



THE INVESTOR FORUM



**The Four Dialogues - Engaging on Governance**

**City Week – Panel Discussion  
22 May 2019**

# Agenda

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## **4-4.10: Introductory Remarks**

- Andy Griffiths

## **4.10-4.30: The Four Dialogues**

- Jonathan Attack

## **4.30-5.30: Panel Discussion and Q&A**

- Panellists: Jocelyn Brown, James Collins, Jonathan Attack, Tim Waddell
- Open discussion (both panellists and attendees)

## **5.30: Close**



# Introduction

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- Following insights from our Chair breakfast series in June 2018 we commissioned a research project to investigate how companies and investors engage on Governance.
- **The Investor Forum believes that a significant reframing of the Board - Investor dialogue is required to enable effective stewardship.**
- We asked Jonathan Atack, an experienced Investor Relations specialist, to review current practice. Over the last six months, he has interviewed a large number of company representatives, advisers and investors and has today published his report:
  - *The Four Dialogues: The need to improve how Investors and Companies engage on Governance*
- **The Investor Forum will share the insights from this report with Chairs in June 2019 and develop plans for a Stewardship Summit in Q4 2019.**



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- Jonathan Atack

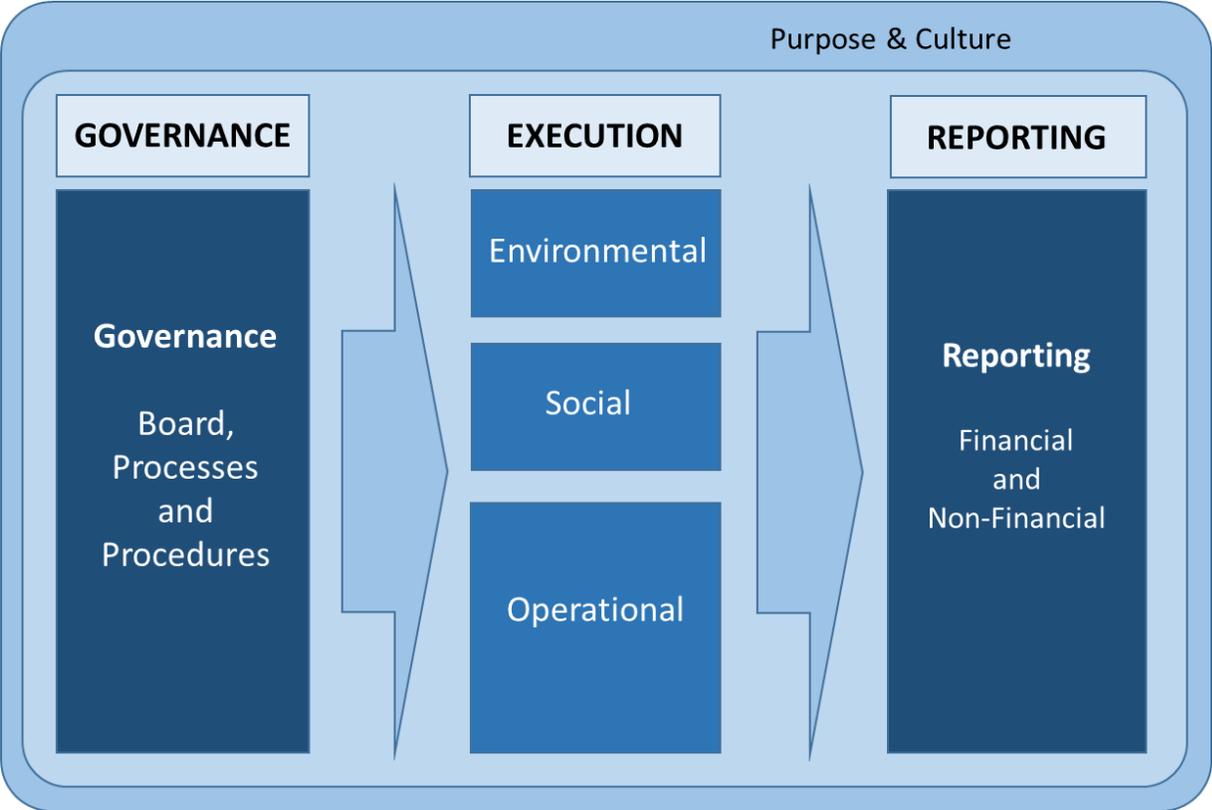
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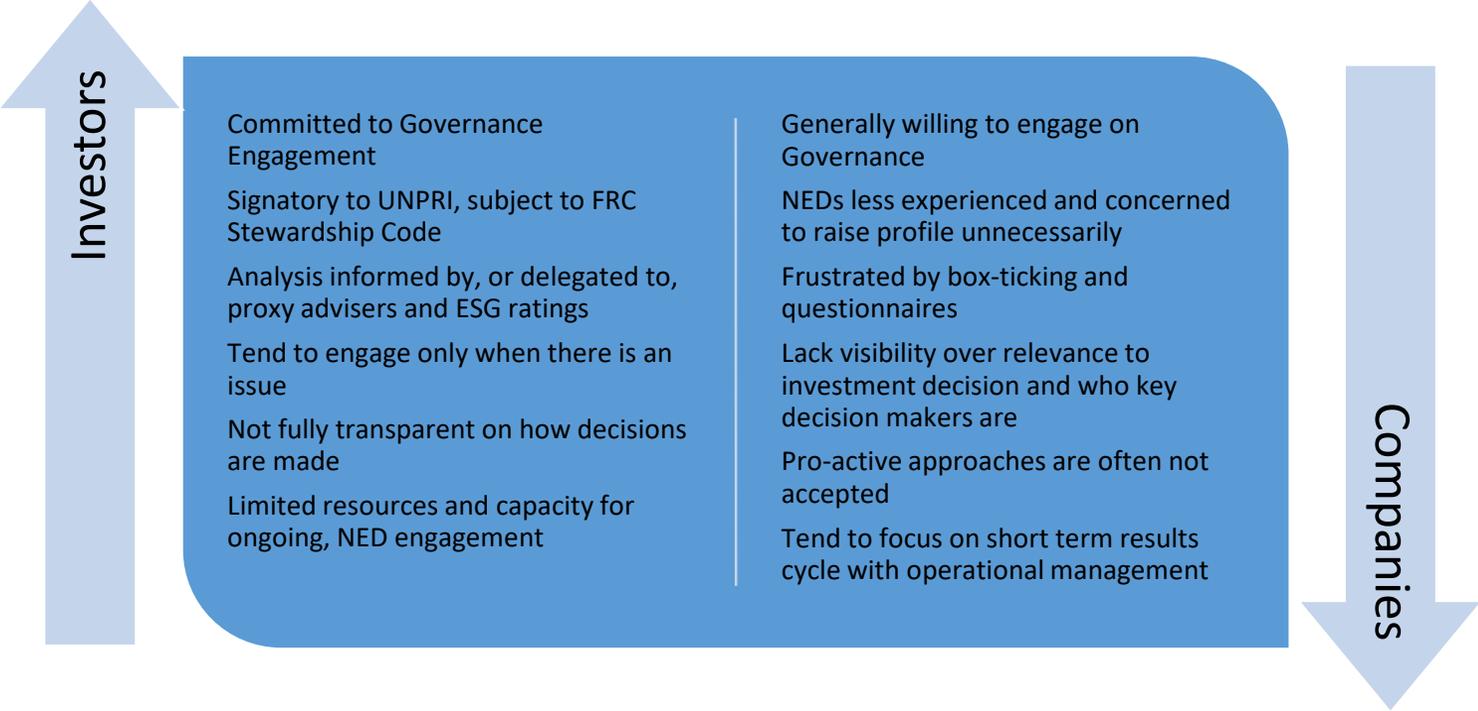
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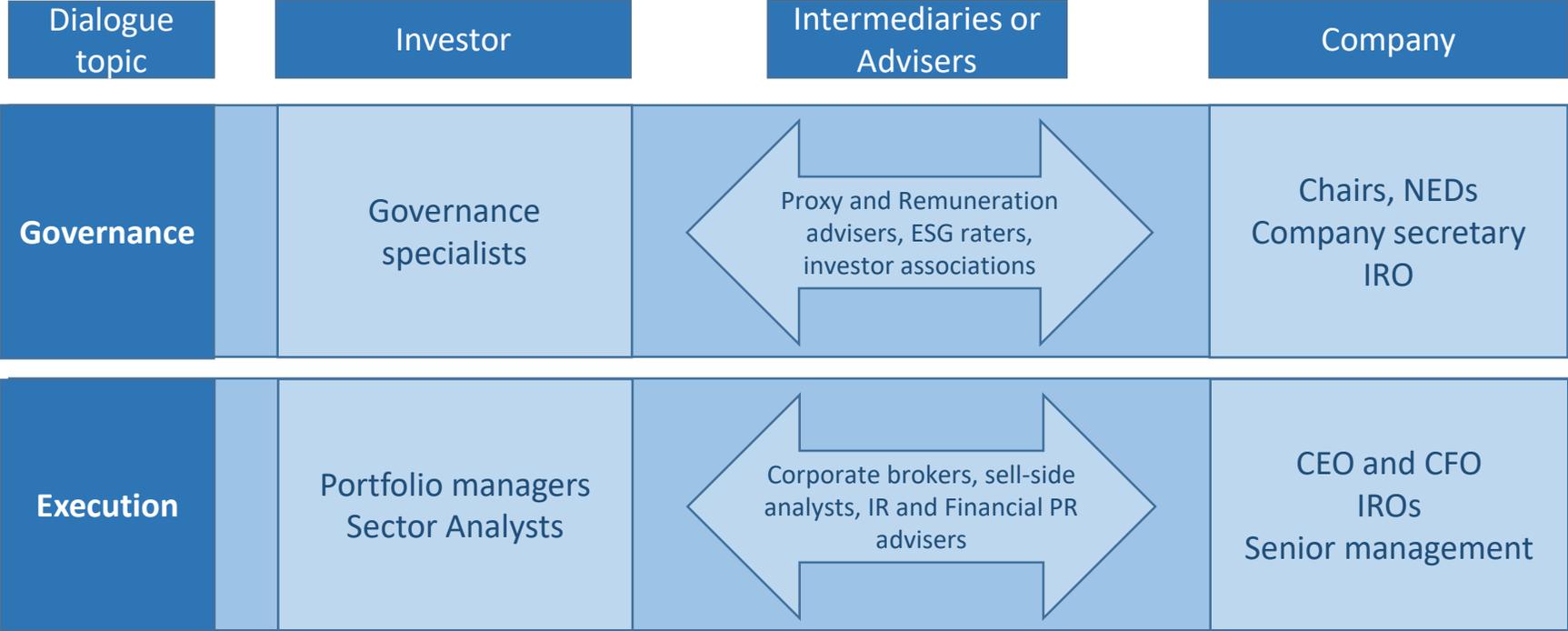
# The Role of Governance



