

Response of The Investor Relations Society

As Europe's principal professional body for this sector the Investor Relations Society is delighted to be invited to submit its views on the important issue of the future of non-executive directors. The questions contained within the consultation document are answered in the order set out:

A. The role of the non-executive director should be to ensure the interests of shareholders are upheld. This includes setting and overseeing strategy, overseeing the performance of executive management, and facilitating the relationship between shareholders and company. This does not reflect the present position insofar as non-executive directors are too often drawn from the 'great and the good' and not from the ranks of those conducting business. There can be little doubt that non-executive directors too often fail to get to proper grips with the issues facing the company and can sometimes be prone to corporate cowardice.

B. At the risk of sounding like a vested interest, often the skills and knowledge of the investor relations professional are often those required to make a good non-executive director - an understanding of how companies work, a good grasp of corporate governance, integrity, and a recognition that within the perspective of the wider corporate context the primacy of shareholder interest.

C. Yes and no. The recruitment channels for non-executive directors are weak and self-perpetuating. This is evident when you consider the small, rather incestuous pool from which non-executive directors tend to be drawn. On the other hand the structures and procedures surviving the changes in corporate governance over the past decade are stronger and more conducive to the encouragement of more effective non-executive director performance. On the other hand, whilst the concept of a chartered director is attractive, it has yet to be proven as a means of supplying effective people to the role.

D. Yes. The Society would support for example the proposal to encourage non-executive directors to be engaged in the dialogue between company and shareholders, but we would also encourage companies to strengthen their investor relations functions in order to help underpin this dialogue.

E. We believe there needs to be a wider approach to this issue. The solution to the problem of ineffective non-executive director scrutiny needs to tackle issues such as: too many directorships; too little pay (for some non-executive directors); too little time devoted by some non-executive directors to gaining a proper understanding of the company and its management; and a failure by boards to utilise the expertise that exists to maximise the potential for creating excellent shareholder communications.

In conclusion, the existing mechanisms need to be reviewed and this process is therefore a welcome one. However, the burgeoning investor relations sector is in part a reaction to the failure of corporate governance of which non-executive directors must take their share of the blame. Investor relations is

therefore a part of the solution and the Society is ready to offer a more fullsome contribution to the solution (for example, we are about to launch the UK's first investor relations qualification of which corporate governance will be a core part).

Andrew Hawkins
Director General
Investor Relations Society

Filename: The Investor Relations Society.doc
Directory: C:\tmp\work\R501110\KAREN\R501110
Template: C:\Documents and
Settings\kanese.DEVELOPMENT\Application
Data\Microsoft\Templates\Normal.dot
Title: Response of The Investor Relations Society
Subject:
Author: camassey
Keywords:
Comments:
Creation Date: 08/10/2002 13:42
Change Number: 1
Last Saved On: 08/10/2002 13:43
Last Saved By: camassey
Total Editing Time: 1 Minute
Last Printed On: 11/10/2002 11:16
As of Last Complete Printing
Number of Pages: 2
Number of Words: 492 (approx.)
Number of Characters: 2,806 (approx.)