

REVIEW 2020



THE INVESTOR FORUM

WHO ARE WE?

A community interest company set up by institutional investors in UK equities.

WHAT DO WE DO?

The Forum helps investors work collectively to escalate material issues with the Boards of UK-listed companies.

WHY WE DO THIS?

To help build and restore trust between companies and their shareholders.

HOW DO WE DO IT?

By listening to investor concerns and explaining these to boards in a comprehensive and consistent manner.

WHAT IS THE OUTCOME?

Better informed boards and a stronger level of trust and understanding – ultimately leading to sustainable long-term returns for savers.

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OUR MEMBERS



¹ One Member has opted to remain anonymous

KEY MESSAGES

THE INVESTOR FORUM IS

FOCUSED:

WE WORK TOGETHER TO ESCALATE MATERIAL ISSUES

The Forum's model for escalation is proven and has delivered meaningful stewardship outcomes over a sustained period.

→ *To read more about the importance of engagement and stewardship, see the Executive Director's Review.*

PRACTICAL:

WE PROVIDE AN ESSENTIAL STEWARDSHIP CAPABILITY FOR MEMBERS

We promote well-functioning markets and bring investors together to collaborate on wider material issues through our S-360 projects.

→ *To understand more read the Stewardship Activities Report.*

IMPACTFUL:

WE DELIVER OUTCOMES THROUGH COLLECTIVE ENGAGEMENTS AND PROJECTS

Since inception, we have led collective engagements with 40 companies, and undertaken 16 Stewardship 360 projects.

→ *To learn about our engagement record in 2020 read the Collective Engagement Review.*

UNIQUE:

WE ARE A NOT-FOR-PROFIT CATALYST FOR COLLECTIVE ENGAGEMENT

Inspired by the Kay Review, the Forum has developed a Collective Engagement Framework, is staffed by experienced practitioners and is funded by 52 Members.

→ *To find out how the model works read the Governance and Operational Review.*

The Investor Forum supports the principles of the FRC Stewardship Code. The index at the back of this Review maps how the Forum helps its Members demonstrate their commitment to the Code.

CHAIR'S INTRODUCTION



Simon Fraser
Chair
12 January 2021

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.

CHAIR'S INTRODUCTION

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.

Simon Fraser
Chair

FORUM SNAPSHOT

Membership



~£20tn
In Global AUM

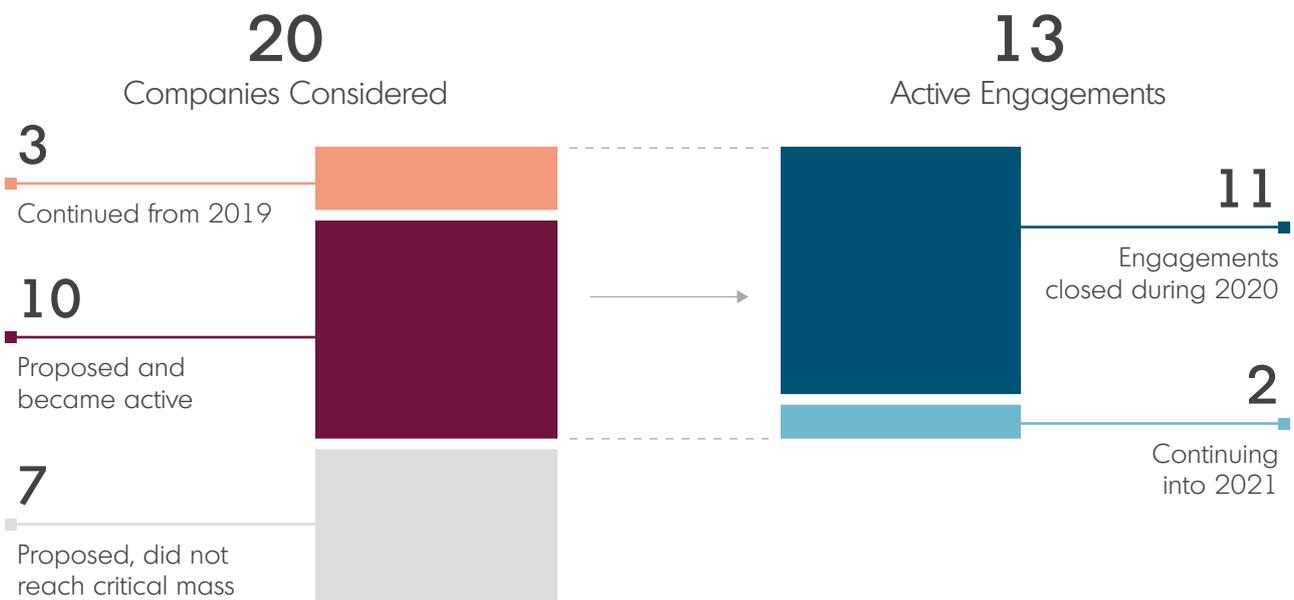


~£695bn
Invested In UK Equities



~33%
FTSE All-Share Market Cap

Engagements 2020



FORUM SNAPSHOT

2020 Collective Engagement Dashboard

	Oversight (by the Board)						Execution (by the Management team)		
	Material Issue Focus	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
Aviva	Strategic Direction	✓	✓	✓			✓		
Barclays*	Strategy / Environment	✓	✓						
Boohoo	Social Issues				✓		✓	✓	✓
Burford	Board Effectiveness		✓		✓				
Pearson	Executive Succession		✓						
Playtech	Chair Succession		✓		✓				
Royal Mail	Board Effectiveness		✓		✓				
Ryanair	Shareholder Rights					✓			✓
Snam SpA	International Best Practice		✓		✓				
SSP	Capital Allocation			✓		✓			

*Phase 1 & 2

Collective Engagement Activity Since Inception



Engagement Participation in 2020

In each full engagement



5 to 22

Range of Participants



11% to 30%

Market Cap of Company Represented



39

Investors Involved



140

Bilateral Conversations Taken Place

EXECUTIVE DIRECTOR REVIEW



Andy Griffiths
Executive Director
12 January 2021

There is no question that 2020 was one of the most challenging years that any of us can remember. As we reflect on the year that has passed our thoughts extend far beyond financial markets to every corner of our society and to the very real impacts that the virus has had on each of our communities.

2020 was a year when financial markets could not ignore real-world developments, when externalities became strategic threats and when the great pause in activity brought humanity in all its guises into full focus.

The re-set that will be required to address the impact of the crisis will create a new set of priorities for policymakers, companies, investors and individuals. The urgent need for renewal offers opportunity and hope.

As we look forward, the focus of those of us who work in financial markets will need to be much more inclusive.

In this our 5th Review we offer our practitioner's perspective on the:

- Value of public markets
- Impact of engagement
- Stewardship agenda

We also argue the UK has a unique opportunity in 2021 to lead the world by embracing a 'say-on-climate' ahead of COP26.

The Value of Public Markets

As a broader range of stakeholders find their voices and regulatory burdens increase, many companies have questioned the value of a public listing. Indeed, in our 2019 Review we argued that the quality of the dialogue between shareholders

and companies was close to an all-time low. It is therefore encouraging to be able to report a much more positive dynamic this year.

In the midst of the Covid-19 crisis we saw a powerful demonstration of the value of public markets. As companies focused on survival, the dialogue with investors reached a new level of intensity. Public markets mobilised an unprecedented £42bn of capital to support UK listed companies in 2020 and £36bn of dividend payments were withheld, as companies prioritised financial stability.

The vast majority of that capital was raised through placings which provided rapid access to funds, with limited market risk, taking advantage of flexibility introduced by the Pre-Emption Group. As cash placings are undocumented deals, leading investors played a vital role in scrutinising recovery plans.

The extensive dialogue and challenge by investors in these cash raisings demonstrated how stewardship is now at the heart of investment decision making. Practical guidelines were established, capital was mobilised, a broad range of strategic and stakeholder issues were prioritised, and a clear basis was established to hold companies to account if behaviour falls below expectations or capital is allocated poorly. It was also particularly pleasing to see companies and advisors work hard to ensure that existing ownership interests were respected, and the spirit of pre-emption rights was upheld.

During these fundraisings, we clearly witnessed a broadening of the agenda, as companies sought to demonstrate to shareholders how the new capital would be deployed in a manner which would support a wide range of stakeholders.

This was an important evolution at a time when there is a healthy debate about the merits of shareholder primacy and alternative models of stakeholder capitalism. In 2021 we will partner with the LBS Centre for Corporate Governance to bring together a group of investors and academics to explore the practical implications of this evolution.

EXECUTIVE DIRECTOR REVIEW

The Impact of Engagement

It has become apparent to us is that the true value of engagement is not widely recognised. We have argued over many years that engagement is an important complement to voting and the primary mechanism by which investors can effect change at companies.

