



# CHAIR'S INTRODUCTION

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**Simon Fraser**  
Chair  
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Last year, I talked about how “stewardship” had moved centre stage during 2019 for all market participants including regulators. I also said that relationships between companies and investors were still stretched, and there was work to do to encourage companies and investors to work together on material issues that would impact long-term value.

Little did we know then about how 2020 would develop. Interestingly, John Kay and Mervyn King published their book “Radical Uncertainty” in March 2020 describing how risk cannot always be measured through a series of probabilities. While Covid-19 had already been gradually spreading from Wuhan across Asia at that time, no risk models had suggested how big a health and economic catastrophe the spread of this virus would become over the following months.

Against this hugely uncertain economic environment, companies have had to plan their future both short-term and long-term and in many cases to completely reappraise their strategy. Conventional wisdom would suggest that in these extraordinary circumstances they would focus exclusively on short-term survival. However, most companies quickly came to realise that having a short-term financial focus simply was not sufficient. **The crisis has demonstrated that a longer-term sustainable business model is absolutely critical to retain solvency and legitimacy through the short-term economic hurricanes that we are now living through. Corporate purpose has really come of age.**

Companies that have had too much debt and lack a genuine purpose and strategy have struggled and, in many cases, have gone out of business but companies that have been able to demonstrate a long-term sustainable business model that looks after the interests of all stakeholders and follows a clear purpose have been able to raise sufficient liquidity from investors who have generally been very supportive.

Investors have also focused on sustainability and resilience during these unparalleled times. Before the crisis there was a steady growth in interest in

embedding ESG factors in investment decisions, but this has exploded during the last 9 months. Pension funds, individual investors and asset owners have all become much more focused on sustainability. Both environmental and social factors are now on every investor’s radar as well as being discussed widely in every board room.

### **So, the Covid-19 pandemic has accelerated the move to stakeholder capitalism and stewardship and forced it into the heart of investment and board room decision making.**

The activities of the Investor Forum during 2020 have evidenced this very clearly and provide practical evidence that investment decisions and board room discussions are now focusing much more on environmental and social factors.

The Investor Forum’s primary objective continues to be to help investors fulfil their stewardship activities by providing a platform for collective engagement. As mentioned above our engagements have expanded to cover environmental and societal issues as well as governance issues. The relevance of our work therefore continues to grow and this is reflected in the steady growth of our membership as well as the interest in our practical experiences by government and regulators.

### **Board Developments**

The board of the Investor Forum represents a broad cross-section of market participants including asset managers, asset owners, corporates and other interested parties in the development of stewardship. This year board succession has been focused on refreshing representatives from our founding member firms. We are delighted that Amra Balic from BlackRock, Andrew Millington from Aberdeen Standard and Chantal Waight from M&G joined the board in December. They will bring a wealth of experience in portfolio management, governance and engagement as well as investor relations and board room strategy to our board discussions.

Mark Burgess retired from our board in September, and James Macpherson will not be standing for re-election at the AGM in January. We would like to thank both of them for their guidance and support over the last several years and we wish them all the very best in their future endeavours.

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During 2019 our board spent a considerable amount of time in developing the Forum's strategy for the next three years and drew up a clear set of medium-term priorities and objectives. These objectives have helped provide a clear focus for the Forum during the course of 2020 which has been such a challenging year in so many respects.

Executive management and the whole Investor Forum team have all worked from home since March but in many respects have been working more closely with each other by joining daily video calls to compare notes and collaborate on our various work streams. The success of our Four O'clock Forums has provided opportunity for regular dialogue with our members on a wide range of subjects of direct interest including capital raising, accounting and climate. In this year of uncertainty it is a testament to the team's hard work that we have had 100% membership renewals. I would therefore like to thank Andy Griffiths and the whole team for their hard work and dedication during this difficult year.

### Outlook

Although 2020 has arguably been a watershed year in the development of the stewardship agenda as well as for the relevance and impact of the work of the Investor Forum, there is still much work to be done to further embed stewardship in investment decision making. The corporate world still needs to convince the broader population that it can become part of the solution to society's problems rather than being seen as the problem.

Having a clear corporate purpose is just the beginning of the journey towards running a business for all stakeholders. Putting it into practice is a real challenge for boards and executive teams. Translating that into long-term value creation takes time and determination. There is still further work to do to build a consistent reporting framework although the Task force on Climate-related Financial Disclosures ("TCFD") recommendations are rapidly becoming the standard approach for climate reporting.

**Importantly, the need for more constructive shareholder engagement with companies as part of their journey is more critical than ever before. Investors still have more to do to further enhance the impact of their engagements and to provide a joined-up approach.**

### Conclusions

Our experience from the last six years and over forty active engagements will help us refine our approach and focus on each engagement's objectives and potential impact. **We are committed to further developing our role in helping companies and investors protect and build sustainable long-term value through facilitating collective engagements.**

From a health and economic point of view the global pandemic is having tragic consequences, but at the same time the virus is arguably helping create additional momentum towards stakeholder capitalism. Every company now needs to have a clear purpose, earn its licence to operate and develop its role in society and every investor now needs to consider ESG factors in their decision-making process.

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