How Corporate Governance is implemented into Business Units within the G4S Cash Solutions Organization.

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Declaration

I certify that this thesis which I now submit for examination for the award of BAHRM, is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

The work reported on in this dissertation conforms to the principles and requirements of the College's guidelines for ethics in research.

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Abstract

This study is based on the G4S organization which is a large multi-national security company. The company was merged in 2004 to form the current structure. The organization is constantly changing and evolving since the merger and corporate governance is being put on the agenda and given serious consideration. It examines the link between corporate governance and HR and whether an accountability culture exists within the business units. The aim is to develop a consistent model for embedding consistent policies and practices around corporate governance in the organization.

The foundations for the primary research lie both in the literature on corporate governance and on accountability at leadership level. The approach taken to the research is qualitative. The primary research involved in-depth interviews with various members of the organization; informants include employee's from the Snr Management categories across various business units. The secondary research includes the literature review, an examination of company documents that would give an indication into the current corporate social responsibility stance taken by the company and its emergence.

The findings of the study highlight the progress the company has made in relation to corporate governance and social responsibility. It outlines area's in which is should focus for improving the implementation and consistent dissemination throughout all business unitsIt is a story of how strategy stands still at the top of a global organization unless the heads of each business unit fully buy-in to what needs to be done.

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CHAPTER 1 – INTRODUCTION

Section A - Background to the company;

G4S Group is the largest employer quoted on the London Stock Exchange, with operations in 110 countries and over 570,000 employees. The Group specializes in;

- Recruitment and selection

- Training and development

- Deployment and scheduling

- Working in partnership with governments to introduce security licensing

- Award winning Executive Leadership Program

It has unrivalled expertise in the cash management sector and continues to lead the market in developing solutions for a range of customers around the world.

- Cash services operations in 70 countries with 45,500 employees.

- Over 550 cash management locations operating 9,120 vehicles

- Transporting 90% of UK bank note volumes – £300 billion annually

- Management of 30,000 ATMs across Europe and North America

The group values describe what G4S stands for.

Customer Focus - we have close, open relationships with our customers that generate trust and we work in partnership for the mutual benefit of our organizations.

Expertise - we develop and demonstrate our expertise through our innovative and leading edge approach to creating and delivering the right solution.

Performance - we challenge ourselves to improve performance year-on-year and to create long-term sustainability.

Best People - we always take care to employ the best people, develop their competence, provide opportunity and inspire them to live our values.

Integrity - we can always be trusted to do the right thing.

Collaboration & Teamwork - we collaborate for the benefit of G4S as a whole.

The Cash Division

The company, Securicor, was established in Ireland in 1963. In 2004 it merged with Group 4

Falck to create the world's second largest security provider. Internally it was then divided into

Cash Services and Security Services as two separate companies under the G4S brand.

One of the reasons given for this by Group was;

"*Divisionalisation has the advantages of giving people more responsibility, clarifying reporting lines, driving decisions down through the business and giving individuals ownership of parts of the business.*" Securicor (1997) – Roger Wiggs.

The Cash Solutions business of G4S currently employs over 20,000 people across 10 counties

in Europe and also Canada. The Cash Solutions Division covers a wide range of services,

focused on the transportation, storage and management of cash and valuables on behalf of

banks, retailers and other customers. This service involves the physical movement of cash,

whether in note or coin form, by armoured vehicles on behalf of financial and retail customers.

Due to the nature of the business and the asset the company is responsible for on behalf of the

client governance is of key importance. The close relationship to financial institutes and cash

also enhances the risk exposure to this element of the G4S business and therefore

competitiveness is increasing pressure leading governance onto that agenda also.

A comprehensive cash management service is provided for customers, which includes:

> ➢ the management of commercial and central bank cash stocks
>
> ➢ the counting and reconciliation of bank and retailer cash
>
> ➢ the make-up and delivery of cash to be dispensed by ATM machines

History of Corporate Governance in the Organization

The definition used in the organization is:

"Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance."
https://www.g4sgroup.net/global/cashuk/cuk-com-csr/cash_uk_csr_good_governance.htm

As a listed company it is required to follow the UK Combined Code. The combined code covers more than financial elements however these are given a higher prominence. An internal controls overview is presented to the audit committee to assist in assessing the effectiveness of internal controls required by the Combined Code. This document features the different board/committee structures but also other key elements of internal control and the different sources of audit/assurance on these controls. This document focuses on group/region and functional controls; there are a lot of other various controls operated at a business level.

Corporate Governance involves the implementation of policies and mandatory controls that group and regions require (i.e. Finance manual, HR policies etc). Audit and other assurance functions then give measurement of how well these are integrated and followed by the units.

The organization states that;

"Governance is a term used to describe the basis on which decisions are made within an organization. Strong corporate governance is demonstrated through accountable management practices, clear corporate values and clear policies and procedures which outline the basis for decision making and provide the ability raise concerns."
https://www.g4sgroup.net/global/cashuk/cuk-com-csr/cash_uk_csr_good_governance.htm

Accountability

The organization is divided into five divisions; America's, UK and Africa, Europe, Asia and Cash Solutions. In addition to the heads of these divisions reporting to the CEO are the HR Director, CFO, Communications Director, Group General Counsel, Strategy and Development Director. Each of the regions should have a structure that mirrors the board structure and within each region the business units Senior Management team should also mirror this.

Accountability is a concept in ethics and governance that covers responsibility, answerability, and liability. In leadership it is the acknowledgement and assumption of responsibility for actions and decisions and to be answerable for resulting consequences. Traditionally it may have been viewed as 'whom to hang for poor performance'.

Within the Leadership and Management Competency Framework (Appendix 1) a core competency is Leading with Professionalism and Integrity. This framework was designed for measuring performance in core competencies for people within this grouping.

Each of the company values provide a statement designed to show a perception that everyone within the company lives by this, particularly management. But is this the case?

Section B - Research;

The purpose of this study is to explore corporate governance within G4S, how it is disseminated into business units and the link between this and HR. In order to fully explore this a number of areas are looked at to facilitate an understanding of the main issues with corporate governance in G4S.

Chapter 2 provides structures in the existing literature that detail how 'good' corporate governance should be implemented. It looks at the consequences of failing to implement it consistently and the link between corporate governance and HR.

Chapter 3 details the methodology used to explore this within G4S. It details the various methods by which corporate governance is adopted within the company and the various ways it is 'owned' and managed. The methodology used was structured interviews, emails were sent to the HR directors within each of the business units of the Cash Solutions regions and there were 9 responses in total. This spread across Europe and Canada and while all of the businesses are part of the cash region they differ in size and structure greatly. The reason for using structured interviews as a research method was to obtain as much information as possible while ensuring the participants were comfortable with the questions and also the format. The structured interviews were also used to investigate how HR is linked with corporate governance and its implementation and how the HR directors felt about this link.

Chapter 4 details findings in terms of what is felt internally about corporate governance and how a process for the effective implementation of corporate governance could be managed through the HR function.

Chapter 5 presents conclusions drawn from the exploration and recommendations in relation to how the company's could consistently implement corporate governance models in all areas to hold those accountable for productivity going forward.

During the current 'recessionary' period there has been renewed research interest in this area particularly relating to the role of HR.

Section C – Benefit of the study;

The purpose of the study is to explore how corporate governance is disseminated into business units and the link between this and the responsibilities of HR in the implementation and management of corporate governance. To examine the views of the HR Directors within the business units in respect of their perception of the management of corporate governance in their area. As part of this, the study will look into the accountability culture and structure of the organization to understand corporate governance from a group perspective in comparison to each business unit.

In addition the study examines the issues around performance management and how internal HR policies reflect corporate governance, accountability and responsibility; how a consistent approach to this will lead to improved productivity. It will outline priorities as viewed by the HR directors to re-align the policies in HR with the overall corporate governance stance taken by the organization.

The benefits of the study is to investigate the level of consistency throughout the organization in relation to the implementation and management of corporate governance. It will not focus on accounting practices but will look at HR policies particularly performance management with a view to developing a process which will be used in all business units to effectively implement, manage and measure corporate governance.

Section D – Scope and Limitations;

The technique used was semi structured interviews. This technique is used to collect qualitative data by setting up a situation (the interview) that allows a respondent the time and scope to talk about their experience and opinions on a particular subject. The focus of the interview is decided by the researcher and there may be areas the researcher is interested in exploring.

The objective is to understand the respondent's point of view rather than make generalizations about behavior. It uses open-ended questions, some suggested by the researcher ("Tell me about…"), some arise naturally during interview ("You mentioned, can you tell me more?").

The researcher tries to build a rapport with the respondent and the interview is like a conversation. Questions are asked when the interviewer feels it is appropriate to ask them. They are initially prepared questions and then questions that occur to the researcher during the interview. The wording of questions will not necessarily be the same for all respondents.

Strengths of method

1. Positive rapport between interviewer and interviewee. Very simple, efficient and practical way of getting data about things that can't be easily observed (feelings and emotions, for example).

2. High Validity. People are able to talk about something in detail and depth. The meanings behind an action may be revealed as the interviewee is able to speak for themselves with little direction from interviewer.

3. Complex questions and issues can be discussed / clarified. The interviewer can probe areas suggested by the respondent's answers, picking-up information that had either not occurred to the interviewer or of which the interviewer had no prior knowledge.

4. Pre-Judgement: Problem of researcher predetermining what will or will not be discussed in the interview is resolved. With few "pre-set questions" involved, the interviewer is not "pre-judging" what is and is not important information.

Limitations

1. Depends on the skill of the interviewer (the ability to think of questions during the interview, for example) and articulacy of respondent.

2. Interviewer may give out unconscious signals / cues that guide respondent to give answers expected by interviewer.

3. Time Consuming

4. Depth of qualitative information may be difficult to analyze (for example, deciding what is and is not relevant).

5. Personal nature of interview may make findings difficult to generalize (respondents may effectively be answering different questions).

6. Validity:

a. The researcher has no real way of knowing if the respondent is lying.

b. The respondent may not consciously lie but may have imperfect recall.

c. An interview can sometimes be a "second chance" to do something.

7. Language; there may be a language barrier causing the respondent to perceive the questions differently, or cultural impacts.

The depth of (personal) information created using this method made it relatively more difficult to generalize findings from a small group of people to a much larger group. The study was limited by the researchers and participants role in the organization. It was discovered participants used the interview to demonstrate that their business was a 'best practice' area, or in some cases to vent their frustrations. Another limitation was that as for most participants English was a second language and therefore it took time to explain terms used. Although this method takes time and effort (since an in-depth interview will take time and make demands on the interviewing skills of the researcher) it was felt that it best matched the needs of the research as only with personal contact could the researcher explain the question and extract such personal information and detail of the individuals views and experiences.

The literature on corporate governance focuses mainly on financial and board elements. The link between HR, corporate governance and performance management is limited in the most literature.

CHAPTER 2 – LITERATURE OVERVIEW

The term "corporate governance" is a relatively new one, although the issues it addresses have been around for much longer, since Berle and Means (1932).

Corporate Governance is a set of processes, customs, policies, laws and institutions that affect the way a corporation is directed, administered and controlled. It also includes the relationships among stakeholders of the organization and the goals of the organization.

It has been suggested that corporate governance is an indefinable term, stated by du Plassis et al (2011) as;

"something like love and happiness, of which we know the essential nature, but for which words do not provide an accurate description."

They went on to say that following the collapse of HIH Insurance Limited in Australia a clear definition began to emerge;

"Corporate governance refers generally to the legal and organizational framework within which, and the principles and processes by which, corporations are governed. It refers in particular to the powers, accountability and relationships of those who participate in the direction and control of a company. Chief among these participants are the board of directors and management. There are aspects of the corporate governance regime that have an impact on the relationship between shareholders and the company."

The trend to define it continued in 2003 and was later updated in the ASX's Principles of Good Corporate Governance and Best Practice Recommendation (2007) as;

"Corporate Governance is a framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate Governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimized."

The literature covers a wide range of topics as per the definition. These we will look at in detail in trying to link the research question; culture, performance management, accountability, structure and organizational design.

Models of Corporate Governance

Interest in corporate governance has been renewed of late due to the 'financial crisis' and the 'world recession', however there have been many reports published over the years with numerous sets of recommendations on corporate governance issues.

Keasey et al (2005) lay out four competing models of corporate governance;

*"1. The 'dominant' **Principal – Agent model** argues that market for capital, managerial skills and corporate control constrain managerial discretion. It is assumed that, in the absence of such control by or on behalf of the principal (the shareholders), the agents (senior managers) will pursue their own agenda, which may embrace raising their own salaries or becoming lazy and inefficient.*
*2. The **myopic markets model** agrees with the P-A model that the aim is to maximize shareholder value, but suggests that markets tend to undervalue long term returns. But there is little evidence that long-term issues are in fact neglected; for example, research and development expenditure, an indicator of long term orientation, is not disliked by markets.*
3. Abuse of executive power; companies are dominated by boards of directors that pursue their own interests, and some managerial pay rises are out of control.
*4. **The stakeholder model**, is the 'most fundamental' challenge to the P-A model. It argues that stakeholders other than shareholders, notably customers and employees, have interests in firms. The efficiency case for the model has two strands; firms that develop ethical and trust based relationships with stakeholders secure mutually beneficial long-term relationships; and countries such as Japan and Germany, both of which have extensive stakeholder involvement, are widely seen as successful models."*

The fifth model discussed by Keasey et al by O'Sullivan, termed;

"*the* **organizational control theory***; a system of governance requires 'financial commitment, organizational integration, and insider control'. These three terms refer, respectively, to the provision of finance to support investment, the development of organizational structures and routines to permit the deployment of the resources, and control of these structures by managers within the firm.*"

The UK model also known as the "Anglo American Model" (Figure 1) has a single tiered board of directors with a mix of company executives and non executive directors. All of which are elected by the shareholders. Non executive directors are expected to hold key posts such as compensation and audit roles. This is also known as the **unitary board model,** the approach to governance is directed to shareholders and does not reflect the stakeholder (Figure 2).

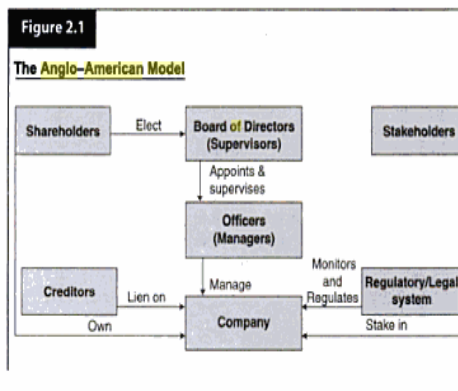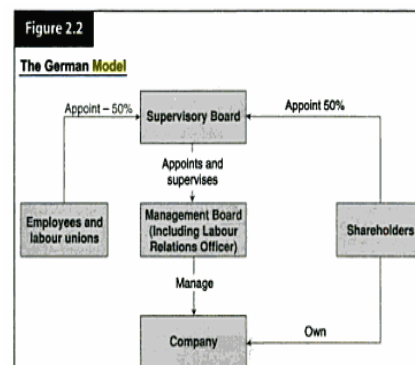**Figure 1.**   **Figure 2.**

Although there are different models, the main difference stands with whether the model is viewed as what is in the interests of the stakeholders or the shareholders (owner/managers).