We built our platform in 2015 and have seen a steady increase in the volume and range of issues that we have been asked to engage on. It is therefore pleasing to report that we completed 11 engagements in 2020, bringing our total to 40 since we began engaging in 2015. The Forum's model for escalation is proven and has delivered meaningful stewardship results over a sustained period.

In 2020 our engagements delivered significant outcomes across a broad range of issues, by:

- Catalysing strategic change at Aviva;
- Encouraging ambitious climate commitments at Barclays;
- Reinforcing the need for change at Boohoo; and
- Creating an investor-led solution to conserve cash for SSP.

Unique to our approach is the deep experience of the team, and the underpin provided by the Collective Engagement Framework, which gives investors the confidence to work together. Our bespoke model ensures that we are able to maintain the support of members in sensitive situations, engage effectively with Board members and help develop solutions that can catalyse change. Ultimately what matters is the outcome – our track record demonstrates that escalation and constructive engagement can be a positive force.

We very much hope that the FRC Stewardship Code reporting will generate a transparent discussion around engagement activity in 2021. There is an excellent opportunity for investors to demonstrate their stewardship capabilities and provide tangible evidence of the value of engagement.

Who Benefits From Engagement?

In his 2012 review, John Kay wrote about the need to connect the investment chain – the link between asset owners, asset managers and companies. Since inception, we have been encouraged by the impact of a number of institutional asset owners, particularly with regard to climate, and a rising tide of retail investor interventions.

We believe it is vital that asset managers deploy a full range of stewardship competencies and that asset owners calibrate those capabilities when appointing and evaluating their managers.

To make this case we published a paper with the PLSA in 2020 'Engaging the Engagers' to provide a practical guide to help enhance the effectiveness of engagement activity. We therefore welcome the DWP announcement in December of a working group to address stewardship barriers.

Stewardship Agenda

Our engagements in 2020 confirmed that Environmental and Social issues have moved out of the Corporate Social Responsibility departments of companies and into the boardroom, into the heart of investment objectives for many asset owners and retail investors, and increasingly into the core investment processes of investment managers.

If there was any question about the materiality of a broad range of ESG issues at the beginning of 2020, then companies from Barclays to Boohoo and Rio Tinto can testify to the importance that stakeholders attach to ESG issues, and the material impact they can have on a company's reputation.

In our experience it is rare that a material social or environmental issue can arise without an associated governance concern.

Continued >>>

EXECUTIVE DIRECTOR REVIEW

We believe that dialogue is the most effective way for investors to highlight material issues and to set out their expectations and priorities. In turn, companies can lay out pathways and roadmaps to address these issues. Such an approach recognises the complexity of many Environmental and Social issues and the need to deliver change over time. It offers a route to build confidence in the purpose of a company and its ability to generate sustainable long-term value not just exclusively for the benefit of shareholders but crucially for a broad range of stakeholders.

Investors continue to evaluate how directors discharge their section 172 duties and the new disclosures, along with external assessments of Board effectiveness, provide important insights and assurances. In parallel, the progress of Chapter Zero is one practical example of how NEDs are equipping themselves to respond to the climate challenge.

'Say-on Climate'

As the UK looks to take a leadership position on climate ahead of COP26 in November 2021, we believe that there is enormous value to be gained from giving investors a 'say on climate'.

The roadmap towards mandatory climate-related disclosure published by HM Treasury in November, the FCA's proposals to implement the new TCFD-aligned disclosure rule for premium-listed companies, and the forthcoming BEIS Companies Act consultation to mandate the proposed changes, provide an opportunity for investors to also make the case for a 'say on climate' on TCFD-aligned disclosure obligations.

To drive real-world impact, a non-binding shareholder vote on a company's climate policy would provide a powerful investor signal on the effectiveness of any mandated climate disclosures and ensure alignment between the substance and ambition of company disclosures and its strategic intent.

Such an approach would enable the investment community to take a leadership position in helping ensure that UK companies commit to advancing the UK's net zero commitments. It would provide investors with a mechanism to signal which companies are making good progress and those that are lagging. This systemic approach would align the focus of premium-listed companies with the UK's increasingly ambitious climate commitments.

Conclusions

The Investor Forum has been fortunate to enjoy the continued support of our 52 Members, for which we are very thankful. With this support, and the dedication, flexibility and commitment of the Investor Forum team, we have been able to deliver a series of meaningful engagement outcomes in 2020.

Notwithstanding the enormous challenges that society faced, in 2020 we saw tangible evidence of the value of stewardship and the positive contribution that engagement can make. We should all take confidence from the ability of public markets to respond to challenges when it matters most.

As we grapple with the implications of Covid-19, there is an opportunity for investors and companies to gain society's confidence. To deliver on this potential will require us all to think much more broadly about purpose – to help guide the behaviour of investors and company leaders alike.

Andy Griffiths

Executive Director

PURPOSE, OBJECTIVES AND KEY ACTIVITIES

Purpose

Position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value

Objectives

Make the case for long-term investment approaches

Facilitate collective engagement with UK-listed companies

Activities

Company Specific Collective Engagements (Read more on pages 18 - 30)

- Work collectively to escalate material issues with the Boards of UK companies;
- Operate the Forum's Collective Engagement Framework

Facilitate Dialogue (Read more on page 42)

- Convene parties from across the investment chain;
- Organise Stewardship Forums

Company Specific Collective Engagements

Facilitate Dialogue

Stewardship 360

Stewardship 360

(Read more on pages 34 - 41)

- Work collectively to address wider issues that impact companies, industries and the environment in which they operate;
- Promote well-functioning markets

LESSONS LEARNED FROM 6 YEARS OF COLLECTIVE ENGAGEMENT

The Investor Forum has built a track record of collective engagement with the boards of UK companies on behalf of our Members. We have shared case studies and lessons learned in each of our Annual Reviews, and this year we have taken the opportunity to look back at this unique six year public track record to identify the key components of successful engagement.

Collective Engagement Doesn't Just Happen

Each engagement involves extensive background research, multiple conversations with shareholders to understand perspectives and concerns, the formation of a bespoke engagement strategy and then the execution of that strategy through discussion and engagement with the company.

In some cases the engagement will involve group meetings, giving Members the opportunity for enhanced dialogue and insight to incorporate into their investment thesis. At each stage, the processes laid out in our Collective Engagement Framework provide confidence that the engagement is safe and secure.

Nothing about the process of even the most straightforward collective engagements is simple. In that regard, the Forum's expertise represents a unique resource. Our challenge is to use our capacity effectively to deliver outcomes and impact.

Outcomes

Since inception the Forum has completed engagements with 37 companies (some engagements have more than one phase, resulting in a total of 40 engagements as recorded in the Annual statistics).

Motivation	Objective	% of IF Engagements
Escalation	Improving Governance	42%
Material Issues	Changing Priorities	36%
Structural Challenges	Value Recovery	22%

The vast majority of our engagements have delivered change in line with the objectives agreed with participants. Our record of achieving change is due to three principal factors:

- **Critical mass of support** – 72 engagements have been proposed since January 2015 which have resulted in 40 formal engagements with Boards. Engagement participants opt in and re-confirm their commitment to engagement at each stage in the process.
- **Company mindset** – engagement delivers change most effectively if the Board is prepared to reflect objectively on the engagement feedback.
- **Experienced central resource** – the Collective Engagement Framework and the team's extensive experience are unique to the Investor Forum's approach.

While our record of delivery is strong we have encountered a number of common challenges:

- **Resistance to change** – when engaging with larger companies facing decline over multiple periods, Boards can be very resistant to investor pressure for change, which often results in significant value impairment.
- **Engaging the Portfolio Managers as well as the Stewardship experts** – over the last six years we have seen a much more integrated approach by investors but this remains a constant challenge.
- **Maintaining engagement pressure beyond the initial response from a company** – on a number of occasions succession plans have been expedited but investors have then preferred to revert to individual engagement approaches in relation to the execution of the programme of change.
- **Maintaining confidentiality** – we have maintained a low profile but speculation regarding our involvement in a few of situations has been unhelpful.

LESSONS LEARNED FROM 6 YEARS OF COLLECTIVE ENGAGEMENT

Our model has stood the test of time and remains essentially unchanged but we continue to evolve our approach to enhance effectiveness.

Conclusions

From the outset our approach has been: “Facilitate Dialogue. Create solutions. Enhance Value.” As we review the case studies, there are numerous examples where we have delivered on the first two of these dimensions. However, it remains a challenge to robustly demonstrate the economic benefits of engagement on shareholder value in the short term.

67% of our engagements have resulted in accelerated delivery of outcomes (within a calendar year) with the remaining 33% requiring multi-period engagement. In a number of situations, engagement creates the conditions which are required for further change to follow.

An effective Board is necessary for value creation, but it is not always sufficient. We therefore view collective engagement as an investment in the future resilience of a company that will yield benefits for patient shareholders. Our record allows investors to evaluate the merits of ‘voice’ over ‘exit’ in considering the most effective stewardship response.

