

Tunde Idowu
Department of Trade and Industry
1 Victoria Street, Bay 558
SW1H 0ET

12 May 2006

Dear Mr Idowu

Further to The Department of Trade and Industry's announcement on 3 May 2006, The Investor Relations Society would like to thank you for the opportunity to comment on an informal basis.

The Society very much welcomes the proposed regime for directors' liability. The progress made by these latest draft clauses will be much appreciated by our membership. However, we would also like to emphasise the following points of concern.

i. **Lack of clarity on which groups the Business Review is directed at**

There is a need for a bit more clarity on whether members (shareholders) remain the primary audience or whether the need to take account of other stakeholders gains equal prominence. The wording is not clear. It seems to give members the upper hand but then qualifies this with a need to 'have regard to' other interests. It is very difficult for directors to assess liability when there is a lack of clarity as to how it will be applied.

ii. **Forward-looking information**

It would be helpful if there were some comment/clarification on whether or not the proposed safe harbour for forward-looking information would also cover, for example, voluntary disclosures in the front of an annual report. The new measures are clear that they apply to 'directors' reports, directors' remuneration reports (or summary financial statements derived from them'. However, there is no clarification that it will apply to a voluntary OFR in the front of an annual report or published on the web. The DTI had previously advised that it would be possible to 'cross-reference' from the Business Review to OFR information elsewhere in an annual report. We now require clarification whether or not a safe harbour for forward-looking information would also apply to such cross-referenced information. It would also be helpful to know whether it applied to

corporate reporting as a whole. If that is not the case, would it be covered if companies simply referred to their annual reports in totality as directors' reports?

iii. Subsidiaries

We assume from the statement - as it is not mentioned - that subsidiary companies will still be expected to produce business reviews. We believe this is an unnecessary burden.

iv. Timing

One of the biggest problems for companies in the wake of the Chancellor's decision to abolish the mandatory OFR was a policy vacuum. Company reporting is more likely to flourish when there is more certainty in the market. We believe the Government should give some clear indication, at as early a stage as possible, when these measures are realistically likely to come into effect and which reporting year they will apply to. We understand the difficulty of this in relation to the parliamentary timetable but believe it is crucial for companies to be given a decent period during which to prepare for the changes.

v. Guidance

The DTI makes it clear that there will be no statutory reporting standards for the Business Review. That being the case, we believe that some form of additional guidance from the DTI would be helpful. The guidance put out in late February on the existing version of the Business Review (which initially clarified the cross-reference issue) was very helpful to listed companies. As the DTI knows, companies are understandably nervous about reporting on the future - hence the pressure for the legal safe harbour for forward-looking information. When a similar safe harbour was introduced in the US in 1995 it took several years for most companies to understand and properly use the legislation. Any official guidance/advice or officially sanctioned guidance in this regard would be welcome - particularly for smaller companies that might not have access to such high levels of legal advice.

There are several other areas in the new Business Review where companies remain uncertain - for example, what is required on social and community issues? If the DTI does not want to release specific guidance on the Business Review then does it, officially, suggest that companies look to the ASB's OFR Reporting Statement for guidance?

If anything in our response is unclear, please do not hesitate to get in touch with the undersigned.

Yours sincerely,

Mark Hynes

Mark Hynes

Chairman, The Investor Relations Society Policy Committee

About The Investor Relations Society

The IRS is the UK's professional body for investor relations practitioners.

Formed in 1980, it has over 600 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

Members' disciplines include finance, treasury, corporate affairs, company secretariat as well as investor relations.

The Society's primary objectives are to:

- Promote good relations between listed companies, their shareholders and potential investors.
- Provide education and training.
- Support high ethical and professional standards in the practice of investor relations.
- Increase awareness of investor relations techniques and best practice.
- Represent the views of members to regulatory bodies, the investment community and government.
- Carry out research and publish information.
- Provide a forum for members to exchange views and share experiences.