The Stakeholder – v- Shareholder Models of Corporate Governance

The direction towards either a Shareholder or Stakeholder model by top management can have important outcomes for organizations. This can also be the case with business units within organizations. The 'group' may decide it is taking one direction but the managing director within a business unit may not implement this and may veer towards the other model.

Inkpen and Ramaswamy (2006) state in their research into the differences between the two models that;

"*the role of management is not limited to carrying out shareholder responsibilities, it is also to respond to citizenship responsibilities on behalf of all constituencies*". They state that a stakeholder organization must take into account; *"the core values of a possibly very diverse group of stakeholders"*.

The shareholder approach is profit based and works in the interests of shareholders of the firm only. This is confirmed in the statement in 1970 by Milton Friedman;

"*The sole social responsibility of business is to increase profits.*"

There are arguments in support of both models of corporate governance which have conflicting views. It is however found that organizations tend to follow an individual model of corporate governance which reflects their own circumstances, depending on the dynamics of the organization however the models fall into close similarity with one of the two models.

While not all organizations are in favor of the stakeholder model they do understand that it is important to appeal to employees or potential employees as well as customers and suppliers. Where companies recognize this they agree that the it is important to gain support from employees and they therefore need to integrate corporate governance into the organization

Davies (2006) states;

"one approach to disseminating corporate governance into business units is to harness the strategic planning system."

In looking at the link between strategy and governance there is a clear link;

Governance	Strategy
Identity	Vision and Values
Purpose	Mission
Leadership	Strategic Direction
Distribution of Power	Resource Allocation
Inclusiveness / Communication	Reporting and Review
Accountability	Targets
Maximizing Effectiveness	Key Action Program
Ensuring Sustainability	Innovation, self renewal.

On review of the above it is clear that HR have a direct involvement in the development of corporate governance. Ulrich's HR value proposition suggests that HR are change agents, therefore changes in the structure of the organization should be driven through HR. He further stated that as a HR leader the function should collaborate with other functions and manage corporate governance. As a developer of people HR should also been involved in the distribution of power, to ensuring sustainability, setting targets and monitoring the direction they are going.

Section B – Implementing 'good' corporate governance;

In researching best practice models for implementing 'good' corporate governance the following is regarded as the most basic principles;

- Commitment

- Professionalism

- Ethical Behavior

In looking at this in the context of the link between corporate governance and HR we consider how HR can gain commitment; employee engagement strategies. Professionalism – promoting and rewarding integrity and creating an accountability culture. Ethical Behavior – an open communicative approach to remuneration and reward across all levels within the organization closely linked to performance management.

The inconsistencies in companies with regards to corporate governance relates to differences in operational structures, technology, processes and other factors within organizations. In addition to this there are differences within HR governance such as pay structures, performance systems etc. This can also be an issue for organizations where they may operate a multinational, multi-functional organization with many different businesses within many different cultural settings. This must be considered when looking at how to consistently implement 'good' corporate governance.

a. 0bjectives

In crafting and executing strategy, Thompson, Strickland and Gamble suggest that the managerial purpose of setting objectives is to convert the strategic vision into specific performance targets – results and outcomes the company's management wants to achieve. The Performance Management process should then be used to ensure managers are on track to achieve these targets and as a corporate governance tool – the disciplinary procedure should be used whereby the manager is unable to fulfill this, considering mitigating circumstances.

There are of course other reasons why objectives are not achieved. Hoogervoorst et al completed a survey and stated as an outcome that 94% of poor company performance is to do with poor design of the 'system', whereas 6% is to do with poor performance of employees. Functional managers such as HR, Operations etc are more often found dealing with 'employee related' performance issues that in re-designing the 'system' within the organization.

Performance is clearly linked intrinsically to corporate governance, whether this is company or individual. Whilst the performance of the organization is everyone's personal responsibility, in most organizations individual performance management lies with the HR department. It is stated that 'good' corporate governance involves setting strategic objectives, providing financial support to achieve these and monitor management performance. This suggests that if targets are not achieved a procedure should apply, such as the disciplinary procedure. But how can a board understand them if they are not directly involved in the operations of the business unit?

b. Management

The Management of a business is directly linked to corporate governance and over the years the misconduct of Senior Managers has been blamed for many of the major corporate failures which have led to market uncertainty.

General Managers and Senior Managers along with board members provide direction to organizations. They set goals and develop strategies by which others in the organization aim towards. But who reviews their objectives? Generally this is done within the same group, this creates a blur in the clarity of information that is transferred and can also be considered an ethical issue. In cases where many MD's and CEO's have been accused of causing corporate collapses it has been directly related to reporting issues. Where a Senior Manager can cloud the picture of company performance through their individual update and where there are no other controls to test if this is the case there are definitely areas whereby management can be a direct issue in corporate governance.

HR has been said serves as an in-house consultant, is it therefore suggested that they act in the same role to the board when it comes to managing corporate governance? Bolander and Snell suggest that HR are an invaluable asset when it comes to decision making because of their in depth knowledge of internal labor relations, market trends and corporate governance issues. Bottger suggests that it is the responsibility of HR to deliver people that can deliver. To do this they must constantly reassess the business requirements in terms of human requirements and re-design accordingly.

c. Culture

Accountability is considered a key factor in corporate governance. There have been many different views on accountability; Connors and Smith define it as;

"a personal choice to rise above ones circumstances and demonstrate the ownership for achieving desired results". They base this on defining accountability early, before problems occur, being open to feedback, willing to face problems, problem solving and proactive feedback".

It is then suggested that to create an accountability culture you must;

➢ Define clear results within your organization

➢ Define actions required to achieve them

➢ Identify the beliefs that produce these actions

➢ Create experiences that instill the right beliefs

In considering this, how to create an accountability culture and how to hold people accountable; which is what corporate governance calls for, it is clear that performance management and employee engagement are key.

Bavly (1999) in his 'Corporate Governance and Accountability' asks;

"but who will ensure that those overseeing the accountability game are making the correct calls? What remedies are available and if there is no instant replay and the referees miss some infractions and exercise poor judgment in calling others?"

Although Bavly was discussing this in terms of a regulator, it should also be considered who the internal regulator is in an organization and whether it is ethical for that person to hold that role. Bavly further quoted James Madison in his book stating;

"No man is allowed to be judge in his own case, because his interest would certainly bias his judgment, and , not improbably corrupt his integrity".

In many organizations where MD's hold total accountability isn't this the case?

d. Structure & Systems

Corporate governance is sometimes viewed as the structure and the relationships which determine the corporate direction and performance. A lot of the research on corporate governance systems observe the overall governing structure as opposed to the internal structure. In the overall structure of an Anglo – Saxon model of corporate governance focuses on the separation of ownership and control. If we consider this internally how is this separation achieved if the overall accountability and control is given to one person, the MD?

Where there is evidence of corporate governance reform the focus is on accountability however if it is only a top level focus can any reform really be achieved?
In internal corporate governance some models operate Supervisory Boards, this is on a periphery level and does not supervise the internal decisions and directions the company takes. Where the structure in an organization allows for direct business managers to report to the CEO and not through functional directors then these business managers can not be held accountable as they are effectively their 'own judge'.

On researching corporate governance and corporate failures within organizations the structures are similar, the CEO reports to the board and there is an internal structure where functional managers report to regional managers who in turn report to the CEO. There is no evidence in the research where there is a supervisory board monitoring at a lower level nor is their evidence of a structure where in a business the functional managers have equal autonomy and the report to functional managers who in turn report up the line in this way.

Section B – The role of HR;

Miller defined strategic HRM as;

"encompassing those decisions and actions which concern the management of employees at all levels in the business and which are directed towards creating and sustaining competitive advantage".

SHRM is concerned with how HRM influences organisational performance. Strategy is not the same as strategic plans. Strategic planning is a formal process that takes place defining how things will be done. However strategy exists in all organisations even if not written down. It defines that organisations behaviour and how it tries to cope with its environment.

It is said that HR strategies must 'fit' with each other and with other organisational strategies for maximum impact. So how does the corporate governance strategy fit with SHRM?

As is stated in many articles, Edward E Lawler clearly links Human Resource Management to organization effectiveness in this statement;

"It is nearly unanimous that HR can and should add more value to corporations. The best way to do this is by being a business partner—by directly improving the performance of the business. This can be accomplished by effective talent management, helping with change management, influencing strategy, and a host of other value-added activities that impact effectiveness."

There has been a lot of negative publicity regarding HR in the more recent corporate governance crisis. Most of this centre's around where HR was when everything was going on? Did they not manage the issues with ethics or was it that they were unaware because it was kept from them?

The research confirms that effective corporate governance does impact positively on profitability. Investors value well-governed companies.

The unethical behavior of Senior Executives is often mirrored internally in organizations however it is rarely publicized and MD's often find themselves covering up issues with Senior Management as it would show a sign of mis-management on their part. So how can this be resolved?

The most Senior management will try to determine a corporate culture. They may wish to impose corporate values and standards of behavior that specifically reflect the objectives of the organization or themselves. Their presence can influence the culture of the organization as a whole. If their role is to be solely responsible for corporate governance how can it be effectively implemented and managed?

Some researchers have identified a link between HR not obtaining a presence at the 'top table' to the above question. The fact that often MD's want to hide much of the 'real' business issues and their fear is that HR will unearth this is often given as the reason. In looking at the 'bad apples' theory, the reason for blocking HR has also been questioned and given this relates to corporate governance it heightens interest in this area.

Research by Dr. Wright of Cornell University uncovers that Performance Management – a key part of corporate governance, must be a key focus of a business and this task belongs to HR. Monitoring the integrity and honesty of key personnel should also form part of this. This should link into the remuneration system. HR are most competent in managing compensation, they are fully aware of the impacts involved yet more often than not the MD salary is not disclosed in organisations.

In summary, he felt organizations should use HR more effectively in disseminating corporate governance and in controlling incentives, performance management, controls and in the design of the overall business system.

This is also evident in the research as stated previously by Bolander and Snall and Bottger on page 19.

CHAPTER 3 - METHODOLOGY

Review

The participants in this study consist of fellow co-workers at all the Senior Management HR level within the organization. The data was collected either through face to face interviews conducted during our quarterly HR forums or through a conference call. They were then used to be able to carry out a detailed analysis.

The study conducted involved 9 members from the cash businesses. The range was broad in relation to their experiences and exposure to corporate governance, how it emerged, its implementation and management. The semi structured interviews were designed to examine the history of corporate governance, the culture, structure and productivity issues within the organization.

On using this method the researcher had to consider personal opinions relating to issues that had arisen during the individual's time with the company and try to ensure the focus was on how consistent implementation could be achieved.

In the next section the information obtained through the interview's are discussed. Each question is outlined and the reason for asking it is detailed. The information obtained is then analyzed in relation to the topic. The discussion then interprets the information and recommendations are made to answer the research question – how to consistently implement corporate governance into business units within the G4S organization.

Analysis of Information (Part 1)

The following questions were asked, to understand corporate governance within G4S. They were aimed at HR within the Cash Solutions Division of the organisation as a test group. This was to understand the consistency of its application in business units.

What is your understanding of corporate governance in your business unit?

"Corporate governance is perceived as rules which must be followed."

"My understanding is that we take corporate governance seriously. We have good relationships with unions and follow legislations in the country. We operate a stakeholder type model. We are working with constant improvements to increase performance and employee satisfaction. We measure and follow up not only financial metrics."

"The implementation and the monitoring of the set of legal rules and company rules with fair, honest and ethical business as a consequence."

"Corporate Governance allows us to have on paper policies and procedures that show how we should deal with all areas within the business. They do not always reflect what is actually occurring and are not in line with the day to day demands of the business largely due to a lack of focus in training in the individuals who need to be able to implement and other areas that would support their implementation."

"Corporate Governance is not particularly evident in our business unit. There are controls in place; however the results of these are not necessarily accurate."

"Corporate Governance in Poland is very much based on the legislation in addition to groups own standards. The systems are very regulatory and we must work within them."

"It varies considerably depending on the region, the legislation changes in different parts of Canada and also customs and the culture differs. Corporate Governance is driven by group, the legislation and also in some parts the unions. Our suppliers influence this also, as they have set standards which we must comply with in order to be considered for any tender processes."

"Corporate governance is how decisions are made and to ensure they are made ethically."

"It is present in everything we do, we have standards that we must follow and we must report on many things very often."

What corporate governance standards are set in your business unit?

"Corporate governance standards are set in respect of main responsibility areas which are most common for commercial bodies- HR, Finance, and Security, Operational. They are reflected in organisational architecture."

"We have policies for Health & Safety, Diversity and Inclusion, Business Ethics and of course we live up to the company's HR standards."

"HR standards, Finance rules and standards, Security rules and standards, country legislation, corporate legislation, H&S standards and legislation."

"There is governance areas designed within all areas of the business that show how we should deal with many aspects of what we do including people and processes for the different aspects of the day to day operation in order to ensure these conform with the corporate governance standards of the business"

"Minimum standards as set by Group."

"A lot of regulation for the industry as well as through labour relations. We are a unionised environment and we must deal with all issues in a structured format. We have many standards to adhere to, we can not always manage this but we try."

"We abide by the minimum standards as set by group; we also have a workers consultation committee. There are many legal requirements we must follow for licensing and these differ depending on the area such as traffic codes and labour laws."

"Minimum standards for all business functions. For example we have screening standards in HR and this is for group but also for regulatory bodies."

"Minimum standards as set by group, we recently secured a contract with Moominworld and their standards required in depth reviews around business ethics and contingency. These means that a lot of the corporate governance standards have been reactive but then they are mostly in other places too."

Discussion Part 1

Both questions in part 1 of the analysis above, along with the responses give an understanding of corporate governance in the different business units of G4S Cash Solutions based on the perceptions of the Directors of HR or a HR representative. The understanding among the participants of corporate governance varies and the application of it is inconsistent. In some businesses it is all about legislation and regulation and in others it is group who determine the shape of corporate governance in the business.

It was interesting to note that where HR had a stronger link was in organisations where there had been a recent change in MD or where there was currently no MD in that business. It was also noted that corporate governance and standards were changing and were becoming a more important part of their role.

When outlining the standards that are set in the business none of the HR Directors spoke about the standards that are issued under the corporate governance report by group (Appendix 2). The standards varied significantly and many focused on the legal requirements, some spoke about suppliers and other external stakeholders but that the standards they applied on their behalf were a reactive response to gaining business.

The responses confirm that the current operating model in the cash solutions business is a shareholder model, whilst there is some interest in other stakeholders it is only to create a perception to generate further growth in the business.

While it is evident from these responses and from the group corporate governance statement (Appendix 13) that it is an important item on the business agenda, the application of it appears haphazard and inconsistent. Group intervene where there is a crisis and through that they try to implement standards and change cultures. Where there is not a need for intervention they are on the periphery allowing an MD to control what is happening with the business.

