



Catherine Woods
Financial Reporting Council
8th Floor
125 London Wall
London EC2Y 5AS

26th June 2014

Dear Ms Woods,

Re: Proposed Revisions to the UK Corporate Governance Code

Thank you for giving us the opportunity to comment on your discussion paper around proposed changes to the UK Corporate Governance Code.

The Investor Relations Society's mission is to promote best practice in investor relations; to support the professional development of its members; to represent their views to regulatory bodies, the investment community and government; and to act as a forum for issuers and the investment community. The Investor Relations Society represents members working for public companies and consultancies to assist them in the development of effective two way communication with the markets and to create a level playing field for all investors. It has over 670 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

We address specifically the Directors' Remuneration and Location of Corporate Governance Disclosures sections in our submission below, and our key points from our response can be summarised as follows:

- The IR Society supports the principle that remuneration policies are designed with the long-term success of the company in mind

- The proposal for all companies to have a clawback mechanism in place is deemed neither practical nor desirable
- Companies observing best practice investor relations should be aware of any major shareholder dissent and already be engaging with shareholders
- Defining strict timeframes and guidelines for companies to communicate planned shareholder communications around a significant vote against a resolution may encourage ‘boilerplate’ language

SECTION 2: DIRECTORS’ REMUNERATION

Question 1: Do you agree with the proposed changes in Section D of the Code?

We support the proposed changes in Section D of the Code which deals with remuneration. We agree there are no major changes to this section of the Corporate Governance Code, and support the FRC’s proposal that greater emphasis be placed on ensuring that remuneration policies are designed with the long-term benefit to the company rather than short-term benefit to management.

Question 2: Do you agree with the proposed changes relating to clawback arrangements?

Further to our response to the FRC consultation paper in 2013 on Directors Remuneration, in principle the Society deems it impractical for all companies to have a clawback mechanism in place. Arguably it appears some of the larger companies are already in effect adopting a clawback mechanism as best practice, thereby demonstrating their willingness to follow guidance and remuneration policies correctly without burdensome and costly regulation changes.

We don’t believe the Code should specify the circumstances under which payments could be recovered and/or withheld, and should be left to the discretion of the company. In practice it would be too complex and it will also vary depending on the company size and sector. Imposing a clawback mechanism would not be easily enforceable where the sum has been paid in cash for example. If an employee has left the company there may be legal practicalities and a company board would not wish to go through the clawback process publicly. A clawback mechanism may be more practical with share options or LTIPs, and when considering appropriate vesting and holding periods for deferred remuneration, we note in Schedule A of the consultation document that ‘longer periods may be appropriate’, a sentiment the IR Society would share with the FRC.

Question 3: Do you agree with the proposed change relating to AGM results? Is the intention of the proposed wording sufficiently clear?

With this year's current AGM season underway, we are seeing that issuers should expect more variety and granularity from the voting system around the AGM as well as being prepared for more 'no' votes. Therefore, the IR Society feels that it will come down to best practice for companies to determine what they feel constitutes a significant vote against. Although there is some element of judgement from companies to determine what 'significant' would represent, the Society does feel this needs some further clarification from the FRC on whether 'significant' refers to a significant number of shareholders or a significant vote from one shareholder.

We would add however, that we consider it to be misleading to determine the exact figure of what constitutes a 'significant percentage' as company shareholder bases are becoming increasingly diffuse and depending on the size and sector of a company, the shareholder makeup may differ significantly. Defining a specific percentage of votes against would also encourage 'boilerplate' wording and box ticking. We believe that most companies observing good investor relations practices should be aware of any major shareholder dissent and on a practical level the company would have already engaged in communications with shareholders, prior to voting. If a company fails to gain a substantial majority in support of a resolution, there is already significant pressure on a company from a reputational standpoint to start/continue discussion with shareholders and communicate this to the market.

We would support a proposal to allow time for companies to comment on how they intend to engage with shareholders post-AGM, rather than an immediate response e.g. on the day of the AGM results. Strict guidelines and defined timeframes, however, on when and how companies should report to the market may just encourage 'boilerplate' wording. Allowing companies to communicate planned actions at the next trading update after the AGM would be a more meaningful solution.

Question 4: Do you agree with the proposed amendments to the Schedule?

The IR Society agrees with the proposed amendments to the Schedule as we fully support the FRC's desire to ensure that remuneration policies encourage directors to work for the long-term success of the company.

SECTION 3: RISK MANAGEMENT AND GOING CONCERN

We have not specifically addressed questions 5-10 in this section, however the IR Society supports The 100 Group Investor Relations and Markets Committee's response to the risk management and going concern section, and their view that the requirement for Directors to provide a 'long-term viability statement' will result in boiler plate disclosure that adds little to investors understanding of the risks of the business.

SECTION 5: LOCATION OF CORPORATE GOVERNANCE DISCLOSURES

Question 11: Should the option of giving companies the possibility of putting the full corporate governance statement on their website be considered further? Is so, are there any elements of the corporate governance statement that should always be included in the annual report?

The IR Society foresees no problem with companies putting the full corporate governance statement on the website. We support this initiative to be considered further and in line with best practice. We consider the Remuneration Report, including the Directors' Remuneration Policy of particular importance to remain in the annual report. Furthermore, the IR Society welcomes the current projects being carried by the FRC's Financial Reporting Lab, including the 'Clear and Concise Reporting' programme and 'Reporting in a Digital World'. We would encourage the FRC to collaborate more with the Financial Reporting Lab, to ensure the UK Corporate Governance Code and UK regulation is in line with current communications trends.

Question 12: Are there any disclosure requirements in the Code that could be dropped entirely?

The Society offers no proposal for any disclosure requirements to be dropped.

In summary we hope you find these comments useful and notwithstanding our expressed caveats, the IR Society is supportive of the proposed changes to the UK Corporate Governance Code.

Kind regards



Emma Burdett

Chair of The Investor Relations Society's Policy Committee

020 7379 5151 / eburdett@maitland.co.uk