5 Key Takeaways

1. **Engagement is a powerful intervention that delivers change.** It is complementary to voting rights, and a clear statement that investors want a material issue to be addressed.
2. **Collective engagement can be deployed in many situations and can be extremely effective when using a specialised and experienced central resource.**
3. **Collective engagement is an essential tool for investors to escalate concerns, hold companies to account, and drive a change in priorities.** Unlike some other forms of intervention, it is bespoke and can take considerable time and resource.
4. Our experience suggests **the most significant impact is typically where the objective is to convince a company to change priorities. It is less effective when investors seek to direct strategy.**
5. **Engagement to address companies facing structural decline has a much lower probability of success.** Given the magnitude of the issues facing the company, the clarity of objectives needs to be much stronger and the approach more forceful to escape a protracted and vicious cycle.

LESSONS LEARNED FROM 6 YEARS OF COLLECTIVE ENGAGEMENT

Types of Engagement

Escalation – Improving Governance

These engagements seek to address specific issues which Members have identified with the corporate governance of the company. This may include, for example, encouraging succession; improving structures to equip the company for growth; or expressing investor concern with governance decisions.

Characteristics

These engagements are typically with companies where the issue is well known, of short duration and have a good level of investor participation.

The company will be aware of some of the issues, but the collective engagement can be effective in nudging the company towards action.

Approach

The main approach is to write a collective letter with a clear, narrowly defined objective. This is an efficient escalation action and these engagements are of relatively low time intensity.

Outcomes

This type of engagement highlights the importance investors place on good corporate governance arrangements as a driver/protector of value, beyond compliance with a code for the sake of it. The engagement usually contributes to Board changes, but, of course, collective engagement will be just one force driving for change and is rarely the sole determinant. We regard Board change as necessary but not sufficient in any journey to enhance value.

Material Issues - Changing Priorities

These engagements seek to focus a Board's attention on a material issue about which shareholders are concerned.

Characteristics

The range of issues addressed has been wide, including, for example environmental issues, social issues, corporate actions or capital allocation.

Approach

These engagements vary in length, have high investor participation, and tend to involve intense dialogue with companies. The approach is constructive but challenging, and the engagement is typically well received by the companies.

Outcomes

We regard these engagements as some of our most impactful work, and of high value to Members. These engagements require skill and experience in managing participants, curating solutions and in the execution of the agreed strategy. The Forum has played a leading role in developing a number of bespoke and creative solutions.

LESSONS LEARNED FROM 6 YEARS OF COLLECTIVE ENGAGEMENT

Types of Engagement

Structural Challenges - Addressing Complex Problems

Typically, these are well known situations which have deteriorated over time. Escalation to the Investor Forum is typically a last resort for frustrated shareholders.

Characteristics

These engagements encourage companies to confront their long-standing challenges – be that structural decline, poor capital allocation, or long-term strategic malaise.

Approach

These engagements typically last for an extended period and require facilitation to devise an engagement strategy, given the wide range of opinions which need to coalesce to drive change. Investor participation can change during the course of the engagement as some investors lose conviction and confidence in the pace of change and sell, and others buy in. Different entry points and duration of experience pose significant challenges.

Outcomes

Change at the companies can be long in coming and does not always address the underlying challenge. Our results in this category have been mixed. These engagements can be frustrating, and we have learnt that clear, precise objectives and defined phases of engagement can be critical in keeping investors on board.

Investors need to have confidence in the plans that companies articulate to address key concerns, and there is value in collective engagement to rigorously test the company's commitment to its stated course of action. If a company meets the challenge through its response, then the process of escalation and holding to account contributes to an increase in confidence and an alignment of expectations.

One common feature of these cases is a high dividend yield, often with questions over the sustainability of the dividend. These companies ultimately need to make significant cuts to dividends or cease distributions. It is perhaps the historic ability of the company to keep paying the dividend, no matter how hard-pressed, that blunts the focus of engagement and the power of creative destruction until such time as the dividend can no longer be maintained.

INVESTOR FORUM TRACK RECORD

In 2012, the Kay Review, of UK equity markets and long-term decision-making, recommended that “an investors’ forum should be established to facilitate collective engagements by UK investors in UK companies”. Following the considerations of a Collective Engagement Working Group, the Investor Forum was established in 2014 as a not-for-profit member organisation.

2015

MEMBERS AT YEAR END:

28

REPORTED ENGAGEMENTS:

4 – Standard Chartered plc, Tate & Lyle plc, Rolls Royce plc and Sports Direct plc.

SIGNIFICANT PROJECTS INCLUDE:

Promoting the ‘Stewardship & Strategy’ Forum concept.

2016

MEMBERS AT YEAR END:

33

REPORTED ENGAGEMENTS:

3 – Cobham plc, Mitie Group plc and Royal Dutch Shell plc.

SIGNIFICANT PROJECTS INCLUDE:

The publication of the first Collective Engagement Framework.

2017

MEMBERS AT YEAR END:

35

REPORTED ENGAGEMENTS:

7 – Including BT Group plc, London Stock Exchange plc, Rio Tinto plc and Worldpay plc.

SIGNIFICANT PROJECTS INCLUDE:

Working Practices in the Apparel Sector; Banking Futures Pathway to Long-term value.

2018

MEMBERS AT YEAR END:

43

REPORTED ENGAGEMENTS:

6 – Including Centrica plc, Reckitt Benckiser plc, Shire plc and Unilever plc.

SIGNIFICANT PROJECTS INCLUDE:

Working Practices in the Food Sector; ADR Voting Practices.

2019

MEMBERS AT YEAR END:

50

REPORTED ENGAGEMENTS:

6 – Including First Group plc, Imperial Brands plc and Vodafone plc.

SIGNIFICANT PROJECTS INCLUDE:

The Four Dialogues; Marine Plastic Pollution.

2020

MEMBERS AT YEAR END:

52

REPORTED ENGAGEMENTS:

11 – Including Aviva plc, Barclays plc, Pearson plc and SSP Group plc.

SIGNIFICANT PROJECTS INCLUDE:

Promoting Well-Functioning Markets; Voting Transparency; the Four O’clock Forum series.



COLLECTIVE ENGAGEMENT REVIEW

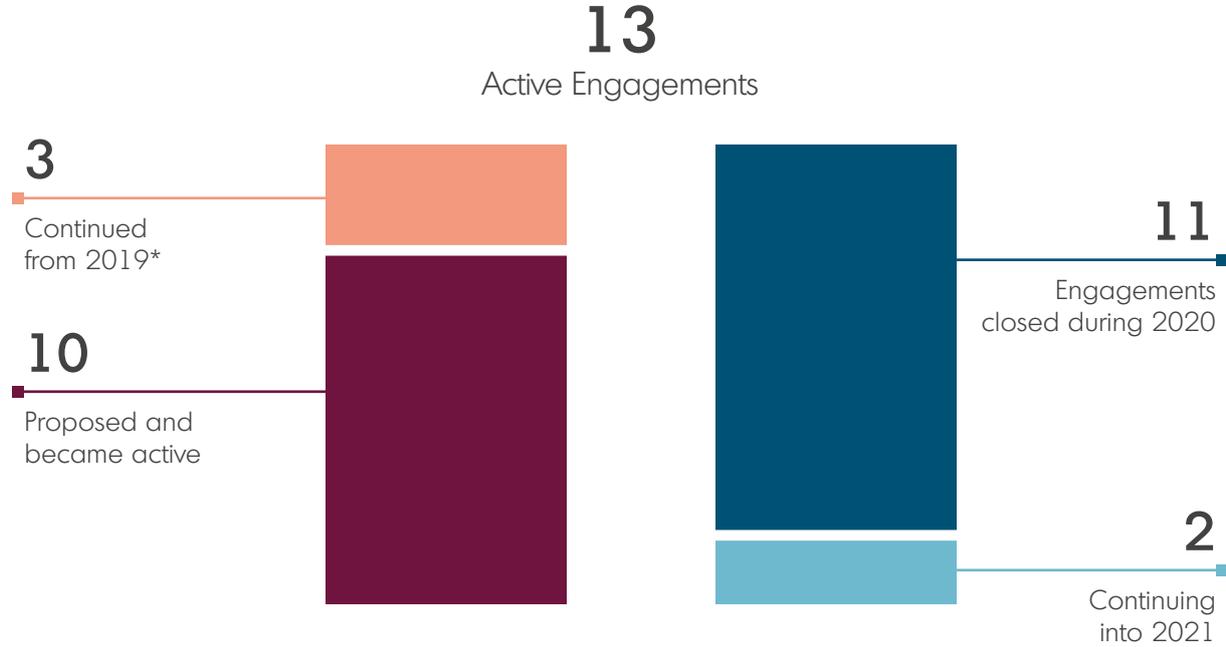
- *Collective Engagement Report*
- *Engagement Process*
- *Case Studies*



COLLECTIVE ENGAGEMENT REPORT

Facts and Figures

Activity in 2020:



*One of the cases open at the end of 2019 did not materialise into a full engagement due to a change in investor sentiment.