Analysis of Information (Part 2)

The following questions were asked, to understand how corporate governance is linked to

performance management and accountability in the business units. The aim; to understand the

culture in terms of corporate governance within the business units.

With regards to performance – how is this linked to corporate governance?

"I have implementation of corporate standards listed in my annual bonus scheme as one of my achievement targets."

"I believe that we as a company gain from working with e.g. diversity and Health and Safety and that this will improve both quality and performance. We also have KPI´s in a number of non-financial areas."

"We will always set our business objectives in respect of the legal framework, values, business ethics and the company rules."

"I would view performance management as critical to the success of both corporate governance and organisational success. There is no consistent performance management within our business and standards vary depending on the managers and personnel involved in their implementation".

"As performance is not managed in a regular way (i.e. Annual Performance Reviews) I don't believe it is linked to CG within our company, despite the fact that it is key to its success".

"Performance is managed quite well at a Senior level but it is more difficult to implement throughout the business because of its size."

"Performance has been an important element of work since the minimum standards. Some regions were not performing well and they did not see that they should have to answer for this. A structured performance management system has been developed and this covers all levels within the business. We have had a lot of negative publicity around strike action which has

greatly affected the business. In the past this would have been dealt with by doing what ever the union asked. Now we are challenging them with information on the performance of the branch. Through managing the performance and dealing with it we hope to change the culture within certain regions."

"Performance is an important element of corporate governance and we have introduced a new performance management system for managers which includes setting objectives and a plan to follow through."

"We have very strict performance schedules and our objectives are constantly monitored by group – I think this is because we have had no MD for a long time and our Finance Director has been in change. I think this might be different if the situation was different."

Is there an accountability culture within the business? Please describe

"Yes, there is. It is reflected in organisational structure. Each executive director is responsible for the compliance with corporate standards to the MD and responsible director at the level of corporation's HQ responsible for the respective area."

"It differs between branches. We have a higher degree of accountability outside the big cities. One reason for this could be that the employee turnover is lower and people have therefore worked for many years and are very loyal to the company."

"Every worker is accountable and has to do his job in respect of the values, the ethics, the group standards and the legal framework. A structure accountability is more within the business than a cultural accountability. In Operations accountability is seen more to punish instead of to improve."

"There is no structured accountability culture and there cannot be until performance management is successfully implemented and appropriate training provided."

"No. For example certain managers are given less responsibility based on their poor performance while stronger performers work loads are increased in order to compensate for this."

"Accountability lies with a few people only. For example I am accountable for many areas but I can not possibly manage all of these areas and I am not given budgets to train people to do this for themselves."

"Again it depends really on the region and on the regional director. Where there has been a regional director in place for many years accountability is lower believe it or not. It seems that they can get away with certain elements without being challenged. This does not necessarily mean that in all of these regions the performance is negative only in some areas. We are trying to create a culture of accountability you could say."

"It is changing the culture, every day. With the new changes people do not have any choice. We have a lot of redundancies recently and people now know that they must take responsibility seriously."

"Yes very much so – branches are accountable for their labour which is very difficult. Because of the size of the country and the distances our crews must travel it is a problem. They are of course accountable for other parts too. We don't have much crime so this is not really a problem for us."

Is the performance management of all managers treated the same in your business unit? Please describe

"No. It is treated in respect to the manager's grade set by the corporation for the executive management. Other managers are treated the same based on the policy issued by the division they are internally dedicated to."

"Yes, the managers are treated in the same way."

"For the management we use Potential & Performance reviews and 360° feedback."

"No there is no performance management in the business and the managers wouldn't receive formal performance management including setting of objectives, however those who work effectively are normally given more work on top of what they have already when they have proven that they regularly deliver. The non performers are generally marginalised for new

roles and opportunities rather than the specific issues addressed with the exception of occasional non formal conversations"

"No. There are clearly different standards and an unwillingness to tackle the problem due to loyalty issues and service."

"No. As per my previous response, the responsibility falls on me for some of it and to the MD for others but I don't know why this is the case as there is no transparency."

"No. As I said there are the 'untouchables', but they are diminishing."

"It was not always but I think it will be now. Before Senior Managers, who were here a longer time and who were not very competent in the role were kept on when they should have been made responsible for performance in their areas."

"I think now it is better, our MD has been gone for some time. There has been no MD since I have been here but I hear how things were before and now they are changing a lot."

Discussion Part 2

The three questions outlined above along with the responses were to look at how performance is managed in the operation. How the participants viewed performance, on an individual, team or organisation basis. Then it examined the culture in terms of accountability and to see if there was consistency.

The responses differed considerably, some viewed performance as being managed and monitored through KPI's while others felt that it was managed through traditional means at Senior levels but it was not implemented throughout the business. There did not seem to be a consistent approach to performance management despite the fact that there are specific minimum standards with regards to performance management and remuneration (Appendix 14). It was noted that where a respondents confirmed they were compliant with the minimum standards they also indicated that there was no formal performance management structure which are conflicting answers.

With regards to accountability there were very different responses, again there appeared to be a link between this and where there was a new MD or no MD. It also varied within businesses and some said that it was on an individual basis. There was no evidence of a structured approach to harnessing an accountability culture. No direct link was made between accountability and performance in any of the business units and how one may influence the other.

With regards to the treatment of management in respect of performance; the responses were similar. All respondents were aware of a culture of the 'bad apples' not being dealt with and some responded that this was still the case. There was an indication that a belief in corporate governance could not be held while this was still the case. However the business ethics policy (Appendix 15) clearly states that management are required to treat people fairly, some respondents spoke of managers receiving more work because they were good at their job as opposed to those that were not receiving less with better opportunities. Therefore there is a direct conflict in the ethics code and reality in this business unit.

The code further goes on to say;

"G4S is committed to protecting the interests of our shareholders and our organization through compliance with the relevant legal and regulatory environments and careful management of business risks."

Is the conflict discussed above not considered a management risk and if the organisation is not aware of it how can the controls be effective?

Analysis of Information (Part 3)

The following questions were asked, to determine the controls that are in place in each

business unit and to establish if there is consistency among these. Further to see if they are

working effectively as outlined by the Group standards.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

"I am responsible for some points- such as overtimes limits and wages procedure compliance."

"I am involved in audits for Health & Saftey."

"Very much, HR is involved in each audit, internal and external."

"Due to the structure of the organisation this is very limited to only key people and there is a lack of transparency completely in this area"

"None, but we are still expected to answer on aspects of this (i.e. Direct Labour) without the technology, communication and transparency needed to be able to do so"

"I am responsible for the labour elements of the accounts and I must ensure this is managed properly, this is difficult as managers are not always sure how to do this properly and there are no systems in place to do this effectively."

"I am fully involved in the audits and in the management accounts. We would have regular review meetings before signing off on the accounts and budgets are of significant importance to managers at all levels of the organisation."

"I always have responsibility for this, I know about accounts so I must always take part in the month end accounts and help out."

"I am very involved in the HR parts but not the financial side. I look after the margins with regards to labour in the branches but other aspects go through finance so the overall management accounts I do not take part in."

What internal controls do you use for corporate governance (non financial)?

"Internal audit from corporation HQ and internal controls in respect of specific standards."

"Different audits in all parts of our business on a regularly base. We insure that everybody knows the rules, the procedures, the values and the business ethics."

"Because of the nature of the business there are strict controls around how we operate on a daily basis. The management of these is a key aspect of how we operate and is the key area of focus for management. Some of this can be archaic due to a lack of investment in training and systems that would support the opportunity to improve on how we operate."

"Minimum standards that are set by Group, these are not necessarily fully implemented. For example one of the minimum standards would be to have an appraisal system linked to objectives linked to remuneration. This is the not the case here."

"We have standards for screening because of the issuing of weapons. We also have groups standards and very strict health and safety and training standards for our front line staff."

"We have standards in all areas, security, health and safety, legal, HR, and of course there are the financial ones. I would not say that the financial ones are of more importance because in Canada there are equal implications for license, labour or health and safety issues."

"Minimum standards for all of the different parts of the business. Also licensing requirements."

"All of the standards that are set for us, by head office, the law side, suppliers and customers."

Are these controls re-visited regularly by you or anyone else?

"Yes"

"Yes, we re-visit them on a regular basis or if there are major changes in the company or in the legislation."

"By me during my daily job. By internal and external audit on a regularly base."

"Yes I would review all areas within my control on a consistent basis with a view to improving however without buy-in from Senior Execs it is difficult to ensure the controls are verifiable."

"No, due to a lack of resources many are not considered important. However if an audit is due to take place there is panic to get it done"

"Yes it is not possible not to apply these and to ensure they are up to date because of the licensing issues with the business."

"The controls are very important, each Director has an area of responsibility and it works well. The controls are monitored and managed and we have what is required in place when it is required. That's not to say we always have everything done when we should."

"Yes we must always ensure they are completed as the laws are very strict and serious. It is difficult to do but we can not take risks on this part."

"Yes what is in my area I always check and ensure on but I don't know about those that are not in my area."

Discussion Part 3

The three questions above as well as the results, give an insight into the controls that are in place with regards to corporate governance in the business units. While most of the research in this area is with regards to financial elements the participants were asked to respond based on both financial and non financial elements but to focus on the non financial primarily.

The responses were varied. Some were very much involved in all aspects of auditing and of accounts. Is showed a picture where HR 'fits' in the business units and that this 'fit' is inconsistent. It is viewed in recent literature that a competence of the HR professional should be to have the credibility needed to act as an internal advisor to the board as well as the expertise in building compensation and performance into governance structures. From the research it is evident that this is not the case but what is not transparent is whether this is a competence issues in HR or an accountability issue for group.

All of the respondents were very aware of the controls that are in place around legislation and regulation. These are viewed as extremely important and as something that could potentially cause damage to the reputation and profits of the organisation. They were not as aware of the internal conflicts that could cause equally as must damage if they are not handled correctly, such as the 'bad apples' approach that is being taken in some parts of the business.

The respondents had difficulty in identifying with elements of corporate governance controls that were not related to finance or were not a measurement. They spoke of KPI's and direct

labour but they did not link policies such as the disciplinary and grievance policies to corporate governance nor as a responsibility area of theirs under this heading.

In response to whether the standards were re-visited and updated regularly all said that this was a part of their responsibility, by this it was indicated they reviewed the screening or KPI's or Health and Safety stats regularly as opposed to applying policies ethically and fairly where required. Some indicated that there were internal issues where is was overlooked to use some of these controls confirming that in fact they are not verifiable or effective.

Analysis of Information (Part 4)

The following questions were asked, to establish if there is a link between HR and corporate

governance in the businesses and to assess the views of whether HR should take a leading role

in the implementation and management of corporate governance.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

"Some of the minimum standards are connected with performance management. Such as annual appraisals for all employees, succession planning etc. With regards to the link with corporate governance I am not sure what this is?"

"We have a Competence Management Process. All employees should have at least one development talk when you receive feedback of your performance and discuss how to improve. Individual targets are set and followed up."

"Our appraisal system is build on our company values.
The 360° tool that we use is based on G4S view on leadership."

"There is no consistent performance management within the company. Some individuals self manage and make themselves accountable on that basis however as capabilities vary this is accepted by senior management and not addressed. This also exists in the senior management teams so it is fair to say that this is replicated through the business from there."

"There is no Performance Management and therefore no link. This results in a clear lack of corporate governance down the line."

"Well we have a performance management system whereby we complete appraisals and have business objectives which are monitored and linked to the bonus structure which is one of the group standards. But the financial element of this for finance and other Senior Managers I am not responsible for."

"Individual performance is managed by HR and we are responsible for driving standards as well as monitoring the objectives set by individuals. We are also responsible for evaluating the outcomes and compensating individuals based on this. Well we have various performance management systems for different levels. As a Senior Management team we then evaluate the performance of the company and re-align objectives accordingly. I think this is done quite well actually."

"Performance Management was always through the MD, HR now must manage this function and I think this is better because it is clearer and more transparent. Objectives are open, I know the finance ones and they know mine and we can help each other reach them but if we don't we know it is our fault and it is no longer something we don't know about."

"Performance Management and corporate governance go side by side, like above where there is an issue of fraud. If performance was managed effectively it would not be possible. Also issues with people being treated differently because of who they know and not what they know about their area."

Do you think HR have a role to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

"HR implements the policy for managers to follow in performance management process and after the discussion with manager's sets minimum performance levels.
Looks after deadlines as well. Responsibility for the execution lies on divisional directors."

"HR can link company strategies and targets to individual competence development and targets. We can also support managers to do an excellent job in the CSR area. HR has also the responsibility to re-visit and follow-up policies and standards."

"A leading role!"

"HR are required to be directly involved and central to the whole process if it is to be effective within the company. Key people in the organisation do not value the role HR have to play in this area."

"Very little, we do not currently carry out any performance appraisals at any level and therefore have difficulty in impacting on individual performance, which ultimately impacts on the organisations performance"

"HR have a key role in the company's performance but I don't know how this is linked to corporate governance because our MD reports on everything about the company and I cant always be sure what that is."

"A key role, without HR I don't think things would be monitored or structured as they are."

"HR will play a better role in the future I think and this is because I believe the new MD understands HR and its importance. Also the importance of performance management and systems to organise this."

"I think now that all individuals have to be responsible for their performance and I have to manage this. It is better but as the Finance person is now the most responsible in the organisation it is hard. If everyone was responsible equally I think it would be easier to drive standards through and ensure everything was governed."

What is your involvement in its implementation or consistent management of these?

"My role is it to implement HR standards in the small local company of corporation in Slovakia. These should then be linked with corporate governance standards and monitored. Certain standards which are highly regarded in the legislation and monitored more than others which could be of the same value to certain stakeholders within the organisation."

"I am responsible for policies and standards in the HR area, as mentioned above. I am also responsible that we follow legislations in the HR area."

"I'm responsible for the implementation of the group HR (including H&Standards). I'm responsible to insure that every worker is treated with fairness and respect taking in account the legislation, the values, the safety rules and the security rules."

"There is no consistent management of these and Operational management who are essential to the day to day success of the business play a very minimal role in strategic implementation.

In the majority of circumstances they only become involved in advance of an audit or visit that requires them to show compliance with the standards of a particular area"

"I don't believe as a department that we have an involvement in implementation or management of Corporate Governance"

"It is completely my responsibility but I am not given enough resources to manage this, I believe line management should have some responsibility for this but it is difficult to transfer this responsibility."

"HR is fully responsible for all of these areas. As a specialist in law I am involved in all aspects of the legal responsibilities of the company regardless of whether they fall into the HR category. Once standards are set with regards to regulation or internal compliance it is then passed to other managers and they hold responsibility for these areas."

"I am responsible for the HR elements."

"I have to be responsible for this, other managers have responsibilities for other areas but like always when something new has to be done it falls to HR."

Discussion Part 4

In the analysis above the link between HR and corporate governance is assessed. What roles HR currently have in the implementation and management of it and the assessment of whether HR is viewed as being a key role player in corporate governance.

