

FINANCIAL REPORTING COUNCIL  
5TH FLOOR  
ALDWYCH HOUSE  
71-91 ALDWYCH  
LONDON WC2B 4HN

9 October 2009

Dear Sir,

#### Review of the Combined Code

The Investor Relations Society ([www.irs.org.uk](http://www.irs.org.uk)) much appreciates the opportunity to comment on your current consultation on corporate governance in the UK, and how the Combined Code helps to create and sustain appropriate behaviour in UK Plc.

The 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 600 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250. The UK Society is also a member of the Global Investor Relations Network.

The IR Society works from certain starting points in its consideration of policy issues. These are

- Investor relations should be at the heart of the corporate strategic process;
- There should be proactive, universal, prompt and clear investor communications;
- Transparency in securities trading is essential;
- There should be proportionate regulation that promotes equity and fairness;
- The value of engagement with companies by investors;

The role of the Investor Relations Officer (IRO) is a crucial one in respect of the key theme of your consultation: investor engagement. We wish therefore to restrict our response to areas around investor communication.

In practice, IR is a vital cog in the link to investors. IRO's see their role (acknowledged in the comments in the work you commissioned from JCA) as maintaining a systematic flow of information between the company and investors. IR is also responsible for much of the calendar driven compliance activity, as well relationships with the sell side, however IR professionals feel that their true added value lies in the relationships they build with the (particularly institutional) investors.

"Engagement" is therefore at the heart of what an IRO does all day, and we believe that a revised Combined Code should recognise this contribution, and encourage companies to support their IRO and investors to use them.

Your discussion paper makes three important points in this area, which we support.

First, the flow of information is 2 way. Boards of companies frequently rely heavily on their IRO to gauge the sentiment of investors. Because of the regularity of contact (often outside of the reporting calendar) any concerns among investors may well be flagged by IRO's before being raised directly to boards by



Bedford House  
3 Bedford Street  
London WC2E 9HD

Tel 020 7379 1763  
Fax 020 7240 1320  
[www.irs.org.uk](http://www.irs.org.uk)

investors. New and potential investors frequently meet the IRO before they meet management. This places the IRO firmly at the centre of the engagement process.

Second, comply or explain by its definition requires both sides to engage, which should help investors in developing the long view. Many define IR as being the art of creating the “context” in which investors can make – and retain - an informed investment.

Lastly, as noted above, IRO’s are frequently the gatekeepers of the disclosure policies and compliance of public companies. We support proportionate regulation aimed at good disclosure. We agree that ‘boiler plating’ is a) pointless and b) prevalent, resulting in a variable quality of reporting on corporate governance matters. For example, very few annual reports discuss the governance “culture” within which the board operates.

We support your conclusion that increased mandatory disclosure would make that worse. We do not think that the market is best served by ‘one size fits all’ disclosure obligations, and would resist any attempt to impose a “template” of governance disclosures through a revised Combined Code.

Thank you again for the opportunity to comment, and remain as always open to any clarification needed.

Yours faithfully,

Michael Mitchell

General Manager – The Investor Relations Society

([michael.mitchell@irs.org.uk](mailto:michael.mitchell@irs.org.uk))