7
Proposed, did not reach critical mass

- **2** - Were small cap companies where critical mass could not be established amongst the membership base
- **2** - Had objectives which did not garner wider support
- **2** - Involved a complex and evolving situation, where the company engaged effectively with its shareholders
- **1** - Involved a bid situation where the shareholder registry changed during consultation

Member Participation

During 2020, the Forum:

Worked with



39

Investors on specific engagements

Held



140

detailed bilateral conversations* to inform engagements

*Defined as ongoing dialogue on a single company engagement with an institution.

COLLECTIVE ENGAGEMENT REPORT

2020: The Year of Material Issues

Facilitating collective engagement is the primary objective of the Forum. The Collective Engagement Framework and the Forum's approach are now recognised by leading investors as a valuable framework to escalate and resolve complex problems. We believe it is a unique and constructive additional stewardship tool that can be used to address any material issues.

In 2020, shareholders increasingly incorporated explicit views on the impact of variables such as culture, human capital management and environmental issues when deriving and testing a long-term investment thesis, alongside the more traditional considerations of strategy, executive ability and capital allocation. Confidence in leadership and oversight is critical to the management of a wide range of stakeholder perspectives and the delivery of outcomes that generate sustainable long-term value. It is not surprising that the focus on effective governance should remain a core focus for investors.

The issues addressed in the engagements in 2020 serve to demonstrate the effectiveness of the model as a means of escalating investor concerns across an increasingly broad range of material issues.

Unilever plc – Then and Now

In 2018, the Investor Forum engaged extensively with Unilever around the company's simplification plans, which ultimately resulted in the proposal being withdrawn.

In June 2020, the company announced a revised plan, which was well received by shareholders. The unification into a UK plc company was successfully concluded in December 2020.

Case Study	Material Issue	Engagement Focus	Outcome
Aviva	Strategic Direction	Strategic focus and group structure	Chair succession which resulted in a strategic reset
Barclays	Environment	Climate commitments, catalysed by shareholder resolution	Ambitious commitments made with shareholder support
Boohoo Group	Social Issues	Working practice issues within supply chain	Tangible new commitment to reform supply chain and significant enhancements to governance structures
Burford	Board Effectiveness	Strengthening governance practices	Additional direct engagement by the CEO reassured investors
Pearson	Executive Succession	Need to accelerate the appointment of a new, external CEO	Highly regarded external CEO appointed
Playtech	Chair Succession	Need for Chair succession plans to be implemented	Interim Chair appointed
Royal Mail	Board Effectiveness	Board skills and priorities	Comprehensive refreshment reassured investors
Ryanair	Shareholder Rights	Auto-proxy voting of ADRs	Timely disclosure of auto-proxy impact with results of AGM
Snam	International Best Practice	Global investor input into Italian company succession process	Prompt disclosure of Chair credentials to better inform voting decisions
SSP Group	Capital Allocation	Recycling cash from AGM approved dividend	IF proposed solution to retain cash within business

COLLECTIVE ENGAGEMENT REPORT

Company Meetings for Members

In addition to facilitating engagements, the Forum also facilitates meetings with companies to address issues of specific interest to members. These do not represent formal engagements but fulfil the objective of facilitating dialogue in situations where, either communication has proved challenging, or where investors are seeking to address a broader agenda with the company to complement their individual interactions.

Member meetings with Non-Executives can be valuable for investors and efficient for companies. These meetings can help investors to gain clarity from the Board and increase their confidence that the Board is fully aware of the focus of investors and the nature of concerns. A structured agenda, and a discussion focused on the questions that are top of mind for investors generates a positive discussion that is time and resource efficient and creates goodwill on both sides.

In 2020, the Forum organised meetings with companies to discuss a variety of issues:

- **Boohoo Group plc** - we facilitated a Member-only meeting with the Deputy Chair in the course of an engagement.
- **Imperial Brands plc** – we assisted the new Chair in organising a meeting with investors to understand concerns following the closure of our long-running engagement with the company.
- **Rio Tinto plc** – The Forum hosted a meeting with the Board and investors to talk about the events of the year, and the lessons learned. The agenda focused on board effectiveness, oversight and accountability, and licence to operate issue. The meeting was well received by both investors and the company, complementing direct engagement and setting out a framework to allow investors to assess action over the coming months.
- **Company governance events** – We have provided input and assistance to two FTSE 100 companies this year, helping the Boards as they prepare to address investor concerns. **We welcome companies seeking advice and insight when preparing Board events with shareholders, and remain available to all listed companies to provide discreet assistance in this manner.**

Conflicts of Interest Management – Case Study

Starting in June 2019, we were asked by Members to engage with Aviva plc, the parent company of Aviva Investors – one of the Investor Forum’s founding Member firms. As soon as the engagement was proposed, we implemented ‘heightened procedures’, as described in our Collective Engagement Framework and documented the actions taken in the Engagement Registry. Aviva Investors were informed in advance that we planned to initiate the engagement. They informed us that they would remain at arm’s length to the process – they did not opt in to the engagement, or receive any further information on progress. Following initiation, one engagement participant informed us that they had recorded the engagement on their own internal conflicts management register, due to a commercial relationship with Aviva plc.

We are confident that neither the engagement approach, nor the outcomes achieved with Aviva plc, were impacted by the registered conflicts or pre-existing relationship with Aviva Investors.

Case Studies

On the pages that follow we provide case studies of the engagements which were closed during 2020. We have again sought to balance the sometimes competing needs for discretion and transparency.

We note that the 2020 Stewardship Code calls for disclosing progress of ongoing activity. However, it is our policy not to report on engagements that are currently still active.

We believe the disclosures that follow help to demonstrate the value of collective engagement as a tool for investors to escalate concerns with Boards and catalyse change. It is a tangible sign of how seriously our Members take their stewardship responsibilities.



The Investor Forum exists because its members rightly believe our duties as stewards of capital, and the long-term interests of our clients and industry, are best served by a long-term investment approach that puts stewardship at the centre of investment decision making. As an investment manager, I am all too aware of the risk that a short-term mind-set can distort investor behaviour and have a corrosive influence on the way listed companies are run.

In particular I'm a strong believer that collective engagement is a valuable and yet underused tool for asset managers and owners. Working collectively we can exert a positive influence on the companies we own far more effectively than we can acting alone.

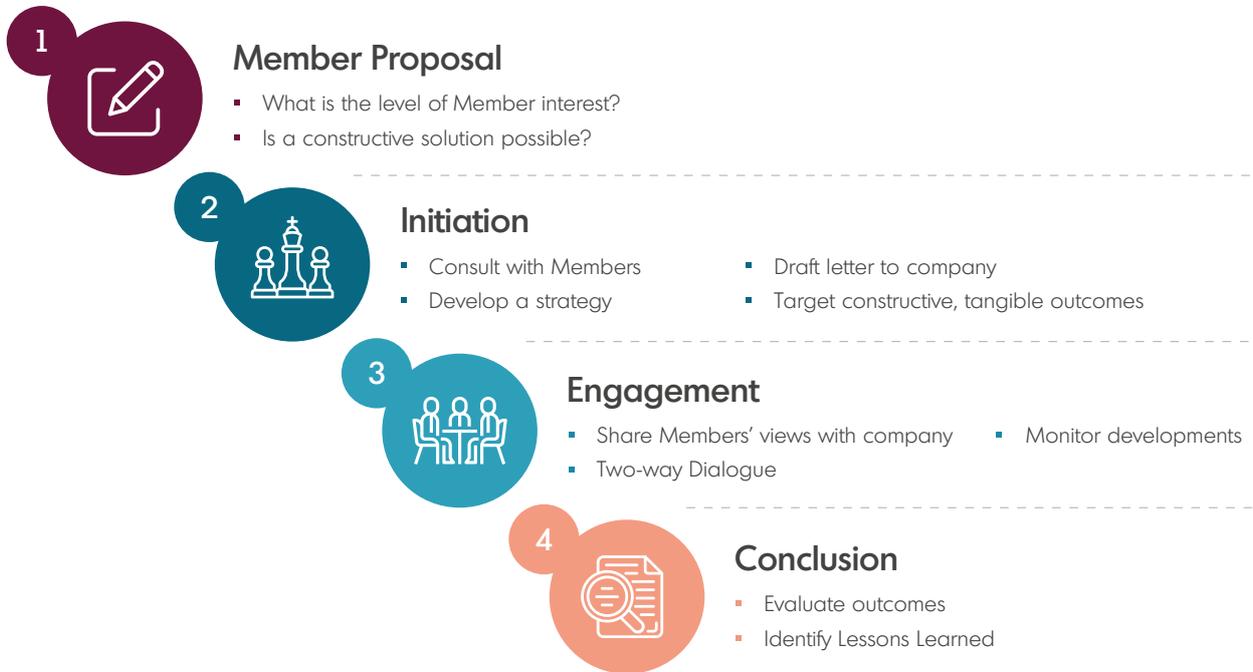
I feel fortunate to be joining the Board at a time when the Investor Forum is in such good health. In just six years it has established itself as an effective and respected voice in the UK market, and we can be ambitious and optimistic about the potential to build on those strong foundations in the years to come.