Most respondents answered this question in the context of a performance management system as opposed to overall performance of the company. This reflects on how they view their contribution in an overall capacity. They clearly understood that corporate governance can be effectively implemented through effective performance management and accountability structures however they did not relate the individual to the overall. All accepted that HR should be fully responsible for the implementation and management of performance systems on an individual basis.

When questioned on the link between individual and overall performance and HR's role in this, all said that HR should play a part and those who appear to have a key role in the organisation stated that they do play 'a leading role'. Those that appear not directly involved in the strategy of the business unit feel performance is not managed well in the organisation or in some cases is non existent.

The responses were mixed as to whether HR are directly involved in the implementation and management of corporate governance. Most responded that they were responsible for the HR elements but as they only associated these elements with KPI's and minimum standards and could not confirm that some of these standards were in place (performance management) there is a conflict of the analysis.

The following statement was issued by G4S in their 2010 corporate governance report;

"We operate in a robust corporate governance framework aimed at ensuring that we act responsibly, transparently and accountably at all times."

This statement suggests that implementing good corporate governance to G4S considers transparency, responsibility and accountability at the core of this. On reviewing all of the responses and on personal observations and examples made by the participants this statement in not reflected in the implementation and management of corporate governance.

But why is this the case? Some of the analysis suggests that this is changing in areas where the MD and or other Senior Managers have recently changed. Others suggest it is the limited autonomy given to HR as opposed to Finance and the MD that obstruct HR from carrying out what group state is a core element of their values.

Analysis of Information (Part 5)

The final question was asked to get an understanding of how the HR profession in G4S viewed what needed to happen in order for a consistent manageable approach to effectively implement corporate governance. This part of the research was aimed at developing a tool kit to test on one company and if it was valid to roll out to the other countries. This will be looked at as part of a future project due to the scope involved.

What changes can be made to do things differently in respect of corporate governance?

"Corporate governance is good idea, but should not represent itself as rigid system. Its applicability should be discussed with countries it is governing yet there should be a direct link with HR. I think it is also a question of the level of autonomy HR carries."

"We can improve the process for individual targets and follow-up and there should be a system for monitoring and reporting on this."

"More involvement of line management in corporate governance."

"The approach from the top needs to be changed and opened up to include all of the key people in the company in order to ensure that strategies support the business and can be achieved. Performance management must be introduced immediately and staff at all levels need to be empowered to want to achieve objectives that will enable us to succeed in this area"

"Give HR a more strategic role in the business in order to create a better relationship on all levels of the organisation"

"I think maybe if the MD was not the only person in this Senior role, if others were also at this level then there would be more sharing of the responsibilities."

"I guess because we are quite a distance from group our reporting structure is somewhat different, I mean our controls are in place and work well but in terms of groups knowledge I think it is limited. Given some of the Snr Management have been in place prior to the takeover I'm not sure if I were in their shoes that I would accept the controls they have in place."

"I think the change has been made and this is the MD. I don't think he was bad but he was here a long time and also other Senior managers and this is not good. If you look at outside corporate governance a CEO is only supposed to stay for 4 years, why is the role of MD different?"

"I think what I said in the last response would be the answer. –
I think now that all individuals have to be responsible for their performance and I have to manage this it is better but as the Finance person is now the most responsible in the organisation it is hard. If everyone was responsible equally I think it would be easier to drive standards through and ensure everything was governed."

Discussion Part 5

It was very interesting to see a pattern develop in the responses. Most felt that autonomy was a key issue. If HR were given more autonomy it would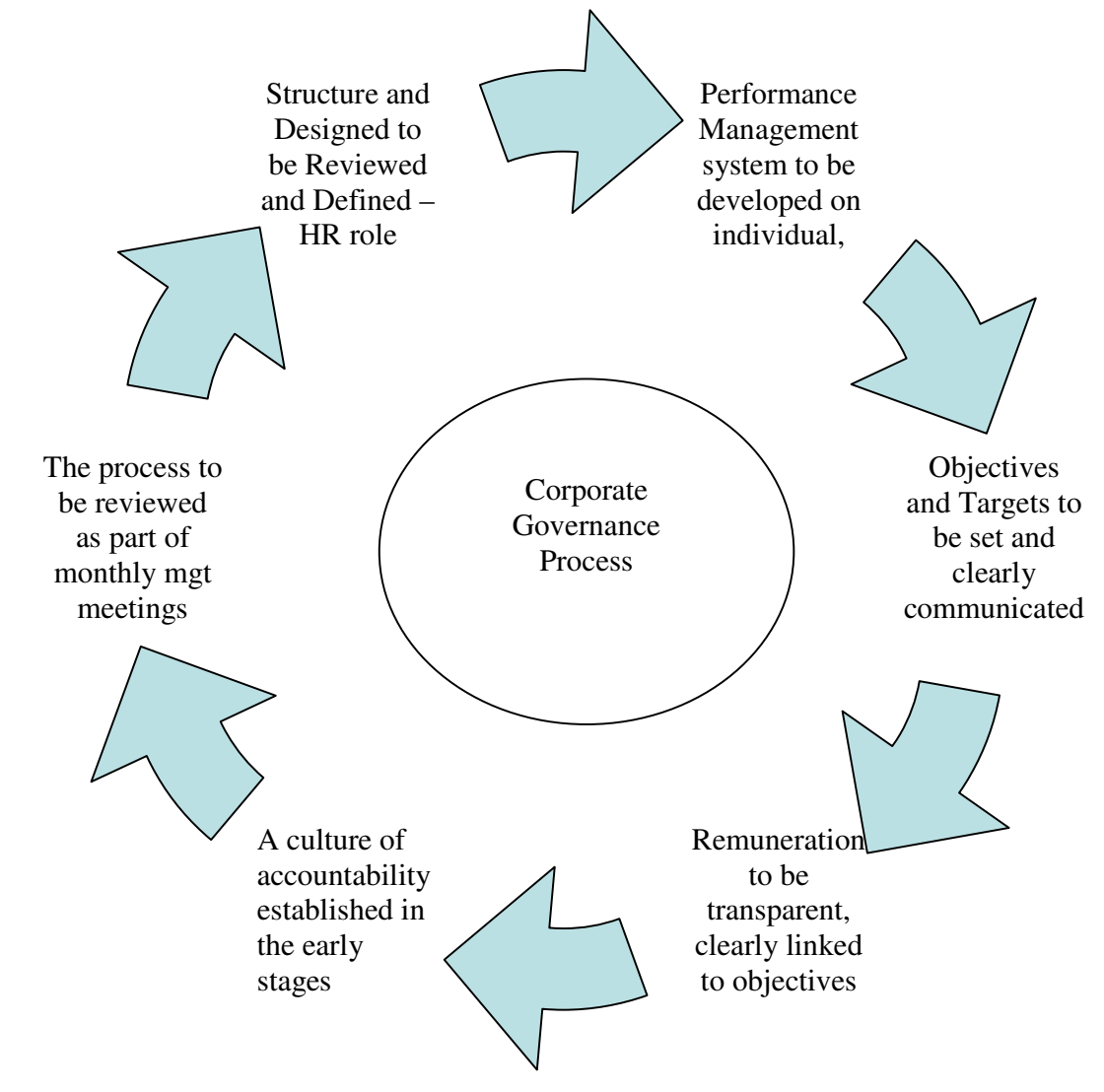 resolve the issue of conflict. Accountability as a concern was also consistent. People felt that key players in their businesses were not involved in the strategy development or key decisions of the business and it was the reason it was not seamlessly implemented in their area.

A valid a key point was made whereby members of boards and CEO's have a 'lifespan' in an organisation. This is to avoid conflict and to ensure a fair approach to dealing on behalf of the stakeholders in an organisation, but why is this not the case in a business unit. It was pointed out that were an MD is in the role for many years, unethical relationships develop internally and they are no longer able to distance the professional from the personal. 'Bad apples' develop and become increasingly difficult to manage for the organisation even after that MD is gone.

Objectives and targets were discussed as a key component and also a structured system for monitoring and managing these. In some business units this works quite well in others it stops at the top level. It was consistently seen as something that should be of focus in order to effectively hold people accountable and answerable with regards to their responsibilities.

CHAPTER 4 - FINDINGS

In order to effectively implement corporate governance into the business units the following were the findings;

Structure and Designed to be Reviewed and Defined – HR role

Performance Management system to be developed on individual,

The process to be reviewed as part of monthly mgt meetings

Corporate Governance Process

Objectives and Targets to be set and clearly communicated

A culture of accountability established in the early stages

Remuneration to be transparent, clearly linked to objectives

CHAPTER 4 – CONCLUSION & RECOMMENDATIONS

Conclusions

Conclusions are discussed for the purpose of analyzing the information obtained in the interviews in Chapter 3 under the discussion headings however in summary;

The organization appears to be changing with regards to its structures, there have been various changes and also acceptance of these changes have been unsuccessful, in these cases the changes have been reversed. There is a clear acceptance that change is needed and the group appear to be addressing the issues. Whether this is done quickly enough can have a very big impact on the business – there is a risk of loosing talent, customers and revenue as a result of this.

There are many changes that the organization are trying to implement at present and there are a variety of areas highlighted, but the implementation is never in a structure way. MD's are given a task; they evaluate its importance and give it to someone else to deal with. Something like corporate governance would be considered an unimportant area by them until there is a reason to have it on the agenda.

Whether group will focus on this as an important item in the current turbulent times is also unclear. It appears they are trying to impact on it and use it as a valid contributable element of

organizational growth; enough emphasis on the standards and controls is not given to support this.

The competence levels also need to be considered of all Senior Management within the business units to establish if they are able to present themselves at the top table and take on the task, or in some cases take it away from the MD.

It has been stated that when a company is failing it will try anything, a company that is successful generally does not know where that success comes from and there is then a tendency to fall into a pattern of not changing anything. Sir Fulke Greville once stated;

"It is often better to have a great deal of harm happen to one that a little, a great deal may rouse you to remove what a little will only accustom you to endure."

It appears that this is evident within the cash businesses that have suffered significantly through recent times as there are manages changes evident in the Senior Management teams. However this is a reactive approach and verifies the fact that people are not held accountable. The group reacted when a threat or opportunity presented itself as opposed to dealing with the issues through the correct processes and procedures.

Recommendations

Successful implementation of corporate governance can be achieved through giving HR the autonomy to implement and manage the process outlined in the findings. As was quoted in the literature review;

"It is nearly unanimous that HR can and should add more value to corporations. The best way to do this is by being a business partner—by directly improving the performance of the business. This can be accomplished by effective talent management, helping with change management, influencing strategy, and a host of other value-added activities that impact effectiveness."

The changes that will be required will involve, as stated by Mullins;

"modifying the behavioral patterns of members of the organization" and *"improving the ability of the organization to cope with changes in its environment".*

The company needs to develop a proactive approach to the implementation of corporate governance As Sam Walton stated;

"You can't just keep doing what works one time, because everything around you is always changing. To succeed you have to stay out in front of that change".

Communicating with the people and bringing them on board must be the main priority to ensure successful implementation of any change process. Resource the company appropriately, as stated by Hax and Majluf (1996; 10) in Burnes (2009),

"The essence of the resource based model is that competitive advantage is created when resources and capabilities that are owned exclusively by the firm are applied to developing unique capabilities. Moreover, the resulting advantage can be sustained due to the lack of substitution and imitation capabilities by the firm's competitors."

Throughout the research many stated that the best way to ensure employees make the right decision it thought governance and ownership, a structure that gives employees optimal role, from the perspective of fairness and open communications. Along with a clear and transparent performance and remuneration structure.

The organization have stated that this is an objective and they published a policy stating their aims (Appendix 14) however it is evident that this is not the case. The organization need to implement the process outlined in the findings throughout the whole organization and not just at top levels. Monks and Minow quoted Clarence Darrow stating;

"The employer puts money into business, and the workman his life. The one has as much right as the other to regulate that business."

While it is evident that G4S operate a shareholder model with regards to corporate governance, they are trying to move to a more stakeholder model. They have signed up to a worldwide agreement with UNI Global, and a commitment with the UN on human rights. This is good however internally it has been stated that this is more for a publicity cause that for what they state their beliefs are. Unless they implement a process internally they can not effectively move away from this model and have a holistic approach to corporate governance.

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APPENDICES

Appendix 1

G4S "GENERAL LEADERSHIP COMPETENCIES" 2010

Nine Competency Areas, clustered in three groups:

*	SHAPING THE MARKET ENVIRONMENT	SETTING STRATEGIC DIRECTION	SIMPLIFYING THE COMPLEX
**	CREATING CHANGE & INNOVATION	DRIVING SUPERIOR PERFORMANCE	FOCUSING ON THE CUSTOMER
***	ENGAGING, INSPIRING & DEVELOPING PEOPLE	LEADING WITH PROFESSIONALISM & INTEGRITY	WORKING COLLABORATIVELY

A total of 64 behavioural indicators:

SHAPING THE MARKET ENVIRONMENT (Information Search) – 6 indicators
- Systematically searches a broad range of information to enable a thorough understanding of the market environment. (e.g. political, social, technological, competitor, demographic, economic factors)

- Actively promotes a positive external perception of the business, and takes action to protect and enhance the organisation's reputation and brand.

- Influences the legislative, regulatory and market environment through effective networking and lobbying of government, industry, professional and/or NGO bodies to ensure the best outcome for the business.

- Monitors competitors to identify potential threats and opportunities.

- Explores and develops significant growth, value and profit-generating opportunities.

- Demonstrates a global mindset when reviewing our market positioning and impact

SETTING STRATEGIC DIRECTION (Concept Formation) – 6 indicators
- Considers and links the market, future trends & developments and their implications, to determine strategies for success.

- Steps back and takes a broad view of issues as a basis for generating new ideas and ways forward.

- Develops strategies in line with the global G4S Solutions strategy.

- Provides a clear and well-considered vision of the future.

- Ensures that all elements of strategy are consistent, practicable and complementary.

- Seeks to deploy strategies that will generate short-term gain and long term success for all stakeholders.

SIMPLIFYING THE COMPLEX (Conceptual flexibility) – 6 indicators
- Demonstrates an understanding of the inherent complexity of dynamic situations across business, geographical and functional boundaries.

- Makes and clearly articulates connections that are not immediately obvious, taking into account the known and the unknown.

- Models options and compares the merits of two or more realistic alternatives, stating the 'pros and cons' of each, and creating a plan or strategy that maximises the benefits and minimises the negatives of the original options.

- Identifies, and acts upon key information and the critical elements of an issue.

- Communicates complex situations in straightforward, comprehensible terms.

- Uses sound judgement to make timely decisions.

CREATING CHANGE & INNOVATION (Proactivity) – 7 indicators
- Keeps a receptive and open mind to change initiatives, *always seeking to understand their potential implications.*

- Constructively challenges current thinking and practice, offering new ideas, alternatives or improvements to existing products, services and approaches.

- Acts as a 'champion' for change, encouraging different ideas, creativity and innovation and promoting agreed change initiatives.

