



Chris Hodge
Corporate Governance Unit
Financial Reporting Council
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Dear Sirs,

The Investor Relations Society (IR Society) much appreciates the opportunity to respond to your public consultation on the revised UK Corporate Governance Code.

The IR Society represents members working for public companies to develop effective two way communication with the markets and create a level playing field for all investors. It has nearly 600 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

Fundamental values underpinning the work of IR Society members are:

- Investor relations should be at the heart of corporate strategy development;
- Proactive, universal, prompt and clear investor communications;
- Proportionate regulation that promotes equity and fairness;
- The value of engagement between companies and investors;

Consequently, the IR Society and its members believe firmly in the value of building a long term understanding of their companies' prospects. Creating 'context' in which the decisions of investors can be made is essential.

We believe that the review of the Code has highlighted two issues specifically for IR teams. Firstly, that much more attention needed to be paid to following the "spirit" of the Combined Code as well as its letter. Secondly, that the impact of shareholders in monitoring the Combined Code could and should be enhanced by better interaction between the boards of listed companies and their shareholders. To this end we welcome the proposal to incorporate a Stewardship Code for institutional investors. We will respond separately to this proposal and include our own thoughts on complementary best practice communications guidelines for companies.

IR teams are – and should be – at the heart of engagement with shareholders. In practice this means:

1. Supporting the Board in its meetings and contacts with shareholders, by acting as a first line of resource for investors seeking information, and providing Board input on any concerns among investors.
2. Managing effective communication with investors, by producing investor materials in line with current best practice, exceeding minimum compliance standards.
3. Being transparent on their policy of disclosure of inside information and investor communication.
4. Providing regular feedback to the board on issues such as significant changes in the share register, details of contacts with shareholders and summaries of matters discussed, any corporate governance issues raised by shareholders.
5. Supporting the Board by the provision of skills and knowledge in dealing with shareholders.

The changes to the Combined Code proposed in your consultation paper make frequent reference to communication. IR Society members are often the means through which this can happen.

Consequently we support the proposed changes to the Combined Code. They emphasise the need for company management to have a commitment to communication with investors and highlight areas such as changes to the governance sections of annual reports, the need for description of the 'business model' and 'financial strategy', and the use of corporate websites as a means of communication of the bulk of governance information.

However, for this to be effective we believe that companies need to have an investor relations resource which is at the heart of the development of corporate strategy and can therefore act as a two way conduit of information between companies and the market. If the IR team is aware of plans that may provoke investor concerns, they can often take the temperature of investor opinion in advance.

The IR function also needs to have proper access to the Board and the non- executive directors in order to help them fulfil their obligations under the code to 'understand their major shareholders' issues and concerns'. It was perhaps a failing on behalf of some Boards not to understand fully the concerns of shareholders that contributed to the problems in the financial services sector.

The IR Society therefore would encourage companies as part of their compliance and communication under the Code, to develop a structured investor relations programme and involve their IR team in strategic decision planning.

Thank you for the opportunity to contribute to the changes to the Combined Code.

Yours sincerely,

Michael Mitchell

General Manager, The Investor Relations Society.