Andrew Millington
Investor Forum Director, 2020



COLLECTIVE ENGAGEMENT REPORT

Engagement Process



1. The Forum will initiate a collective engagement if it meets the criteria set out in the Collective Engagement Framework, and if there is support from a critical mass of shareholders.
2. In the process of formulating the engagement strategy, the Forum explores all perspectives, including those of the portfolio managers, credit analysts and ESG teams at Member firms, in order to agree clear objectives. Once participants have confirmed support for the proposed engagement strategy, the Forum progresses to contacting the company.
3. Each engagement is bespoke. In the majority of cases, the Investor Forum writes to the Chair or SID to set out the collective concerns and calls for action. Typically, the Forum would then meet with the Chair, SID or both, along with other company representatives and Board members. Further letters may be sent, depending on the company response.

The Forum recognises that change cannot be delivered immediately, and that the company needs to follow due process. Therefore, engagements may involve a period of “monitoring developments” – e.g. waiting for the outcome of an appointment process, the conclusions of a review, or for the next set of results to assess the company’s response. As circumstances change, the Forum maintains contact with participants and keeps in touch with the company to provide regular input.

4. The Forum consults Members before closing an engagement, and then shares a Closing Note, which evaluates outcomes against objectives. The Forum seeks feedback from all participants to evaluate the process and learn lessons to inform future activity.

Company: AVIVA PLC	Oversight (by the Board)					Execution (by the Management team)		
	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
	✓	✓	✓			✓		
Timeframe: June 19 – June 20		Size: FTSE100		Number in Engagement: 8		Combined Shareholding: 15%		

Basis of Selection

Why did the Forum engage?

- The 2018 high profile departure of the CEO, combined with Aviva’s disappointing share price performance, led members to question strategic direction and Board oversight. Members were also concerned about capital allocation and the number of peripheral businesses that lacked scale.
- After a period of intense individual engagement, a collective engagement was initiated to address the strategic and governance concerns.

Objectives

What did the Forum engage on?

- Engagement participants wanted to emphasise the need for the company to make a compelling case to own Aviva shares at the November Capital Market Day. The new CEO was expected to announce a restructuring of the business and a series of non-core disposals.
- Investors were focused on the effectiveness of Board oversight and potential succession issues given the Chair’s tenure. There was a desire to ensure effective challenge of the new executive team through the process of the strategic re-set.

Engagement Methods

How did the Forum engage?

- The Investor Forum wrote to the Chair expressing members’ concerns in July 2019. We engaged constructively with the Chair and the Senior Independent Director (SID) throughout the summer to outline investor expectations for a compelling new strategy at the November Capital Markets Day.
- The Capital Markets Day did not meet investor expectations, and we met again with the Chair and a newly appointed NED to provide investor feedback. We encouraged the Board, and in particular the new SID, to meet investors in early 2020 to ensure the Board had a clear and objective view of the concerns. A formal letter was written to the Chair in January 2020, outlining the strength of continued concerns and calling for further change.

Outcomes

What did the engagement achieve?

- The Chair and SID acknowledged the concerns raised by participants and engaged in a further round of discussions with leading investors, as well as constructive discussions with the Forum.
- The Chair effected a significant refresh of the Board during 2019 and was a driving force in recognising the need for further change. In February 2020 he announced that he would accelerate his own departure.
- Through Collective Engagement investors were able to escalate their concerns and send a clear message to the Board about the need for a more dynamic strategy, their disappointment with the strategic reset and the need for effective challenge by the Board.
- Aviva engaged constructively, listened to investor concerns and committed to significant change, appointing the well-regarded new SID as Chair in May. Following completion of the engagement, the company replaced the CEO in July and has embarked on a much more dynamic strategy to reshape the business and release capital. Shareholders have welcomed these significant steps.

Lessons Learned

What has wider applicability?

- Collective engagement offered a powerful mechanism to escalate concerns, re-iterate investor feedback on priorities and emphasise the need for more urgent change.
- This engagement was an example of the power of voice over exit. It demonstrates how investors can escalate concerns and engage constructively with a Board to catalyse change and recover value.

Company: BARCLAYS PLC	Oversight (by the Board)					Execution (by the Management team)		
	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
	✓	✓						
Phase 1: Timeframe: Mar 19 – Jan 20 Size: FTSE100 Number in Engagement: 18 Combined Shareholding: 18%								
Phase 2: Timeframe: Jan 20 – Dec 20 Size: FTSE100 Number in Engagement: 22 Combined Shareholding: 26%								

Basis of Selection

Why did the Forum engage?

- The Forum was asked to engage in two phases:
 - The first phase involved the Forum providing consolidated Member feedback to the incoming Chair to complement his direct engagement with shareholders and to reinforce the most material issues for investors.
 - The second phase addressed a proposed shareholder resolution which called for the phase out of a range of energy-related financing activities.

Objectives

What did the Forum engage on?

- The objective of the first phase was to emphasise the priorities of long-standing Barclays investors at a time when the bank was facing a campaign from an activist investor seeking a Board position.
- The second phase sought to convey the collective view that climate concerns were seen as a material business issue for Barclays, and that investors wanted Barclays to show leadership commensurate with its position as one of the UK’s largest investment banks.
- Investors asked Barclays to set clear climate ambitions and to engage with ShareAction.

Engagement Methods

How did the Forum engage?

- The second phase of engagement was supported by investment decision makers, potential shareholders, stewardship specialists and debt holders. It involved the largest number of participants in any engagement to date.
- The Investor Forum wrote to the Board to express Member views and then engaged extensively with the Chair in a series of constructive conversations.
- We worked extensively with Barclays, ShareAction and investors to encourage ambitious climate commitments and to avoid a proxy battle.
- Conversations continued with the company after the AGM, to provide input to help the bank deliver against the commitments that were made.

Outcomes

What did the engagement achieve?

- Barclays outlined landmark climate ambitions ahead of the 2020 AGM and gave a commitment to provide greater granularity on its climate strategy before the end of 2020.
- At the AGM, two climate related resolutions were tabled - Barclays committed to “transitioning” its energy exposure while the ShareAction resolution called for a “phase out” of exposures.
- The Board’s recommended resolution received 99.9% support while the shareholder resolution (where an unusually large number of votes were withheld) received 23.9% support of the votes cast.
- In November 2020, the bank reported on actions taken since the AGM, outlining the methodology for monitoring emissions, and introducing new 2025 targets. Barclays also committed to further action and enhanced reporting.

Lessons Learned

What has wider applicability?

- Shareholder resolutions can be a powerful tool for signalling the emergence of business-critical issues, to catalyse change and focus management attention on issues which are important to stakeholders.
- Filing shareholder resolutions is a cumbersome process, and responding to individual resolutions is very time and resource intensive for both the company and shareholders. There are also practical challenges in negotiating with a large group of co-filers, making optimal outcomes difficult to achieve.
- We believe there is merit in mandating a system-wide approach to signal shareholder views on climate strategy. A non-binding ‘say on climate’ would build on the UK Government’s Roadmap towards mandatory climate-related disclosures ahead of COP26. Such an approach would enable full use of the existing stewardship mechanisms of voting and engagement to signal investor views on a company’s approach to climate considerations.

Company: BOOHOO GROUP PLC	Oversight (by the Board)					Execution (by the Management team)		
	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
				✓		✓	✓	✓
Timeframe: Jul 20 – Dec 20		Size: AIM	Number in Engagement: 10		Combined Shareholding: -25%			

Basis of Selection

Why did the Forum engage?

- In July 2020, the Sunday Times published claims of widespread labour rights abuses and poor practices within Boohoo’s Leicester supply chain.
- The Forum had an existing relationship with the company and the Deputy Chair in his previous roles, from the ‘S-360: Working Practices in the Apparel’ project which began in 2017. The insights and connections gained through that project gave Members confidence that the collective engagement could be effective.

Objectives

What did the Forum engage on?

- The initial objectives were focused on providing input into the supply chain review and encouraging the publication of the Independent Review findings in full.
- The engagement objectives subsequently expanded to include calls for stronger corporate governance structures and enhanced board effectiveness and oversight.
- Investors stressed the need to embed cultural change. They called for evidence of investment in internal management controls and buyer training in order to demonstrate that Boohoo can operate as a sustainable business in the future.
- Members also called for a commitment to greater transparency and ongoing communication of progress to address the Independent Review findings and supply chain reform. They sought a framework against which to hold Boohoo to account for the delivery of the Agenda for Change.

Engagement Methods

How did the Forum engage?