- Develops effective plans for the implementation of change *and demonstrates a sense of urgency about delivering change*.

- Pays attention to changing circumstances or other varying levels of comfort with change, amending plans where necessary and appropriate.

- Reduces the constraints and barriers to action, initiative and innovation.

- Seeks out new technologies and explores their possible business applications to create value.

DRIVING SUPERIOR PERFORMANCE (Continuous improvement) – 8 indicators
- Delegates important and challenging responsibilities thoughtfully and appropriately

- Acts swiftly to address problems, correct underperformance or unacceptable conduct issues.

- Meets deadlines, and delivers agreed objectives, using time effectively & efficiently.

- Pursues objectives with enthusiasm, commitment, persistence and pace.

- Introduces substantive improvements to processes, operations and practices, to bring short- and longer-term benefits.

- Sets and implements "best in class" or "leading edge" standards and targets.

- Actively monitors business performance against budgets, business plan milestones and strategic objectives.

- Monitors the performance of others, setting clear but stretching performance objectives.

FOCUSING ON THE CUSTOMER (Customer focus) – 8 indicators
- Analyses the value drivers, strategic intents and security risks and threats of customers in key sectors and markets.

- Develops and maintains relationships with major existing (and potential) customers at the most senior levels.

- Gains customers' confidence and trust by demonstrating expertise, insight, empathy, consultancy skills and commitment.

- Acts proactively to inform and influence customers' thinking.

- Seeks to gain an understanding and modifies approach to engage with customers from diverse cultural backgrounds.

- Builds organisational capabilities (either directly or through partnerships) to bid for, negotiate, design and deliver differentiated solutions.

- Delivers sustainable value to customers through sound commercial, financial and risk-management principles.

- Seeks to measure and exceed customers' expectations and to improve their satisfaction and loyalty, based on mutually valuable solutions.

ENGAGING, INSPIRING & DEVELOPING PEOPLE (Developing people & Presentation & Building confidence & Empathy) – 8 indicators
- Actively and systematically recruits and selects the best people for employment.

- Creates and encourages a climate of trust and openness to encourage others to fully and openly state their diverse ideas, feelings and beliefs, without any fear of criticism, judgement or punishment.

- Empathises with others, taking care to listen with tact and concentration, using summary clarification to ensure a full understanding.

- Motivates and inspires others, building their confidence in their own capacity to succeed.

- Recognises and rewards good performance, *and encourages people to share their successes*.

- Creates communication strategies which ensure that stakeholders are well informed and have up-to-date and relevant information.

- Communicates ideas clearly & fluently, commanding attention and making a strong impact.

- Takes personal responsibility for supporting and developing others by acting as a mentor or coach, and providing others with challenging opportunities for development enabling them to realise their potential.

LEADING WITH PROFESSIONALISM & INTEGRITY – 8 indicators
- Maintains an appropriate balance between assurance and humility, with authority and consideration.

- Remains self-controlled, calm, focused and effective in difficult and stressful situations, accepting criticism without becoming hostile or defensive.

- Actively seeks out (and acts upon) personal feedback, to learn and to develop skills, knowledge, capability and expertise.

- Always portrays and communicates the best possible personal and professional image, representing the brand with dignity and professionalism.

- Demonstrates a high degree of flexibility and personal commitment to the achievement of the organisation's goals.

- Acts with integrity at all times, keeping promises, admitting to mistakes, upholding the organisational values and *challenging people that don't.*

- Treats people with fairness, respect, impartiality and consistency, demonstrating sensitivity to individual needs.

- Actively encourages individual and company involvement with community projects/initiatives.

WORKING COLLABORATIVELY (Teamwork & Influence) – 7 indicators
- Builds an inclusive environment where systems and processes encourage collaboration, open team interaction and team development.

- Builds strong and effective relationships, based on two-way dialogue, using influence and persuasion rather than imposition.

- Actively offers up knowledge and expertise to others in the organisation to drive best practice, and encourages joint planning and/or action.

- Seeks out knowledge and expertise from others with diverse views in the organisation to drive best practice.

- Creates strategies for 'win-win' alliances and cross-boundary team working, with colleagues in other Divisions, Regions, and Businesses, Functions and at the Centre of G4S.

- Develops long term, mutually beneficial relationships with customers and partners.

- Actively networks with external organisations (including government and industry contacts) in order to seek out development opportunities, new ideas, best practice and build capability.

Appendix 2

<p style="text-align:center">**G4S plc**
OVERVIEW OF GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM
FOR YEAR ENDED 31ST DECEMBER 2010</p>

1.   Purpose of document

The combined code states that:

"The board should, at least annually, conduct a review of the effectiveness of the group's system of internal controls and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls and risk management systems"

The objective of this document is to assist the Group Audit Committee with this review by presenting an overview of the group's internal control system. The aim is to cover all relevant facets of the internal control system so that there is a sound, appropriately documented, support for the statement on internal control in the annual report and accounts.

2.   Overview

Appendix 1 sets out an overview of the internal control systems and reporting.

The only company which is not required to meet these group wide systems in full is WSI as a result of their proxy arrangements. A meeting with WSI was held in March 2010 and a report issued to the Audit Committee providing a high level understanding of their internal control systems, risk management and monitoring processes. The Audit Committee Chairman also met with WSI board during 2010.

OVERVIEW OF INTERNAL CONTROL SYSTEMS & REPORTING

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
Group Board Reporting	Meets monthly to review performance of the group	Summarised financial information, including profit and loss account, cash flow and Key Performance Indicators, numerical, narrative and graphical. Other management reports	Minutes	At subsequent meetings
Group Audit Committee	Meets 4 times a year. Scope covers financial reporting and control, risk management systems and external/internal audit.	Reports from CFO, internal audit and external auditors. Management reports on key subjects Presentations from RFDs	Minutes and report to Group Board.	At subsequent meetings & by Group Board
Remuneration Committee	Meets at least twice a year. Covers executive remuneration policy and remuneration of Directors and certain senior executives.	HR Director reports	Recommendations to Group Board	At subsequent meetings & by Group Board
Nomination Committee	Meets when appropriate and is responsible for nominating candidates to fill Board vacancies and advising on succession plans for both executive and non-executive Directors.	HR Director reports	Recommendations to Group Board	At subsequent meetings & by Group Board
CSR Committee	Meets quarterly and is chaired by non-exec. Reports into Audit Committee. Considers Group CSR policies and standards. Reviews annual CSR report	Strategies and actions for various elements covered by CSR (eg business ethics, compliance, climate etc) Internally or externally prepared reports on specific CSR topics	CSR meeting minutes, strategy and actions Annual CSR report	Audit Committee receive minutes and updates on CSR activities
Group Executive meetings	Meets monthly to review the performance of the Group	Monthly performance analysed by region Full set of management account packs	Minutes	At subsequent meetings
Statutory Reporting	Annual and half year accounts for external financial reporting. The published results and accounts are reviewed by the Group Audit Committee before presentation to the Group Board for approval	Financial consolidation system and year end packs	Consolidated accounts	External audit review Group Audit Committee review

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
Trading & financial reviews	The Executive Directors hold monthly trading reviews with the Regional Presidents to monitor performance. Regions hold regular trading reviews with sub-regions and companies Regular company performance reviews at all levels down to branch managers. Detailed analyses of the financial performance of the larger business units to the CFO on a monthly basis with the smaller businesses being reviewed at least quarterly Group CFO holds monthly calls with RFDs	Management accounts and reports Financial reports and analysis Regional narrative reports	Action points	Group & Regional committee review Group Finance review
Business Plans & budgets	Separate budget and business plan process A formal re-forecasting exercise is carried out three times per year at the end of each succeeding accounting quarter.	Strategic parameters and instructions	Budget submissions	Regional reviews & group exec presentations The Group Budget is approved by the Board in December. The Business Plan is considered by the board at the annual strategy session. Regular monitoring of performance throughout the year
Group Risk Committee	Meets 4 times a year. Considers all aspects of business risk. Members are Group Executive Directors	Report from Head of Group Internal Audit summarising audit and risk activities Group Risk Profile	Minutes & updated Group Risk Profile	At subsequent meetings & by Audit Committee
Division/Regional Risk Committee	Meet at least annually and consists of regional directors and selected senior management. Supports company RACSE process.	Regional/Company risk summaries	Minutes/action points & updated Regional Risk Profile	At subsequent meetings & by Group Risk Committee
Company Risk & RACSE profiles	The process requires regular assessments of all business risks with examination of their likelihood, the potential impact on the business and the controls in place to mitigate the risk	RACSE system for formal update at least twice a year	Updated RACSE system and key reports for review by region	Regional review of summary reports
Anti-corruption Committee	Selected Group senior managers with	Bribery Act and guidance. Overall project plan and	Risk assessments, updated	Reports progress into Group Exec and

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
	responsibility to facilitate the strengthening of controls to meet the Bribery Act requirements.	individual work plans.	group policies, training plans, hot line reporting etc	Board.
Whistleblowing procedures	Employee concerns are reported in confidence to the Finance Director or Human Resources Department of their business unit. Some major businesses have their own dedicated hotlines managed internally and in some cases externally If employee is dissatisfied with response or if the issue is of exceptional gravity then issues can be reported to Head of Group Audit. This will be replaced in 2011 by an outsourced hotline service.	Issues raised by employees	Investigation of issues by local company Issues reported to Head of Group Audit are logged and reported. Material cases are reported to Group Risk Committee and Audit Committee.	Local investigations are discussed as part of audit visits Adequacy of the whistle blowing arrangements are reviewed by the Audit Committee
Group Internal Audit (GIA)	A corporate team of 15 staff providing risk based and compliance audits reporting to CFO and Audit Committee Scope covers main areas of business risk in order to provide management with assurance on risk management, internal control and governance processes. Objective to visit every business unit at least once every 3 years and all major business units (over £50m revenue) at least once each year. The effectiveness of GIA is periodically reviewed with the last review in 2009 carried out by an independent senior manager.	Meetings with management at all levels to discuss audit coverage, risks and results of work Annual audit plan Operates to IIA standards Results of external audits IFR reports performed by Group Finance and Region Group policies & standards Legal, statutory and other regulations	Risk based audit plan Audit visits & investigations Reports and executive summaries issued to individual operating companies, regional and group management as appropriate. Audit Committee receive executive summary of reports where there are matters of significant concern/impact (these are normally rated as "Seriously Deficient") Summaries of common audit issues are report to executive management and Audit Committee	Review by Region, Group and Audit Committee All reports are subject to a desk-top follow-up where management self report on progress on implementing actions Audits with an unacceptable rating (ie "Deficient" and "Seriously Deficient") are re-audited within 9 months. Progress is monitored by the Audit Committee.
Group policies & authority	Policies to cover key areas of business	Legal, statutory and commercial requirements	Group policies include:	Annual review and update

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
limits	operation and guide staff and management .	Best practice	• Group Finance manual • Contract risk management policies • Procurement policies • Brand and communications policies • IT standards including information security • HR minimum standards • Business Ethics policy • Minimum standards for Cash business operations • Business Continuity plans • Group authority limits devolved to regional and business unit level	Periodic review by Audit Committee of Group Financial policies and controls Feedback from internal and external auditors on compliance
Treasury	Management of treasury risk is in accordance with policies determined by the Board and delegated by the Board to the CFO.	Treasury policies Group funding requirements	A monthly treasury report is produced	Review by CFO and periodic reporting to Audit Committee
Pensions	Management and reporting of pension obligations Pension Trustees	Regular review of pension situation & risk assessments Actuarial valuations Investment strategy	Reports on pension funding situation	Review by CFO and periodic reports to Audit Committee External audit
Project and capital expenditure controls	Tiered system for the reporting, approval and follow-up of capex. Standards for due diligence work Group Corporate Finance & Planning (CF&P) function overview process Group Legal input on M&A including on SPAs .	Group finance manual includes a framework for the authorisation and control of project and capital expenditure. Authority limits and procedures set for company, regional and group approval of capex. All proposals presented to the Group Capex Committee in specified format and are assessed against criteria, including DCF at the group's WACC, adjusted for the risks of the project currency PCRs presented to Group Capex Committee	Group Capex Committee minutes Capex requests PCR reports Due diligence reports CF&P annual survey of acquisitions integration into G4S Audit & IFR reports	Group Capex Committee review CF&P reviews

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
Company audit functions	Audit functions exist in some regions and in a number of companies across the group. They cover financial review, internal audit, operational compliance, security and quality (ISO) assurance. In total in excess of 100 full time staff involved in these activities with reporting lines into business management and region	Operate in line with local requirements ISO and other standards	Local audit plans Reporting is at local and regional level	Review by local management Review by internal audit Consideration of key issues at risk committee meetings
Internal Financial Reviews	Detailed balance sheet and P&L account review. Undertaken at company level on an annual basis Performed by Group Finance for top 20 businesses by revenue or other high risk businesses. All other businesses are covered by RFD.	Set approach and standards for IFRs Group Finance and RFDs produce time plan for IFRs	IFR report (Full report is required for top 20 businesses. For other businesses RFD can elect to produce full or summary report. The work undertaken it the same in all cases)	RFD follow-up results and ensure actions taken. Group Finance and GIA monitor completion of plan and results. Material issues reported to Group CFO and Audit Committee
Financial Control Self Assessment	Half-yearly self assessment report on key financial controls/reconciliations (FCSR)	Policy for self assessment reporting Periodic review and update of FCSR content	Management self-assessment reports	Collation and review by RFDs Reporting of results to Risk Committees & Audit Committee Review of quality of completion of returns as part of audit visits and IFRs.
Cash Solutions Security function	Provide specialist advice on cash security controls and standards. Complete security reviews in conjunction with Regional Cash Security Managers. Share best practice and monitor risks Monitor compliance with insurance operational limits	Cash security standards Security review checklist and programmes Insurance limits	Security reports Monthly reporting of cash attacks and losses	Database of security recommendations maintained and outstanding issues followed up Review of monthly reporting by group & regional management
Operational Cash Reconciliation	Standard procedures within cash businesses for managing and reconciling operational (customer) cash Independent reconciliation of cash from operations function Regional Cash Reconciliation Managers (CRMs) appointed during	Programme of ATM cash reconciliations during 2009 Standard cash reconciliation controls specified and included on RACSE system FCSR sign-off on cash reconciliations CRM visits to businesses to verify controls and completion of independent cash reconciliations	Reports from CRMs to RFDs RACSE and FCSR results	RFD review Risk Committee review Internal audit and Cash Solutions management reports Monthly reporting on cash losses

Control	Brief Description	Key Inputs	Key Outputs	Follow-up/review
	2009			
Group IT function - Director of Group IT and Information Security Officer	Oversee Group IT strategy, policies, standards and controls. Review regional IT strategy. Share best practice Regional IT Directors have indirect reporting line into Director of Group IT Information Security Committee set-up in 2009 and meets quarterly	Regional IT strategy and policies IT standards including information security ISO standards IT audit reports and Regional IT Director reports	Information Security Committee minutes Formal reports produced for meetings Updated Group strategy, policies, standards and controls	Group CFO attends IS meeting at least once per year and receives minutes and reports
External audit	Full audit of financial accounts at year end. Review at half-year end. KPMG group auditors Local auditors differ from KPMG for some companies, but on an exceptional basis.	External auditor quality standards and plans	Audit report Highlights reports and management (internal control) letters Management action in response to financial control weaknesses	Review by Group Finance and Audit Committee Control weaknesses followed-up as part of internal audits and IFRs
Third party audits	Government audits where there are outsourced contracts (eg Justice Services businesses) Customer audits (eg Lloyds TSB) External ISO quality audits	Government or third party audit requirements	Audit reports	Issues raised are actioned by local company Also identified and reported to relevant Risk Committee
Health and safety	Structure of policies and organisation in different parts of the group	Health & Safety statutory requirements H&S best practice	Health & Safety standards and policies, forum and responsible persons Risk reviews	H&S forum and management follow-up issues
Legal & insurance	Internal legal staff and external legal advisors Regional Legal Counsels Internal insurance department	Compliance with legal requirements across the group Insurance strategy and policies Insurance database for claims Internal audit and IFRs	Insurance arrangements Loss prevention procedures	Review by Legal Director Review by Risk Committees Material issues report to Audit Committee

Appendix 3

Interview Questions

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: _____ (can be anonymous if required)
Position: _____
Date: _____

What is your understanding of corporate governance in your business unit?

