

Investor Forum bridges gap between shareholders and corporates

Sophia Grene

Fund managers too focused on short-term results are often blamed for problems in the financial system. But many investment managers would prefer to act as long-term owners, if only the structures were in place to help them communicate with the companies they hold.

Industry veterans in the UK are setting up a body to try to improve stewardship by facilitating communication between shareholders and companies. The UK's industry trade body, the Investment Association, is supporting this venture initially, but the plan is for it to be independent.

The aims of the Investor Forum are simply stated: to make the case for long-term investment approaches and to create an effective model for collective engagement with UK companies.

Simon Fraser, the chairman officially appointed last October, appears committed to the concept that it is possible for investors to work with corporates to build better companies for the long term, while challenging them on issues such as pay and succession planning.

As former investment practitioners themselves, Mr Fraser and Andy Griffiths, executive director, should be in a strong position to orchestrate investment managers and help them focus more on long-term issues. Mr Fraser's most recent position was as chief investment officer of Fidelity Investments Worldwide, but he served his time as an analyst, then a fund manager, so he is no outside expert imposing a theoretical view.

There may however be some questioning of his credibility with respect to holding boards to account, given that he was on the board and on the remuneration and audit committees at Barclays from 2009-14. During that time, the bank drew opprobrium for, among other things, the level of pay received by its senior executives.

When the issue is raised, Mr Fraser has an answer prepared that paints a slightly different story



than that of lax non-executive directors uninterested in challenging ridiculous paypackets.

“The Barclays story is complicated. What was staggering was how much progress we actually made in improving the situation.” While admitting that levels of pay were excessive, he points out that overall executive pay came down while he was on the board. “People were overpaid and probably still are overpaid, but you can’t bring that down overnight.”

Such unjustifiable levels of pay are a symptom of the lack of trust in the financial system, he theorises. “If I don’t trust you, I’m going to have to overpay you.” By that measure, investors still do not trust Barclays which came under fire again last week for excessive bonuses.

In any event, Mr Fraser does not want the Investor Forum to set the agenda: while it will build expertise in areas such as pay structures, succession and other long-term issues, it is intended to amplify the voice of investors rather than lead the debate.

The nascent organisation has an elaborate website, with graphics detailing board members, policies, discussion papers and various forums it will facilitate in promotion of its aims.

But this infrastructure is almost entirely virtual. The secretariat work is done in the Investment Association offices, and an interview with chairman Simon Fraser takes place in a gentleman’s club in Berkeley Square.

The entity is incorporated as “community interest company” and is intended to function as a membership organisation, funded by subscription. That is a few years in the future, however, as investment managers are only now being invited to sign up, initially free of charge.

Over the past six months, Mr Fraser and Mr Griffiths have been busy setting the legal and administrative structures in place to create an organisation that will make communication between investors and corporates clearer and easier to achieve.

But do investment managers not already engage with companies? Do investor relations teams really do nothing? Why is a specialist group like this needed?

“If you as a company talk to a group of investors, you’ll hear the guy with the loudest voice,” says Mr Fraser. “He tends to be talking about some very specific issue [that may not be representative]. The company then thinks they’re listening to the voice of their investors.”

As for exercising voting rights at AGMs, Mr Fraser sees this as a failure of engagement, rather than the success it is more usually assumed to be. “When a company gets a big vote against, it’s never really about just that issue. We want to have that dialogue before it gets to the last resort.”

The aim of the Forum is to listen to investors and help them clarify their position, in particular when there is a widely held view about an issue or company, and then to support them in engaging with the corporates.

In recent years, the profile of corporate governance and investor stewardship has risen strongly, but Mr Fraser feels it has a long way to go. “What has happened is that governance has had a very narrow focus, driven by events like the AGM. This has created a vacuum where long-term issues should be.”

Traditionally, on the corporate side engagement has been left to investor relations committees, but this is changing. Mr Fraser says a majority of FTSE 100 chairmen responded positively to his letter introducing the concept of the Investor Forum.

Since one of his avowed hopes is to avoid the style of hostile activist investing that is more common in the US than Europe, it is reasonable to assume company boards will see the Forum as being more in their interests than otherwise.

Another US cultural import the Investor Forum would like to combat is a disengaged investment style that walks away rather than deal with difficulties. To make this possible in the UK, where more than half of the market is held by overseas investors, a legal committee has been set in place to help investors understand their rights with regard to engagement; the extent to which they can interfere without bumping into legislative obstacles. "If we aim to attract overseas investors [as members], we need to get them comfortable with how we do things here," says Mr Fraser.

CV

Born 1959

Total pay *Pro bono*

Education 1977 The Edinburgh Academy; 1981 MA, University of St Andrews; 1986 MBA, Columbia University, New York

Career

1981 Analyst, Fidelity International

1986 Portfolio manager, Fidelity International

1996 Chief investment officer, Asia, Fidelity International

1999 Chief investment officer, Fidelity International

2005 President of Fidelity International's Institutional Business

2008-present Various non-executive director roles including Foreign & Colonial Investment Trust, Barclays, Ashmore plc

2014 The Investor Forum

The Investor Forum

Established **2014**

Employees **3**

Headquarters **London**

Ownership **Sponsored by the Investment Association but will become independent**

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