- The Investor Forum spoke to the CFO and IR team, and engaged extensively with the Deputy Chair. The company responded constructively and was receptive to feedback and challenge.
- The Forum facilitated a group meeting with the Deputy Chair in October to discuss the ‘Agenda for Change’, and to allow investors to express their expectations and views on next steps.

- The company now needs time to implement new procedures to deliver on its commitments. We will continue to monitor developments. If evidence of genuine progress is not observed, the Forum may re-engage in 2021 after the publication of the Sustainability Report and prior to the AGM.

Outcomes

What did the engagement achieve?

- Collective engagement enabled investors to escalate their individual concerns and provided a mechanism to express the need for a comprehensive response.
- The failings observed in the supply chain required urgent attention and fundamental reform. Investors welcomed Boohoo’s decision to commission an independent inquiry. Objective review of supplier arrangements and transparent disclosure of findings were essential steps in the journey to build the confidence of stakeholders and investors.
- It is encouraging that Boohoo has appointed a new Non-Executive Director and Audit Committee Chair as well as a respected independent observer to oversee the Agenda for Change programme.
- Investors sent a clear message to Boohoo to deliver tangible evidence of reform and progress against the commitments it has made.

Lessons Learned

What has wider applicability?

- Fast growing companies need appropriate governance architecture, management systems and culture to ensure they can meet the increasing expectations of stakeholders. We initiated a S-360 project on ‘Governing for Growth’ to create practical guidance on how to equip smaller companies for success.
- When a company’s ‘social licence to operate’ is called into question, stewardship responses can include divesting as well as engaging to deliver change. In the case of Boohoo, we saw investors take different approaches, depending on their assessment of the company’s commitment to change.

Company: SSP GROUP PLC	Oversight (by the Board)					Execution (by the Management team)		
	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
			✓		✓			
Timeframe: May 20 – June 20		Size: FTSE250		Number in Engagement: 11		Combined Shareholding: 26%		

Basis of Selection

Why did the Forum engage?

- SSP's final dividend payment was approved at its February 2020 AGM, immediately before the full impact of the Covid-19 pandemic became clear. Given the scale of uncertainty, the dividend payment date was subsequently deferred until the new regulatory maximum of 4th June 2020.
- SSP raised cash in March 2020 via a £209m equity placing. At that time, SSP issued an RNS which stated that it was discussing with shareholders a dividend waiver to avoid the additional cash outflow.
- The company subsequently approached shareholders to discuss the potential for a voluntary cancellation or deferral of the dividend entitlement but, in light of the circumstances around the timing and approval of SSP's final dividend at the Company's AGM, many of the options proved to be unachievable.

Objectives

What did the Forum engage on?

- The Investor Forum was approached by Members looking for insights into how best to respond to the situation. The Forum sought to devise a solution that would help the company retain cash within the business but would also treat investors equitably.

Engagement Methods

How did the Forum engage?

- The Forum conducted an initial review, setting out for Members the issues with cancelling a dividend after AGM approval, and the options available to the company.
- Drawing on pro-bono insights from the Investor Forum Legal Panel and experienced corporate finance experts, the Forum identified and proposed a solution to SSP.
- In a very tight timescale, we were able to seek feedback from an enlarged cohort of investors which represented over 40% of the share register. As a result, we were confident that our proposed solution would be attractive and were able to encourage the company to complete the necessary legal work to deliver on the plan.

Outcomes

What did the engagement achieve?

- We proposed that SSP announce an equity placing, concurrent with the dividend payment. This would allow the company to satisfy the dividend creditor obligation created at the AGM, whilst allowing investors to recycle cash received from the dividend payment back to the company.
- The new shares were issued at the market price to investors based on their entitlement to the final dividend and holding of the Company's shares on the dividend record date, thereby upholding the spirit of pre-emption rights. The placing was open to institutional and retail shareholders and the proposed mechanism allowed the company to recycle 41% of the dividend payment.
- This structure allowed shareholders to take individual decisions on whether to support the company's stated desire to preserve cash, whilst acting in a manner consistent with their fiduciary duties (which differed by fund structure and type of investor) and individual investment thesis.
- The strength of the Investor Forum's relationships with SSP shareholders meant we were uniquely positioned to propose a solution and gain feedback on the potential attractiveness of the proposal. This engagement also leveraged our broader work and insights from the ongoing dialogue on Capital Raising.

Lessons Learned

What has wider applicability?

- This is an example of a solution that was 'created by the Buy side for the Buy side'.
- The experience of the Investor Forum team, our solutions-oriented approach and the resources of our network allow us to develop innovative solutions to complex challenges.

CORPORATE GOVERNANCE AND SUCCESSION ENGAGEMENTS

The following case studies share a common theme of a targeted objective around Board effectiveness and succession issues:

Company:	BURFORD PLC
Timeframe:	March 20 – August 20
Number in Engagement:	5
Size of Company:	AIM listed
Combined Shareholding:	14%

Following individual engagement, which began with the publication of a report by Muddy Waters in August 2019, we were approached by Members who wished to ensure that the company delivered on plans to enhance its governance structure.

Particular areas of focus were the need to put in place a governance framework appropriate for a company of this size following a period of rapid growth, and the pace of Chair succession. The Forum wrote to the Chair in May to raise these issues and engaged constructively with the CEO.

The CEO reflected on the concerns raised, which he felt were not shared widely across the shareholder base given his extensive dialogue with investors. The engagement generated an additional round of dialogue between shareholders and the company but did not deliver on the primary objective of accelerating Chair succession. Ultimately, when set against the arguments presented by the CEO directly to participants, participants did not feel further escalation was warranted.

Company:	PEARSON PLC
Timeframe:	July 2020 – November 2020
Number in Engagement:	7
Size of Company:	FTSE100
Combined Shareholding:	30%

The company had a series of profit warnings over an extended period of time, which tested the patience of long-term shareholders. In 2019, the CEO announced his intention to retire, but investors felt that the succession timetable was too slow, and desired an external appointment be made.

Members asked the Forum to write to the Chair and the Board in July 2020, expressing these concerns and seeking clarity on the succession timetable. In August 2020, Pearson announced the appointment of a Non-Executive Director who had only recently joined the Board with significant digital experience as the new CEO. Engagement participants were supportive of the selection

and believed that the engagement had been successful in amplifying the individual voices.

The engagement was closed given the positive step to appoint a new CEO, but the Forum continues to monitor the situation given that almost a third of investors voted against the CEO's controversial remuneration package at an EGM. Given the fragility of the company's situation, investors prioritised the appointment of the new CEO but concerns remain over the handling of the appointment and the absence of stretching targets for elements of the CEO's remuneration package which remain to be resolved.

CORPORATE GOVERNANCE AND SUCCESSION ENGAGEMENTS

Company:	PLAYTECH PLC
Timeframe:	February 2020 – April 2020
Number in Engagement:	11
Size of Company:	FTSE350
Combined Shareholding:	23%

The company's longstanding governance issues had been well documented and evidenced through consistently high votes against proposals at shareholder meetings in recent years. The objective of the engagement was to encourage the Board to deliver on the commitments it had made regarding Chair succession, ideally no later than the 2020 AGM.

The Forum reiterated these concerns in a letter to the Chair and SID in February 2020 and engaged with the member of the Nomination Committee who was leading the succession process.

The company made various statements regarding the process for seeking a new Chair and addressed the issue in its AGM notice. The Covid-19 crisis had disturbed the selection process but the company recognised the importance of honouring its commitment to succession and appointed a new interim Chair prior to the company's AGM. A commitment was also made to make a permanent appointment in line with shareholder expectations. Shareholders viewed this as an appropriate response and the engagement was closed.

Company:	ROYAL MAIL PLC
Timeframe:	February 2019 – February 2020
Number in Engagement:	9
Size of Company:	FTSE100
Combined Shareholding:	19%

The engagement objectives were focused on rebuilding investor confidence in the effectiveness of the Board, increasing confidence in strategy and execution and on gaining a better understanding of the company's management of stakeholder relationships.

The Investor Forum held a series of informal conversations with the SID, which ultimately resulted in the writing of a formal letter to the new Chair in May 2019 expressing Members' concerns about Board effectiveness, strategy and targets and the company's approach to key stakeholder relationships.

The SID and the new Chair engaged constructively with the Forum and provided investors with revised strategic and operational targets at a Capital Markets Day (CMD). Confidence in board effectiveness increased through more

open communications with investors and with the appointment of 4 new NEDs, bringing expertise in industrial relations, capital markets and governance.

Some progress was made in addressing the capital allocation and operational concerns at the company's CMD but confidence was undermined by continued challenging operating conditions, strained workforce relations and disappointing financial performance.

The engagement was closed after Board refreshment was delivered, as there was no agreement among participants on the need for, or objectives of, any further collective engagement. Ultimately the Chair decided to replace the CEO and took on the role of Executive Chair and engagement participants preferred individual engagement in relation to the ongoing operational challenges.