What corporate governance standards are set in your business unit?

What is your involvement in its implementation or consistent management of these?

With regards to performance – how is this linked to corporate governance?

Is there an accountability culture within the business? Please describe

What internal controls do you use for corporate governance (non financial)?

Are these controls re-visited regularly by you or anyone else?

What is the link between corporate governance and HR within your business?

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Is performance management of all managers treated the same in your business unit? Please describe

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

Do you think HR have a role to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

Appendix 4

Interview Number 1

Nada Baragova - Slovakia

Date; 29th June

Appendix 4

Interview Number 1

Nada Baragova - Slovakia

Date; 29th June

Interview 1

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Nada Baragova
Position: HR Manager

What is your understanding of corporate governance in your business unit?

Corporate governance is perceived as rules which must be followed.

Are they followed by everyone?

It is different at different levels within the organisation, and depending on the individual. For example those who have a longer service sometimes view themselves as not having to follow certain rules that are implements.

What corporate governance standards are set in your business unit?

Corporate governance standards are set in respect of main responsibility areas which are most common for commercial bodies- hr, finance, and security, operational. They are reflected in organisational architecture.

What is your involvement in its implementation or consistent management of these?

My role is it to implement HR standards in the small local company of corporation in Slovakia. These should then be linked with corporate governance standards and monitored. Certain standards which are highly regarded in the legislation and monitored more than others which could be of the same value to certain stakeholders within the organisation.

With regards to performance – how is this linked to corporate governance?

I have implementation of corporate standards listed in my annual bonus scheme as one of my achievement targets.

Is there an accountability culture within the business? Please describe

Yes, there is. It is reflected in organisational structure. Each executive director is responsible for the compliance with corporate standards to the MD and responsible director at the level of corporation´s HQ responsible for the respective area.

What internal controls do you use for corporate governance (non financial)?

Internal audit from corporation HQ and internal controls in respect of specific standards.

Are controls in place in relation to performance? For example if there are functions or managers underperforming how is this managed?

The management of this is through the MD.

Do you have a function to manage this on behalf of the group HR function for the MD?
No this is done through their group function.

Are these controls re-visited regularly by you or anyone else?

Yes.

What is the link between corporate governance and HR within your business?

HR must comply with corporate HR standards. Corporate HR standards are defined as minimum standards, which each business must comply with.

And does your business comply with all of these?

Yes as the MD is new he is pushing for all standards to be implemented and supported.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Some of minimum standards are connected with performance management. Such as annual appraisals for all employees, succession planning etc. With regards to the link with corporate governance I am not sure what this is?

If there is a function or manager underperforming is the appropriate controls implemented such as the disciplinary policy?

That depends on the situation and the individual.

Is performance management of all managers treated the same in your business unit? Please describe

No. It is treated in respect to the manager´s grade set by the corporation for the executive management. Other managers are treated the same based on the policy issued by the division they are internally dedicated to.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I am responsible for some points- such as overtimes limits and wages procedure compliance.

Do you signoff on the monthly accounts before they are issued to group?

I have not done before but we are bringing in a new system where I will signoff on part I am responsible for and then the overall accounts will be submitted and distributed internally.

What role does HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

HR implements the policy for managers to follow in performance management process and after the discussion with manager's sets as well minimum performance levels.
Looks after deadlines as well. Responsibility for the execution lies on divisional directors.

Do you think it is most effective to have divisional directors responsible for the execution?

The divisional directors are extremely busy and responsible for a wide variety of items. If performance management lies with HR they should be given the authority to fully manage the entire process up to execution stage.

What changes can be made to do things differently in respect of corporate governance?

Corporate governance is good idea, but should not represent itself as rigid system. Its applicability should be discussed with countries it is governing yet there should be a direct link with HR. I think it is also a question of the level of autonomy HR carries.

Appendix 5

Interview Number 2

Anna Karin - Sweden

Date; 29th June

Interview 2

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Anna-Karin Berry
Position: HR-Director

What is your understanding of corporate governance in your business unit?

My understanding is that we take corporate governance seriously. We have good relationships with unions and follow legislations in the country. We operate a stakeholder type model. We are working with constant improvements to increase performance and employee satisfaction. We measure and follow up not only financial metrics.

What corporate governance standards are set in your business unit?

We have policies for Health & Safety, Diversity and Inclusion, Business Ethics and of course we live up to the company´s HR standards.

What is your involvement in its implementation or consistent management of these?

I am responsible for policies and standards in the HR area, as mentioned above. I am also responsible that we follow legislations in the HR area.

What about performance management, are you responsible for this in any way?

Yes I am fully responsible for this.

With regards to performance – how is this linked to corporate governance?

I believe that we as a company gain from working with e.g. diversity and Health and Safety and that this will improve both quality and performance. We also have KPI´s in a number of non-financial areas.

Is underperformance tolerated above an acceptable level?

The business has gone through a tough couple of years with regards to performance and a new director has recently been appointed aswell as some other key appointments so I believe that this reflects a position that underperformance is not tolerated.

It differs between branches. We have a higher degree of accountability outside the big cities. One reason for this could be that the employee turnover is lower and people have therefore worked for many years and are very loyal to the company.

We have internal audits for Health & Safety. All employees should have at least one yearly performance and development talk. The employee survey is another way to follow up.

They did not always but this is something that is being implemented which should in turn drive accountability.

Yes, we re-visit them on a regular basis or if there are major changes in the company or in the legislation.

HR is responsible for certain policies, standards and legislation.

No not in its entirety but as a Snr Manager they have some responsibility

We have a Competence Management Process. All employees should have at least one development talk when you receive feedback of your performance and discuss how to improve. Individual targets are set and followed up.

Yes, the managers are treated in the same way.

That would suggest if the MD did not reach his targets he would be treated the same as a branch manager who did not achieve targets, is this the case?

Again, looking at recent changes I would agree that that is the case.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I am involved in audits for Health & Saftey.

So do you have any involvement in the accounts before they are sent to group?

No not at present

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

HR can link company strategies and targets to individual competence development and targets. We can also support managers to do an excellent job in the CSR area. HR has also the responsibility to re-visit and follow-up policies and standards.

So do you believe that as HR is responsible for performance management they should be responsible for corporate governance given the direct link?

I think they certainly should have a bigger involvement.

What changes can be made to do things differently in respect of corporate governance?

We can improve the process for individual targets and follow-up and there should be a system for monitoring and reporting on this.

Appendix 6

Interview Number 3

Dick Tanis – Belgium/Netherlands

Date; 30th June

Interview 3

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Dick Tanis
Position: HR Director Cash Solutions BeNe

What is your understanding of corporate governance in your business unit?

The implementation and the monitoring of the set of legal rules and company rules with fair, honest and ethical business as a consequence.

What corporate governance standards are set in your business unit?

HR standards, Finance rules and standards, Security rules and standards, country legislation, corporate legislation, H&S standards and legislation.

What is your involvement in its implementation or consistent management of these?

I'm responsible for the implementation of the group HR (including H&Standards). I'm responsible to insure that every worker is treated with fairness and respect taking in account the legislation, the values, the safety rules and the security rules.

With regards to performance – how is this linked to corporate governance?

We will always set our business objectives in respect of the legal framework, values, business ethics and the company rules.

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

Every worker is accountable and has to do his job in respect of the values, the ethics, the group standards and the legal framework. A structure accountability is more within the business than a cultural accountability. In Operations accountability is seen more to punish instead to improve.

What internal controls do you use for corporate governance (non financial)?

Different audits in all parts of our business on a regularly base. We insure that everybody knows the rules, the procedures, the values and the business ethics.

Are these controls re-visited regularly by you or anyone else?

By me during my daily job. By internal and external audit on a regularly base.

What is the link between corporate governance and HR within your business?

All legal rules concerning employment, H&S, ethics are implicated. HR has to ensure that every worker is treated with fairness and respect.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Our appraisal system is build on our company values.
The 360° tool that we use is based on G4S view on leadership.

Is performance management of all managers treated the same in your business unit? Please describe

For the management we use Potential & Performance reviews and 360° feedback.
For the white collars we use our appraisal system based on our company values.

Are appraisals always completed with 'white collar' workers?

Yes at least once per year.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

Very much, HR is involved in each audit, internal our external.

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

A leading role!

That's good.
What changes can be made to do things differently in respect of corporate governance?

More involvement of line management in corporate governance.

Appendix 7

Interview Number 4

Glenn Kelly - UK

Date; 30th June 2011

Interview 4

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Glenn Kelly
Position: HR Manager

What is your understanding of corporate governance in your business unit?

Corporate Governance allows us to have on paper policies and procedures that show how we should deal with all areas within the business. They do not always reflect what is actually occurring and are not in line with the day to day demands of the business largely due to a lack of focus in training in the individuals who need to be able to implement and other areas that would support their implementation.

What corporate governance standards are set in your business unit?

There is governance areas designed within all areas of the business that show how we should deal with many aspects of what we do including people and processes for the different aspects of the day to day operation in order to ensure these conform with the corporate governance standards of the business

Are these implemented consistently?

No not in all cases.

What is your involvement in its implementation or consistent management of these?

There is no consistent management of these and Operational management who are essential to the day to day success of the business play a very minimal role in strategic implementation. In the majority of circumstances they only become involved in advance of an audit or visit that requires them to show compliance with the standards of a particular area

With regards to performance – how is this linked to corporate governance?

I would view performance management as critical to the success of both corporate governance and organisational success. There is no consistent performance management within our business and standards vary depending on the managers and personnel involved in their implementation

There is no structured accountability culture and there cannot be until performance management is successfully implemented and appropriate training provided.

Because of the nature of the business there are strict controls around how we operate on a daily basis. The management of these is a key aspect of how we operate and is the key area of focus for management. Some of this can be archaic due to a lack of investment in training and systems that would support the opportunity to improve on how we operate.

Yes I would review all areas within my control on a consistent basis with a view to improving however without buy-in from Snr Execs it is difficult to ensure the controls are verifiable.

HR are not directly involved in the strategic development for the business unit so it is difficult to ensure that we are achieving governance.

There is no consistent performance management within the company. Some individuals self manage and make themselves accountable on that basis however as capabilities vary this is accepted by senior management and not addressed. This also exists in the senior management teams so it is fair to say that this is replicated through the business from there.

Yes it would be.

No there is no performance management in the business and the managers wouldn't receive formal performance management including setting of objectives however those who work effectively are normally given more work on top of what they have already when they have proven that they regularly deliver. The non performers are generally marginalised for new

roles and opportunities rather than the specific issues addressed with the exception of occasional non formal conversations

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

Due to the structure of the organisation this is very limited to only key people and there is a lack of transparency completely in this area

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

HR are required to be directly involved and central to the whole process if it is to be effective within the company. Key people in the organisation do not value the role HR have to play in this area.

What changes can be made to do things differently in respect of corporate governance?

The approach from the top needs to be changed and opened up to include all of the key people in the company in order to ensure that strategies support the business and can be achieved. Performance management must be introduced immediately and staff at all levels need to be empowered to want to achieve objectives that will enable us to succeed in this area

Appendix 8

Interview Number 5

HR Member - Ireland

Date; 30th June 2011

Interview 5

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: _____ (can be anonymous if required)
Position: HR Member
Date:

What is your understanding of corporate governance in your business unit?

Corporate Governance is not particularly evident in our business unit. There are controls in place; however the results of these are no necessarily accurate

What corporate governance standards are set in your business unit?

Minimum standards as set by Group

What is your involvement in its implementation or consistent management of these?

I don't believe as a department that we have an involvement in implementation or management of Corporate Governance

With regards to performance – how is this linked to corporate governance?

As performance is not managed in a regular way (i.e. Annual Performance Reviews) I don't believe it is linked to CG within our company, despite the fact that it is key to its success

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

No. For example certain managers are given less responsibility based on their poor performance while stronger performers work loads are increased in order to compensate for this.

What internal controls do you use for corporate governance (non financial)?

Minimum standards that are set by Group, these are not necessarily fully implemented. For example one of the minimum standards would be to have an appraisal system linked to objectives linked to remuneration. This is the not the case here.

Are these controls re-visited regularly by you or anyone else?

No, due to a lack of resources many are not considered important. However if an audit is due to take place there is panic to get it done

What is the link between corporate governance and HR within your business?

There is very little link between CG and HR in our business unit because I don't believe that either are taken seriously enough by the top level in order for them to believe that through implementing effective corporate governance HR could really impact on profitability.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

There is no Performance Management and therefore no link. This results in a clear lack of corporate governance down the line.

Is performance management of all managers treated the same in your business unit? Please describe

No. There are clearly different standards and an unwillingness to tackle the problem due to loyalty issues and service.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

None, but we are still expected to answer on aspects of this (i.e. Direct Labour) without the technology, communication and transparency needed to be able to

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

Very little, we do not currently carry out any performance appraisals at any level and therefore have difficulty in impacting on individual performance, which ultimately impacts on the organisations performance

What changes can be made to do things differently in respect of corporate governance?

Give HR a more strategic role in the business in order to create a better relationship on all levels or the organisation

Do you think that is possible to achieve?
Not with the current structure that is in place.

Appendix 9

Interview Number 6

Iwona Frackowski - Poland

Date; 1st July 2011

Interview 6

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Iwona Frakowski
Position: HR Member

What is your understanding of corporate governance in your business unit?

Corporate Governance in Poland is very much based on the legislation in addition to groups own standards. The systems are very regulatory and we must work within them.

What corporate governance standards are set in your business unit?

A lot of regulation for the industry as well as through labour relations. We are a unionised environment and we must deal with all issues in a structured format. We have many standards to adhere to, we can not always manage this but we try.

What is your involvement in its implementation or consistent management of these?