# The apparent disconnect



# Two distinct topics



# The Four Dialogues

		Time horizon	
		Transactional	Strategic
Topic	Governance	① <u>Transactional / Governance</u> <b>AGM Voting</b>	② <u>Strategic / Governance</u> <b>Board composition and effectiveness</b>
	Execution	③ <u>Transactional / Execution</u> <b>Results and modelling</b>	④ <u>Strategic / Execution</u> <b>Forecasts and operational targets</b>



# The Four dialogues

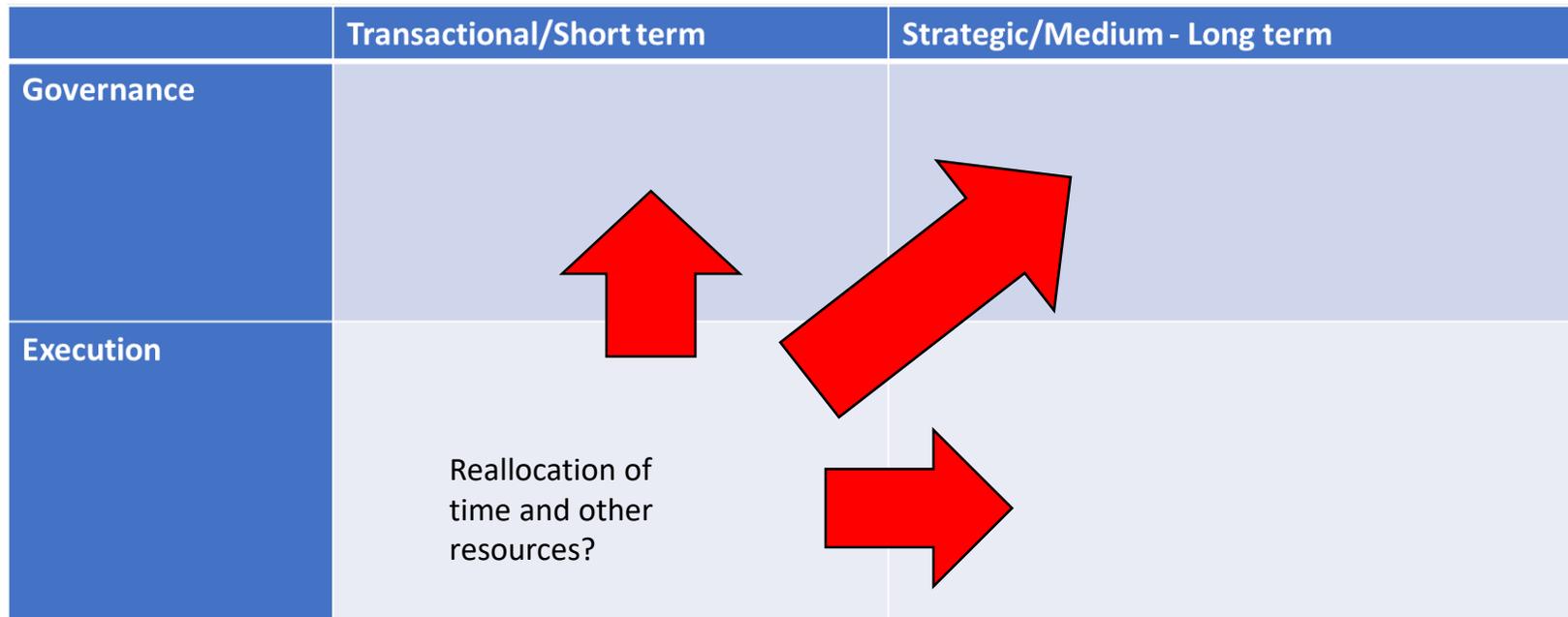
- Corporate time allocation

	Transactional/Short term	Strategic/Medium - Long term
Governance	2% to 20%	1% to 7%
Execution	45% to 70%	20% to 45%



# Crowding out...

- an opportunity to rebalance supply and demand?



# Conclusions & Recommendations

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## Conclusions

- Substantive discussions on longer-term, strategic Governance are crowded out by the emphasis placed on short term reporting, modelling and checklists for AGM voting
- There is an apparent disconnect between the way that companies and investors view engagement on Governance
- Interactions between companies and investors can be divided into Four Dialogues, based on whether they are focussed on Governance or Execution, and their timeframe. Each of the dialogues has different participants, subject matter and objectives

## Recommendations

- There is scope to make significant improvements in the effectiveness of this dialogue through managing time and resources more effectively to optimise the outcome for all parties
- Greater clarity from Investors on how Governance is taken into account in investment and stewardship decisions, including the role of advisers, would facilitate more meaningful dialogues
- More effective dialogue with Chairs and NEDs should provide investors with increased insight and confidence in the long term, sustainable creation of value for all stakeholders



# Proposed Actions

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- Companies and investors could consider the true focus of their dialogues and whether they need to clarify priorities and re-allocate their resources to make them more effective
- Investors should be clearer about how they integrate Governance factors into their investment decisions and stewardship responsibilities
- Companies should provide regular, structured access for investors to key Board members, including the Chair and heads of key Board committees
- The role of the intermediaries involved in Governance discussions needs to be clarified. Companies and Investors should own the dialogues



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**Jocelyn Brown  
James Collins  
Jonathan Attack  
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# 47 Members, £17 tn global AUM, 30% of FTSE ALL Share



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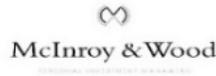
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