company's industry-adjusted return on assets by an average of one percentage point annually – which could equate to as much as 8.6 per cent in real terms.

Over 650 British companies were surveyed between 2003 and 2007.

The report, *Governance and Performance in Corporate Britain,* argues that investors suffer too. It calculates that £100 invested in a company with no corporate governance problems leads to an average return of 20 per cent. If invested in the worst governed companies, returns fall to just two per cent on average. The study found that the negative effects on performance are not instantaneous; there is a time lag of two to three years between a breach in governance guidelines and the impact on performance.

For further information, see http://www.charteredsecretary.net/news.php?logout=no&id=2627.