It is completely my responsibility but I am not given enough resources to manage this, I believe line management should have some responsibility for this but it is difficult to transfer this responsibility.

With regards to performance – how is this linked to corporate governance?

Performance is managed quite well at a Senior level but it is more difficult to implement throughout the business because of its size.

How many staff do you have?
6,000

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

Accountability lies with a few people only. For example I am accountable for many areas but I can not possibly manage all of these areas and I am not given budgets to train people to do this for themselves.

What internal controls do you use for corporate governance (non financial)?

We have standards for screening because of the issuing of weapons. We also have groups standards and very strict health and safety and training standards for our front line staff.

Are these controls re-visited regularly by you or anyone else?

Yes it is not possible not to apply these and to ensure they are up to date because of the licensing issues with the business.

What is the link between corporate governance and HR within your business?

HR is very strongly linked with corporate governance but more on a non financial level. The performance of the finances does not fall so much to HR.

In describing performance management now that you have mentioned it, in the company, can you discuss the link between this, HR and corporate governance?

Well we have a performance management system whereby we complete appraisals and have business objectives which are monitored and linked to the bonus structure which is one of the group standards. But the financial element of this for finance and other Snr Managers I am not responsible for.

Is performance management of all managers treated the same in your business unit? Please describe

No. As per my previous response, the responsibility falls on me for some of it and to the MD for others but I don't know why this is the case as there is no transparency.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I am responsible for the labour elements of the accounts and I must ensure this is managed properly, this is difficult as managers are not always sure how to do this properly and there are no systems in place to do this effectively.

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

HR have a key role in the company's performance but I don't know how this is linked to corporate governance because our MD reports on everything about the company and I cant always be sure what that is.

I think maybe if the MD was not the only person in this Snr role, if others were also at this level then there would be more sharing of the responsibilities.

Are you suggesting HR should play as important a role as the MD?
Yes but also other Snr Managers such as the Financial Director and the Security Director and also the IT Director as systems are an important element of control.

Appendix 10

Interview Number 7

Jenny Heslip - Canada

Date; 6th July 2011

Interview 7

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Jenny Heslip
Position: HR Director

What is your understanding of corporate governance in your business unit?

It varies considerably depending on the region, the legislation changes in different parts of Canada and also customs and the culture differs. Corporate Governance is driven by group, the legislation and also in some parts the unions. Our suppliers influence this also, as they have set standards which we must comply with in order to be considered for any tender processes.

What corporate governance standards are set in your business unit?

We abide by the minimum standards as set by group, we also have a workers consultation committee. There are many legal requirements we must follow for licensing and these differ depending on the area such as traffic codes and labour laws.

What is your involvement in its implementation or consistent management of these?

HR is fully responsible for all of these areas. As a specialist in law I am involved in all aspects of the legal responsibilities of the company regardless of whether they fall into the HR category. Once standards are set with regards to regulation or internal compliance it is then passed to other managers and they hold responsibility for these areas.

Is this always the case?

Yes

With regards to performance – how is this linked to corporate governance?

Performance has been an important element of work since the minimum standards. Some regions were not performing well and they did not see that they should have to answer for this. A structured performance management system has been developed and this covers all levels within the business. We have had a lot of negative publicity around strike action which has greatly affected the business. In the past this would have been dealt with by doing what ever the union asked. Now we are challenging them with information on the performance of the

branch. Through managing the performance and dealing with it we hope to change the culture within certain regions.

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

Again it depends really on the region and on the regional director. Where there has been a regional director in place for many years accountability is lower believe it or not. It seems that they can get away with certain elements without being challenged. This does not necessarily mean that in all of these regions the performance is negative only in some areas. We are trying to create a culture of accountability you could say.

What internal controls do you use for corporate governance (non financial)?

We have standards in all areas, security, health and safety, legal, HR, and of course there are the financial ones. I would not say that the financial ones are of more importance because in Canada there are equal implications for license, labour or health and safety issues.

Are these controls re-visited regularly by you or anyone else?

The controls are very important, each Director has an area of responsibility and it works well. The controls are monitored and managed and we have what is required in place when it is required. That's not to say we always have everything done when we should.

What is the link between corporate governance and HR within your business?

There is a strong link because as I mentioned I am responsible for all of the legal elements. In terms of the softer elements of corporate governance we are not over achievers in this area. It seems to get put on the long finder but we aim to get there with it.

What do you mean softer elements?

The corporate social responsibility and the employee engagement, we do it better in some areas than in others.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Individual performance is managed by HR and we are responsible for driving standards as well as monitoring the objectives set by individuals. We are also responsible for evaluating the outcomes and compensating individuals based on this. Well we have various performance management systems for different levels. As a Snr Management team we then evaluate the performance of the company and re-align objectives accordingly. I think this is done quite well actually.

Is performance management of all managers treated the same in your business unit? Please describe

No. As I said there are the 'untouchables', but they are diminishing.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I am full involved in the audits and in the management accounts. We would have regular review meetings before signing off on the accounts and budgets are of significant importance to managers at all levels of the organisation.

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

A key role, without HR I don't think things would be monitored or structured as they are.

What changes can be made to do things differently in respect of corporate governance?

I guess because we are quite a distance from group our reporting structure is somewhat different, I mean our controls are in place and work well but in terms of groups knowledge I think it is limited. Given some of the Snr Management have been in place prior to the takeover Im not sure if I were in there shoes that I would except the controls they have in place.

Do you think they should have terminated the management team on takeoever?

No but I think they could build better relationships to ensure loyalty.

Appendix 11

Interview Number 8

Ludmilla Sussova - Czech

Date; 7th July 2011

Interview 8

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Ludmilla Sussova
Position: HR Director

What is your understanding of corporate governance in your business unit?

Corporate governance is how decisions are made and to ensure they are made ethically.

What corporate governance standards are set in your business unit?

Minimum standards for all business functions. For example we have screening standards in HR and this is for group but also for regulatory bodies.

What is your involvement in the implementation or consistent management of these?

I am responsible for the HR elements.

Are you compliant?

Yes we must comply or there are serious implications for the company.

With regards to performance – how is this linked to corporate governance?

Performance is an important element of corporate governance and we have introduced a new performance management system for managers which includes setting objectives and a plan to follow through.

And this is a new part of your role?

Everything is new now because once we were part of the guarding company and they we separated and now we have merged again so there are a lot of changes and I think this is good idea because we can ensure we have 'good' corporate governance going forward.

What do you think that is?

Managing performance of individual and linking this to organisation. As well as standards set on behalf of all stakeholders and not only group.

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

It is changing the culture, every day. With the new changes people do not have any choice. We have a lot of redundancies recently and people now know that they must take responsibility seriously.

What internal controls do you use for corporate governance (non financial)?

Minimum standards for all of the different parts of the business. Also licensing requirements.

Are these controls re-visited regularly by you or anyone else?

Yes we must always ensure they are completed as the laws are very strict and serious. It is difficult to do but we can not take risks on this part.

What is the link between corporate governance and HR within your business?

I don't think there was before a serious link but now it will be different. We have new MD and I think there will be a lot of changes. We will have new policies and standards and group ask us questions now about his performance when this never happened in the past.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Performance Management was always through the MD, HR now must manage this function and I think this is better because it is clearer and more transparent. Objectives are open, I know the finance ones and they know mine and we can help each other reach them but if we don't we know it is our fault and it is no longer something we don't know about.

Is performance management of all managers treated the same in your business unit? Please describe

It was not always but I think it will be now. Before Snr Managers who were here a longer time and who were not very competent in the role were kept on when they should have been made responsible for performance in their areas.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I always have responsibility for this, I know about accounts so I must always take part in the month end accounts and help out.

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

HR will play a better role in the future I think and this is because I believe the new MD understands HR and its importance. Also the importance of performance management and systems to organise this.

What changes can be made to do things differently in respect of corporate governance?

I think the change has been made and this is the MD. I don't think he was bad but he was here a long time and also other Snr managers and this is not good. If you look at outside corporate governance a CEO is only supposed to stay for 4 years, why is the role of MD different?

Interview Number 9

Sirpa Etzell - Finland

Date; 11th July 2011

Interview 9

A Study of how corporate governance is disseminated into business units and its link to HR.

Name: Sirpa Etzell
Position: HR Director

What is your understanding of corporate governance in your business unit?

It is present in everything we do, we have standards that we must follow and we must report on many things very often.

Report to where?

It seems like to everyone, we must have reports for our customers, for head office, for our unions, also for government bodies. This is difficult as our technology is not good and because Finland is a country where technology is always good in other areas

What corporate governance standards are set in your business unit?

Minimum standards as set by group, we recently secured a contract with Moominworld and their standards required in depth reviews around business ethics and contingency. These means that a lot of the corporate governance standards have been reactive but then they are mostly in other places too.

What is your involvement in the implementation or consistent management of these?

I have to be responsible for this, other managers have responsibilities for other areas but like always when something new has to be done it falls to HR.

Do you think you are best positioned?

Yes and no, because of the issue with autonomy.

With regards to performance – how is this linked to corporate governance?

We have very strict performance schedules and our objectives are constantly monitored by group – I think this is because we have had no MD for a long time and our Finance Director has been in change. I think this might be different if the situation was different.

Is there an accountability culture within the business? Please describe
How is this linked to corporate governance?

Yes very much so – branches are accountable for their labour which is very difficult. Because of the size of the country and the distances our crews must travel it is a problem. They are of course accountable for other part too. We don't have much crime so this is not really a problem for us.

What internal controls do you use for corporate governance (non financial)?

All of the standards that are set for us, by head office, the law side, suppliers and customers.

Are these controls re-visited regularly by you or anyone else?

Yes what is in my area I always check and ensure on but I don't know about those that are not in my area.

What is the link between corporate governance and HR within your business?

I think corporate governance is very concerned with the financial elements of fraud and blackmail and not with other parts. I think there should be focus on other parts but this would be a proactive approach and we do not regularly do this.

In describing performance management in the company, can you discuss the link between this, HR and corporate governance?

Performance Management and corporate governance go side by side, like above where there is an issue of fraud. If performance was managed effectively it would not be possible. Also issues with people being treated differently because of who they know and not what they know about their area.

Is performance management of all managers treated the same in your business unit? Please describe

> I think now it is better, our MD has been gone for some time. There has been no MD since I have been here but I hear how things were before and now they are changing a lot.

With regards to regulatory management of corporate governance (internal audit) – how much involvement do you have in the management accounts?

I am very involved in the HR parts but not the financial side. I look after the margins with regards to labour in the branches but other aspects go through finance so the overall management accounts I do not take part in.

What role do HR have to play in the company's overall performance linked to individual performance and corporate governance? Please discuss

I think now that all individuals have to be responsible for their performance and I have to manage this it is better but as the Finance person is now the most responsible in the organisation it is hard. If everyone was responsible equally I think it would be easier to drive standards through and ensure everything was governed.

What changes can be made to do things differently in respect of corporate governance?

I think what I said in the last response would be the answer.

Appendix 13

Corporate governance

We are committed to achieving the highest standards of corporate governance, integrity and business ethics across all our operations, right around the world

We operate in a robust corporate governance framework – outlined below – aimed at ensuring that we act responsibly, transparently and accountably at all times.

The Board

The Board comprises the following members:

- Non-executive Chairman – Alf Duch-Pedersen
- Non-executive Deputy Chairman – Lord Condon
- Five other non-executive directors: Mark Elliot, Bo Lerenius, Mark Seligman, Clare Spottiswoode and Winnie Kin Wah Fok
- Chief Executive – Nick Buckles
- Chief Financial Officer – Trevor Dighton
- Chief Operating Officer – Grahame Gibson

The Board considers all the non-executive directors to be independent. The senior independent director is Lord Condon.

All continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment and will submit themselves for re-election at least every three years.

There are nine Board meetings scheduled per year.

Audit Committee

Audit Committee meetings are attended by representatives of the Group's external auditor, the chief financial officer, the head of internal audit and the company secretary.

The committee considers the Group's annual and half-yearly financial statements and any questions raised by the external auditor on the financial statements and financial systems. It also reviews, amongst other matters, the Group's internal auditing process, whistle-blowing arrangements, risk management procedures and internal controls.

The Audit Committee is chaired by Mark Seligman

A separate CSR committee, chaired by Mark Elliot, reports to the Audit Committee.

Remuneration Committee

The Remuneration Committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the three other members of the group executive committee and the company secretary. It is also responsible for the operation of the Company's share plans.

The Remuneration Committee is chaired by Lord Condon.

Nomination Committee

The Nomination Committee is responsible for making recommendations on Board appointments, and on maintaining a balance of skills and experience on the Board and its committees.

The Nomination Committee is chaired by Alf Duch-Pedersen.

Employee Performance & Remuneration Strategy and Standards

Version number	1.0	**Document type**	Standard
Version date	09 May 2011	**Document ID number**	
Version expiry	Click here to enter a date.	**Document classification**	**INTERNAL USE ONLY**
Version status	Live document	**Uncontrolled if printed or downloaded**	

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Owner	Group HR
Approver(s)	Group HR Director

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Version date	09 May 2011	**Document ID number**	
Version expiry	Click here to enter a date.	**Document classification**	**INTERNAL USE ONLY**
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Page 2 of 4

Our point of view

We believe that providing the right rewards for our employees reinforces and drives performance, and that this ultimately improves results. We also believe that, if correctly structured, reward plays an important role in a variety of areas of employment, such as the recognition of employee performance, aiding the retention of employees and aligning the interests of employees with those of G4S.

Combining this approach with the supporting set of behaviours will result in an improvement in the ability to recruit, motivate and retain. The flexibility inherent in the G4S reward structure will also aid career moves globally.

Our strategy

Pay and reward strategies for frontline, supervisory and support employees are determined at business level in line with market, industry and regulatory requirements. The structure of remuneration policies, including incentive schemes, must not encourage inappropriate risk taking.

For management employees we aim to ensure that our reward structure is fair and competitive relative to both internal and external benchmarks. The reward structure that G4S has in place is based on a broad-banded grading system and encompasses a range of compensation and benefits, including both short and long term incentives.

By ensuring that all management positions are included in the grading structure we have a system for ensuring that people are treated fairly and consistently. Also this will provide a framework to support career paths across the Group.

The HR standards below have been designed to ensure that our approach to employee performance reflects best practice. Compliance with these standards will be monitored through a range of measures, including self-assessment, peer assessment and review by Group. The standards themselves will be reviewed periodically by Group in consultation with regions and operating companies to ensure they remain appropriate.

Our aim is to position G4S to be able to attract and retain the best people.

Version number	1.0	Document type	Standard
Version date	09 May 2011	Document ID number	
Version expiry	Click here to enter a date.	Document classification	**INTERNAL USE ONLY**
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Our standards

In order to ensure consistency and to continually improve levels of employee performance across G4S, every business unit is required to meet the following standards as a minimum:

1. The G4S grading system is applied to all management positions in C2 and above.

2. All terms, conditions and changes to contract relating to senior employees (those graded B2 and above) must be signed off in advance by Group HR and copies of contracts sent to Group HR.