CORPORATE GOVERNANCE AND SUCCESSION ENGAGEMENTS

Company:	SNAM SPA
Timeframe:	May 2020
Number in Engagement:	7
Size of Company:	FTSE MIB (Italy)
Combined Shareholding:	Under 1%

Succession was flagged to the Forum by the Italian fund management organization Assogestioni, in the interests of ensuring that the perspectives of international investors were effectively represented. The existing Chair had resigned during his 3-year tenure, and there was no transparency about the replacement Chair candidate to be proposed by the Italian state, the major shareholder. The official timetable did not allow sufficient time between disclosure of the candidate and institutional investors’ voting deadline.

The Forum wrote to both the company and to major shareholder CDP to set out the need for early disclosure of the proposed candidate, and

to highlight the skills and experience that investors favoured in that candidate. These letters were sent, alongside Italian translations of them produced by the Comitato dei Gestori of Assogestioni, emphasising that the concerns were felt by both Italian and international investors in the company.

The Chair candidate was publicly disclosed within a few days of receipt of the engagement letters. This enabled shareholders to vote on the individual’s candidacy, and his role as Chair, with full insight into the individual and his skills and experience.



BlackRock is a founding member of the Investor Forum, which plays an important role in the UK market and provides valuable insight and guidance to its members. I am therefore delighted to be joining the Board and look forward to contributing to the Forum’s further success through my deep experience across corporate governance, stewardship and responsible investment topics.

Robust corporate governance and sustainable business practices are core to delivering long-term value to millions of investors. At BlackRock sustainability is our standard for how we manage our clients’ money with stewardship being a key enabler. Collective engagement as an investment tool is evolving and the Forum is uniquely positioned to work with the industry on important stewardship topics by building a collective voice on behalf of its members. As the role of the Forum continues to develop and grow, I look forward to supporting its work in the years ahead.

Amra Balic
Head of BlackRock Investment Stewardship, EMEA



SHAREHOLDER RIGHTS ENGAGEMENTS

Company:	RYANAIR HOLDINGS PLC
Timeframe:	August 2020 – September 2020
Number in Engagement:	7
Size of Company:	Irish Stock Exchange
Combined Shareholding:	11%

In 2018, the Investor Forum asked Ryanair, along with all listed UK companies with ADR programmes, to stop directing unexercised ADR votes. All companies which we contacted agreed to the change in practice, with the sole exception being Ryanair. Ryanair committed to disclose the directed voting at the AGM in the Annual Report following the meeting.

The publication of the 2019 Annual Report revealed that the non-binding resolution in respect of the remuneration report at the 2019 AGM was only passed because of the direction of the ADR votes by management.

Ahead of the 2020 AGM, Members asked the Forum to raise this issue with Ryanair again. Shareholders were acutely aware of the pressure on the airline industry at this time, and the potential impact of Brexit negotiations on future voting rights. The engagement letter requested that, if the

unexercised ADR votes were still to be directed in favour of resolutions, that the extent of the directed votes at least be declared with the publication of the voting results at the conclusion of the meeting. This small but important step would be valued by shareholders and would provide an opportunity for follow-on engagement should any issues of concern emerge.

Ryanair decided once again to allow direction of unexercised ADR votes in favour of Board recommendations but did, for the first time, disclose the number of discretionary proxies voted by the Chair with the results of the meeting. Given the narrow nature of the engagement and in the face of the challenges facing the airline industry, engagement participants were satisfied with the outcome and the engagement was closed.



STEWARDSHIP ACTIVITIES

- *Stewardship Landscape*
- *Stewardship-360 Projects*
- *Promoting Well-Functioning Markets*
- *Facilitating Dialogue*



THINKING ALOUD: STEWARDSHIP LANDSCAPE

Emerging Stronger:

- At the end of each year we take the opportunity to step back and survey the stewardship landscape. In the years that we have done this, the main drivers of change have frequently been regulatory. In 2020, the environment shifted dramatically because of real-world developments.
- It was a challenging year, when many faced uncomfortable choices to which there were no ready answers. Many businesses have required unprecedented government support, and yet have also raised fresh finance and made redundancies and other cut-backs. It was a year when pragmatism was needed in making tough decisions, and we have not seen the end of these dynamics.

Resilience:

- Perhaps inevitably in such an unparalleled economic situation, resilience has come to the fore. Maximising efficiency, in terms of capital structure, just-in-time supply chains or enforced flexibility of workforces, no longer seem as attractive as it once did. Heavily indebted businesses have in many cases lacked the flexibility to see through the crisis. Dividends have been cut. Public markets, and particularly equity markets following the relaxation on issuances by the Pre-Emption Group, have provided fresh finance to viable businesses to help see them through the current disruption.
- It has become apparent that a lack of resilience may take many forms, not merely financial. Failure to focus on a business's core relationships with its stakeholders may create a risk of disruption. When a company has driven such hard bargains with suppliers, or not invested in good customer service, its stock of goodwill is limited when a crisis strikes. When staff loyalty has been tested by poor treatment, it is less likely to be available to be called on in time of crisis.

Interdependence:

- This new focus on resilience also reflects the broader questions that observers are asking about the role of business in society, and the need to operate in a way that is fully conscious of all its stakeholders. It is a time when many businesses have leant heavily on the state and central banks, as the only actors with the scale and flexibility to respond. In the years that follow, much will change as the economy finds a new equilibrium and government digests the cost of the support that it has provided.
- It is hard to see how the world of business will not be changed fundamentally by the Covid-19 crisis and it is critical that businesses take this opportunity to rebuild society's confidence.
- The scale of the shock to the system will reverberate for many years. To understand the impact on companies will require a clearer view of the drivers of value and an understanding of crucial interdependencies. It will require a break from the recent past, which has seen a disproportionate focus on near-term trends and a forensic analysis of earnings expectations.

THINKING ALOUD: STEWARDSHIP LANDSCAPE

Implications for Investors:

- It is impossible to imagine that the role of long-term investors will not also change. An intense focus on stakeholder interests will be required to calibrate the impact on companies. Increasing numbers of clients will expect that companies in which their assets are invested exhibit the resilience required to deliver sustainable long-term value.
- The breadth of engagement issues which are seen as material is already expanding. It will no longer be possible for investment professionals to suggest that ESG factors are not relevant to their financial decision-making, unless they have only the shortest of time horizons. The nature of the dialogue which investors have with companies will take on new dimensions, across the range of issues that make businesses truly robust for the long-term.

A Changed Landscape. A New Perspective:

- Our reference points have been reset by the experiences of 2020 and our understanding of sustainable long-term value is being recalibrated.
- The Covid-19 crisis has exposed interdependencies and vulnerabilities that weaken the system's resilience if the behaviour of one party exploits another. Many investment approaches are already shifting towards an understanding of this: of the need for resilience in business, of investment in relationships and of flexibility in capital structures such that companies can more readily survive downturns.
- Key to achieving this resilience will be a governance structure which allows for strategic flexibility in changing times. Maximising any one thing at the cost of another often comes at a cost to long-term value and to other stakeholders.
- 2021 will see many policy initiatives and a complex geopolitical environment. We should not expect it to be any less demanding than 2020 proved to be. Investors and companies will need to work together again, as they did in 2020, to deliver sustainable outcomes for all stakeholders.
- Landscapes change slowly over time, but when nature unleashes its full force, change can be brutal and dynamic. Nature also teaches us that ecosystems always re-set themselves. The pace of change will likely remain very high as society seeks a new balance. With change always comes great opportunity.

STEWARDSHIP 360 (S-360) PROJECTS

The Stewardship 360 (S-360) programme brings investors together to collaborate on wider material issues that impact companies, industries and the environment in which they operate.

The Forum develops insights gained from engagement activities and seeks to address broader themes which are important to Members. Typically, these fall into one of three categories – key issues, stakeholder engagement or long-term value.

We focus our in-depth S-360 project work on areas where the Forum can make a unique contribution, rather than duplicating existing initiatives. The focus is always practical with the objective to extend, develop and share best practice.

The approach to S-360 projects is best described as “Educate, Investigate, Integrate & Demonstrate”. This structure allows the flexibility to address issues in differing degrees of depth, depending on the outcome being sought, while maintaining discipline in terms of the time and resources spent.

In 2020 we undertook a number of S-360 projects, spanning environmental, social and governance themes which allowed the Forum to contribute to the debate on the broad range of factors that can impact long-term sustainable value and support good stewardship activity.



Workshop Example: Australian Indigenous Heritage Concerns

Following the destruction of the rock shelters at the Juukan Gorge in the Pilbara region of Western Australia caused by Rio Tinto in May 2020, the Investor Forum was asked by its Members to help enhance their understanding of cultural heritage preservation issues in Australia, as they consider the stewardship actions they might take as investors in the global mining companies. We collated briefing material for Members and collaborated with Regnan to organise a webinar to provide insights from two excellent expert speakers who had deep experience in this field.

