

Catherine Woods
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

BY EMAIL

2nd July 2014

Dear Catherine,

Re: Consultation on changes to the UK Corporate Governance Code

I am responding on behalf of the Aldersgate Group, an alliance of leaders from business, politics and civil society that drives action for a sustainable economy. Our mission is to trigger the change in policy required to address environmental challenges effectively and secure the maximum economic benefit in sustainable growth, jobs and competitiveness.

We recently published a report, **An Economy That Works**, (aneconomythatworks.org/), supported by leading businesses with a combined turnover of over £300bn, in which we highlight the importance of integrated reporting to achieve an inclusive economy, and identify governance, including transparency, as one of the six catalysts necessary to make the transition to an economy that works.

We were therefore encouraged by the following comments made on 17th June 2014 by your colleague Melanie McLaren, Executive Director, Codes and Standards, at the launch of the International Integrated Reporting Council's Corporate Reporting Dialogue:

"The FRC as the integrated standard setter for Europe's largest capital market welcomes efforts to develop an integrated approach to governance and reporting on an international stage and stands ready to participate in the dialogue."

We commend to you the recently released United Nations Environment Programme Finance Initiative (UNEP FI) report, **Integrated Governance: A new model of governance for sustainability**, which builds on the concept of integrated governance. This is available at <http://bit.ly/1kXm4HI> and provides the evidence that is building on the link between sustainability and performance.

UNEP FI's report proposes a model of integrated governance that puts sustainability at the heart of governance and corporate boards' strategic agendas. The integrated governance model is the system by which companies are directed and controlled, in which sustainability issues are integrated in a way that ensures value creation for the company and beneficial results for all stakeholders in the long term. The report illustrates the inadequacies of current corporate governance practices and outlines three phases that help companies move towards integrated governance, leading to a holistic integration of sustainability in corporate strategies.

In light of the over 200 academic reports that show a statistically significant relationship between sustainability performance and financial performance; the increasing number of sell-side financial reports covering sustainability issues; and the increasing number of asset managers that now integrate sustainability issues into corporate governance; we would encourage the Financial Reporting Council to continue to take an active role in the development of an integrated approach to governance. We believe that one way this could be achieved is to more specifically promote an integrated governance framework through the UK Corporate Governance Code.

Please do not hesitate to contact me should you wish to discuss any of the above in more detail.

Yours sincerely

Emma Howard Boyd
Director, Aldersgate Group
www.aldersgategroup.org.uk