3. There is a performance management scheme in place through which managers are given individual objectives each year, with annual performance reviews to assess performance in relation to objectives. This will be linked to an annual bonus scheme.

   For senior managers in B2 and above, the annual bonus scheme rules will be issued by Group HR and will be cascaded via the Regions.

   Managers in grades B2 and above will be included in the G4S Long Term Incentive Plan (LTIP) which is a Performance Share Plan administered by the Group HR Department.

4. Terms and conditions for managers below grade B2 are determined by the Region and relevant business with reference to appropriate local market benchmark data and practice.

Our responsibilities

Responsibility for meeting these group standards within each business unit rests with the HR Director or, in their absence, the Country Manager/MD.

Each Regional HR Director must ensure all their companies and/or countries adhere to these standards, and will be required to monitor and report on compliance periodically. The Regional HR Director is responsible for providing leadership and practical support to business units, with support from the Regional CEO or President and Group HR.

Business Ethics Policy

Version number	1.0	Document type	Policy
Version date	12 May 2011	Document ID number	
Version expiry	14 May 2012	Document classification	**PUBLIC**
Version status	Live document	**Uncontrolled if printed or downloaded**	

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Owner	Group HR
Approver(s)	Group HR Director

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Version	**Version date**	**Document history**
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Version date	12 May 2011	**Document ID number**	
Version expiry	14 May 2012	**Document classification**	**PUBLIC**
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The G4S Ethics Code

The business philosophy of G4S has been developed around a core set of values which are fundamental to the organisation‟s development and success. One of these values is **Integrity**, which means we can always be trusted to do the right thing, and the G4S Ethics Code below sets out how we expect all our employees to behave in order to live this core value.

Being safe and secure	Being honest and trustworthy	Being fair and considerate	Being professional and proud
• Putting health & safety first • Protecting the security of our customers, the public and those in our care • Carefully following company rules and procedures	• Always following the law • Reporting any wrongdoing • Never offering or taking a bribe • Avoiding any conflict of interest	• Showing respect and consideration for others • Treating people fairly • Considering our local communities • Thinking about the environment	• Doing the best job you can • Looking smart and professional • Being a good role model • Safeguarding the G4S name

All G4S companies are required to ensure the G4S Ethics Code is cascaded throughout their business and brought to the attention of all employees.

The Business Ethics Policy

In support of this code, the purpose of this Business Ethics Policy is to ensure that managers and employees have a detailed understanding of the group‟s minimum standards of operation and the expectations of our customers and stakeholders.

It is essential that the ethical business standards set out in this policy are applied throughout our countries of operation. Our senior managers are therefore asked to show their personal commitment by regularly endorsing this policy and confirming compliance within their own areas of responsibility. All G4S companies are also required to ensure this policy is cascaded to all managers as well as to other employees whose roles are impacted by these standards.

We are committed to these standards and routinely monitor compliance across the organisation, taking necessary action in the unlikely event that they are not being met.

Nick Buckles
CEO
G4S plc

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1. Our approach to being a good corporate citizen

G4S is committed to being a good corporate citizen, taking account of the economic, social and environmental impact of our business and aiming to maximise the benefits and minimise any negative impact of our global operations.

1.1. Human rights

G4S supports the principles of the United Nations Universal Declaration of Human Rights and we are committed to upholding these principles in our policies, procedures and practices. Respect for human rights is and will remain integral to our operations.
We will endeavour to work with business partners who conduct their business in a way that is compatible with our policies of respect for human rights and ethical conduct. We will work with customers to ensure that contractual requirements do not infringe human rights.
We will take measures to ensure that the work of our employees does not compromise internationally accepted human rights conventions, whilst recognising and respecting the diversity in local cultures across the different countries in which we operate.

1.2. The environment

We will conduct our business with respect and consideration for the environment. We will strive actively to reduce the group"s overall impact on the environment by targeting annual reductions in our carbon intensity through the management of waste, vehicle emissions and energy consumption.

1.3. Local communities

G4S is fully committed to supporting and assisting the communities in which we operate through a variety of means including charitable fund-raising, sponsorship of community projects and voluntary work by employees. We conduct our business with respect and consideration for the good of local communities, taking steps to minimise any disturbance as a result of our operations. We will also serve local interests by providing good employment opportunities and effective services and products.

2. Our standards of business practice

We are committed to high ethical standards in our business dealings to ensure the integrity of our employees and our organisation is maintained.

2.1. Bribery and corruption

G4S is resolutely opposed to bribery and corruption in whatever form it may take.

Any payments, gifts or inducements made by or on behalf of G4S and which induce or are intended to induce someone to act improperly and payments, gifts or inducements to public officials to persuade them to do their duty (other than payments, fees etc which they are

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entitled to demand by written law) are matters which are likely to result in disciplinary action, including summary dismissal, against employees concerned.

Gifts or entertainment may only be offered to a third party if they are consistent with customary business practice in the relevant territory, are modest in value and cannot be interpreted as inducements to trade. Where there is any doubt, guidance should be sought from the relevant Regional or Divisional General Counsel.

Sales of the Company's services and products and purchases of products and services from suppliers will be made solely on the basis of quality, performance, price, value and/or for the benefit of the Group, and never on the basis of giving or receiving inducements in the form of payments, gifts, entertainment or favours or in any other form.

Employees should not accept gifts, money or entertainment from third party organisations or individuals where these might reasonably be considered likely to influence business transactions. Gifts, other than trivial ones with a low value, should be returned. In a culture where such an action might cause offence, the gift should be declared to the company and, if practical, donated to an appropriate charity.

2.2. Political contributions

G4S does not make contributions to political parties, political candidates or organisations which are politically active and this policy should be followed worldwide. The only exceptions to this might be in countries where there is a legal requirement to do so or where there is an established, lawful and generally accepted practice to do so. Even in such circumstances, any payment must be approved in advance by the full G4S plc board

All G4S group companies are bound by the rules which govern G4S plc. This means that approval from the shareholders of G4S plc at a General Meeting would be required for any significant payment. Since obtaining such approval would be difficult, time consuming and expensive, payments of any more than token amounts are unlikely to be permitted. Any request for approval should be submitted in the first instance to the relevant Regional or Divisional CEO who must refer the request to the G4S Company Secretary before any payment is offered or made

2.3. Treatment of customers

Mutual trust and confidence between G4S and our customers is vital. All employees should strive to consistently deliver service excellence and value for money, meeting customers" expectations and anticipating their changing requirements.

2.4. Internal suppliers

Any business transactions between G4S subsidiaries for the supply of goods or services should be based on normal 'arm's length' business principles. These principles should cover pricing and other contractual terms and must be as defensible as those to which independent parties might be expected to agree.

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2.5. External suppliers

All suppliers are entitled to fair treatment and all potential suppliers should have a reasonable opportunity to win G4S business. It is our policy to pay suppliers on time in accordance with agreed terms of trade. We set high standards for our suppliers in the context of our own ethical policy.

2.6. Competition

G4S will always compete vigorously, but in a fair and ethical way. Competitive success is built on providing good value and service excellence. Competitors should not be disparaged. When in contact with competitors, employees will avoid discussing confidential information and no attempt will be made to improperly acquire competitors' trade secrets or any other confidential information. Employees must not publicise, discuss or share with competitors (even indirectly) pricing strategies or undertake any arrangements or practices which would conflict with the laws applicable to the business concerned.

3. Our approach to corporate governance

G4S is committed to protecting the interests of our shareholders and our organisation through compliance with the relevant legal and regulatory environments and careful management of business risks.

3.1. Compliance with the law

G4S will comply fully with all relevant national and international laws and will act in accordance with local guidelines and regulations, including those which are industry specific, governing our operations.

It is the responsibility of all managers to ensure, by taking legal or other expert advice where appropriate, that they are aware of all local laws and regulations which may affect the area of the business in which they are engaged, including tax and exchange controls.

3.2. Accounting standards and records

All accounting documentation must clearly identify the true nature of business transactions, assets and liabilities in conformity with relevant regulatory, accounting and legal requirements. No record or entry may be false, distorted, incomplete or suppressed.

All Group reporting must be accurate and complete and in compliance in all material respects with accounting policies and procedures, as outlined in the Group Finance Manual. Employees must not materially mis-state or knowingly misrepresent management information for personal gain or for any other reason.

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3.3. External reporting

G4S businesses may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments. Care should be taken to ensure that such statements or reports are correct, timely and not misleading. Senior management must be made aware of any sensitive disclosure before it is made.

Care must also be taken when making statements to the media that information given is correct and not misleading. Information which, if made public would be likely to have material effect on the G4S plc share price or about transactions such as mergers, acquisitions or disposals (no matter how small) is subject to specific rules. Such matters should be referred to the relevant Regional or Divisional General Counsel. Enquiries from the media should be referred to company media relations experts and statements should only be made by designated spokespersons.

G4S will provide, through our web-site and through the published annual report and accounts and other statements, appropriate information to enable shareholders to assess our business performance. We will comply with applicable laws and stock exchange regulations as to the disclosure of information about G4S.

3.4. Policies and procedures

G4S recognises that there are risks associated with carrying out any business activity. Management is responsible both for ensuring that policies and procedures are in place to manage risks and for complying with those policies and procedures. Employees should ensure that they are aware of the risks associated with their activities and that they comply with policies and procedures in place to manage those risks.

4. Our commitments to our employees

G4S is committed to optimising individual and business performance through employing the best people at all levels and creating an environment in which they want to and are able to contribute fully to the Group's success. To achieve a working environment in which team spirit and commitment to the goals and values of G4S are maintained, the Company will ensure that individual employees are treated fairly and with dignity and respect.

4.1. National regulation

In dealing with our employees, we will act in compliance with national regulatory requirements and employers' obligations to employees under labour or social security laws and regulations must be respected.

4.2. ILO Declaration on Fundamental Principles and Rights at Work

G4S supports the four fundamental principles in the ILO Declaration. Thus, in accordance with local legislation and practice we will respect freedom of association and the right to collective bargaining, employment will be freely chosen with no use of forced or child labour,

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and we will not discriminate on the basis of gender, colour, ethnicity, culture, religion, sexual orientation or disability.

4.3. Harassment

Harassment can be defined as unwanted behaviour, which a person finds intimidating, upsetting, embarrassing, humiliating or offensive. Conduct involving the harassment (racial, sexual or of any other kind) of any employee is unacceptable. Should an employee believe that he or she has been harassed the matter should be raised with the relevant Human Resources Manager who will arrange for it to be investigated without delay, impartially and confidentially.

4.4. Equal opportunity

We value all our employees for their contribution to our business and their opportunities for advancement will be equal and not influenced by considerations other than their performance, ability and aptitude. Employees will also be provided with the opportunity to develop their potential and, if appropriate, to develop their careers further with the company.

4.5. Health & safety

G4S places the highest priority on promoting the health and safety of employees whilst at work. In particular, we will constantly review the effectiveness of our methods of operation to best protect those who work in a high-risk environment.

4.6. Terms of employment

The businesses and their employees will work towards creating permanent long-term relationships. Employees will be paid for and work hours at least as favourable as the terms established by national legislation or agreements or industry standards.

4.7. Pre-employment screening and selection

In order to protect the interests of our employees and customers, and because of the nature of our business, G4S will apply rigorous pre-employment screening and selection techniques.

5. Our employees' commitments to G4S

Employees must avoid situations where appearance of business impropriety exists, even though the circumstances might not otherwise specifically violate this code of conduct or where specific laws or regulations do not apply.

5.1. Confidential information

Employees must not make use of confidential information obtained through their employment for personal gain, nor disclose such information to any third party during or after

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their employment. 'Confidential information' is either information that has been specifically described as being confidential or is otherwise obviously confidential from the surrounding circumstances.

The term 'confidential information' does not include information in the public domain or information which the individual concerned is required by law to disclose.

5.2. Conflicts of interest

Every employee has a duty to avoid business, financial or other direct or indirect interests or relationships which conflict with the interests of the Company, or which divides his or her loyalty to the Company. Any activity which even appears to present such a conflict must be avoided or terminated unless, after disclosure to the appropriate level of management, it is determined that the activity is not unethical or improper, does not compromise integrity and is not detrimental to the reputation and standing of the company.

5.3. Social networking

Employees who engage in social networking on websites or in groups which show any association with, or make reference to, G4S are expected to behave in ways that are consistent with G4S values and policies. Employees must therefore ensure that the company is not exposed to legal or reputational risks and the safety and security of employees, customers and the general public are not undermined.

6. Implementation

This Business Ethics Policy is widely published in G4S including on our global intranet and website. The Policy must be adopted by all companies as a minimum standard and issued to all G4S managers and relevant specialists. Ethics training will be provided and an annual sign off implemented.

For frontline/administration staff an Ethics code (including relevant elements of the Business Ethics Policy) will be promoted with content reflected where appropriate in future training or communication, newsletters etc.

For all new staff employment contracts or written statements will include the Business Ethics Policy or Ethics Code as appropriate. These will be signed, retained on file and be auditable. Implementation and adherence to the Business Ethics Policy will be monitored as part of G4S compliance processes. The policy will be reviewed annually. Where G4S companies already have their own published ethics policies, these must be reviewed against this Group policy to ensure they meet the same minimum standards.

6.1. Staff complaints, concerns and suggestions

Staff can expect that the Company will give due consideration to their constructive suggestions and will provide a considered and objective review of genuine concerns and

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complaints. Such concerns include fraud, misrepresentation, theft, harassment, discrimination and non-compliance with regulations, legislation, policies and procedures.

Concerns must be investigated impartially so that the employee's rights are protected. Employees who have concerns about potential unethical behaviour should advise their local Human Resources or Finance Director in the first instance. Employees may do this anonymously if they so wish. To ensure that confidentiality is maintained, employees should not discuss such concerns with colleagues or other third parties, unless specifically authorised or unless it is a legal requirement.

If the employee is dissatisfied with the response to the concern which he or she has raised, or if the concern relates to a matter of exceptional gravity or sensitivity, he or she can contact the Head of Group Internal Audit in accordance with the Group Whistleblowing policy which is published on the global intranet. A special hotline telephone number (+44 (0) 1293 554411) and e-mail address (gdoc@g4s.com) are available for this purpose.

During 2011 a new confidential reporting hotline will be introduced on a phased basis. There will be two levels of hotline:
- G4S business hotline for employees to raise concerns for reporting investigating and resolution by senior management in their own local business.
- Global outsourced hotline and web service for issues which either cannot be reported and properly investigated locally, or are of exceptional gravity or sensitivity.

6.2 Compliance monitoring

We monitor, on a regular basis, compliance with this ethics policy, using information reported via the whistleblowing facility, internal/external audit and ongoing management reporting.

6.3 Adherence to policy

Since G4S aims to maintain high ethical standards in carrying out its business activities, practices of any sort that are incompatible with the Group's principles and policies are not tolerated. Strict adherence to these principles and supporting policies is a condition of employment in the Group. Any action by an employee, which deliberately or recklessly breaches this ethics policy, may result in disciplinary action and where appropriate, criminal proceedings will be instituted.