Project Update: Marine Plastic Standards

In March 2020, BSI, the UK National Standards Body, launched the project to create the first stand-alone technical specification that will help prevent plastic pellet loss pollution. The project is sponsored by nine investors, brought together by the Investor Forum and represented by Fauna & Flora International, alongside Marine Scotland and the British Plastics Federation.

The project will deliver a fast-tracked standardisation document, to be known as “Publicly Available Specification 510 (PAS 510) Plastic pellets, flakes and powders – Handling and management throughout the supply chain to prevent their leakage to the environment – Specification”, which will provide an important tool for companies to demonstrate good practice in pellet loss prevention measures across the supply chain.

The development of the standardisation document is being guided by a steering group consisting of experts from across the international supply chain including plastics manufacturers, transportation, retailing and recycling organizations landscape. The standard will be put out to public consultation in early 2021.

S-360: WORKING PRACTICES

Working practices across the whole economy changed out of necessity this year.

With an increased focus on employee welfare and safe working conditions, as well as risks to the supply of labour post-Brexit, investors have an opportunity to encourage their investee companies to fulfil the social contract in providing good work, and to stamp out labour exploitation in their supply chains.

In 2020, we saw some companies make genuine efforts to support their employees through the Covid-19 crisis, but we also saw examples of how poor oversight could have a

material impact on shareholder value and have a very personal human impact.

The Investor Forum has helped Members to engage on these issues across a broad range of sectors, companies, and initiatives since 2017. This subject remains a core part of the Forum's work in placing stewardship at the heart of investment decision-making.

The boxes below illustrate the activity undertaken by the Forum in 2020 to allow investors to make a positive contribution to improve working practices

Construction Sector insight

The current phase of this project focuses on the construction sector. We arranged group meetings with Marshalls plc, Land Securities plc and Balfour Beatty plc, to discuss their approach to modern slavery, and the evolution of working practices and health and safety during lockdown.

Regulation

The Investor Forum joined a broad coalition of leading retailers, investors, civil society organisations and over 50 cross-party MPs and Peers, to request that urgent action be taken by the Government to implement a licensing scheme that ensures all garment factories are meeting their legal obligations to their employees. The Forum supported the joint letter, coordinated by the British Retail Consortium, calling for the introduction of statutory licensing of garment factories to ensure that they all meet their legal obligations to employees and are 'Fit to Trade'.

Collaboration

The Investor Forum joined the Advisory Committee for the 'Find it, Fix it, Prevent it' initiative. Developed by CCLA and supported by a coalition of investor bodies, academics and non-governmental organisations, it is designed to harness the power of the investment community to make the corporate response to modern slavery more effective.

Policy

In January we invited Matthew Taylor, Interim Director of Labour Market Enforcement, to discuss his insights with investors. The objective was for investors to provide input into the open LME consultation of the 2020/21 strategy and share their perspectives on the issues as they pertain to listed companies. In December, we joined a workshop hosted by the DLME exploring how the new Single Enforcement Body should engage with industry and employers. The findings will feed into the 2021/22 Labour Market Enforcement Strategy.

Data

The Forum provided input into the project of the Modern Slavery and Human Rights, Policy & Evidence Centre, supported by the Bingham Centre for the Rule of Law and the Alan Turing Institute, which is seeking to ensure that investors and asset managers have access to high-quality, accurate data on modern slavery data in investment portfolios. The project aims to scope relevant types of data sources, review analytical methods, and consider ways of presenting insights in practical ways to investors.

Company Engagement

The Forum first engaged with Boohoo as part of the phase of the project focusing on apparel. The connections and insights gained from that work were valuable in understanding the complexity of the issues in Leicester and making informed, pragmatic requests of the company.

PROMOTING WELL-FUNCTIONING MARKETS

Principle 4 of the Stewardship Code introduced the requirement that signatories should explain how they promote continued improvement of the functioning of financial markets, including addressing risks such as climate change or those that may lead to business failure. This is one of the most stretching principles in the new code.

In response to this new principle, we have established “promoting well-functioning markets” as an additional field of work for the Forum. We have initiated a number of projects which combine our practical focus, the team’s extensive experience and the support of our Members, to identify and promote improved practice. We believe that a collaborative effort to address systemic issues can be very effective provided there is a clarity of objective for any given initiative.

In 2020, we focused on five issues:

- **Capital Raising** (page 37) – analysis for Members of the various capital raising structures utilised by companies in response to Covid-19.
- **Governing for Growth** (page 38) – a discussion paper and round table series to identify and articulate investor expectations to assist companies as they grow.

- **Voting Transparency** (page 39) - an analysis of the challenges of exercising shareholder rights in a transparent manner.
- **Engaging the Engagers** (page 40) – a joint paper with the PLSA to help asset owners exercise their stewardship oversight of those who manage money on their behalf.
- **‘Say on Climate’** (page 41) – proposing a mechanism to create on a non-binding vote on a defined Climate Report for premium listed UK companies to support the plan to mandate TCFD reporting for UK companies.

The Forum continues to contribute to the political and regulatory debate through submissions to regulatory reviews and maintains an open dialogue with government departments, regulators and policy makers. The Forum also has regular conversations with other organisations, both UK focused and international, with a view to propagating best practice.

I am very pleased to join the Board of the Investor Forum and support its aim to position stewardship at the heart of investment decision making. Having worked in equity markets for over twenty years as an analyst, and more recently within listed corporates, I have seen from both perspectives that facilitating constructive dialogue, as the Forum promotes, is the best way to create long term solutions and enhance value for all stakeholders.

Our purpose at M&G is to help people manage and grow their savings so they can live the life they want, while making the world a little better along the way. As long term stewards of these assets, we believe that well governed businesses run in a sustainable way, deliver stronger long term investment returns. As a founder member of the Investor Forum with a long history of active engagement, we seek to encourage companies to transition to more sustainable business models.

Chantal Waight
Investor Forum Director, 2020



CAPITAL RAISING

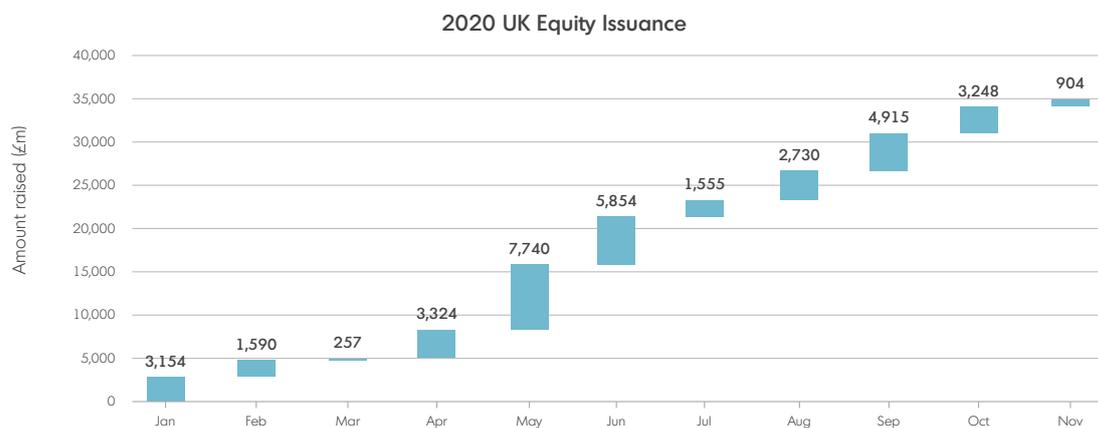
The Great Success of 2020

In the depth of the pandemic, public markets demonstrated that they remain an effective source of capital for companies. Just as in the Global Financial Crisis, the value of liquidity and shareholder support provided an important reminder of the enduring benefits offered by public markets.

Pre-Emption Group

In April 2020, the Pre-Emption Group (PEG) temporarily relaxed the guidelines on issuing equity on a non-pre-emptive basis from 10% to 20% of the existing number of shares in any 12-month period. This step provided much needed flexibility for listed companies and was particularly significant given the importance that is attached to the protection of shareholders in UK listed companies against dilution.

According to Peel Hunt, between January and November 2020, there were 267 equity issues by UK companies raising £35bn, the vast majority by way of a placing.



Source: Peel Hunt 18th November 2020

Lessons Learned

The major success of this initiative was helped by companies and investment banks working hard to ensure that these undocumented deals:

- addressed a range of stakeholder concerns;
- allocated new shares to large existing shareholders in accordance with their shareholding; and
- in a number of placings, allowed retail investor participation through the PrimaryBid platform.

These steps reassured investors and ensured tight discounts, which minimised the dilution for existing investors unable to participate. Pre-emption rights remain an unassailable principle for many UK equity investors and in November 2020, PEG reverted to the usual guidelines.

Implications

In contrast to the success of the equity placing structure, traditional rights issues were much less effective, with only 5 rights issues completed in the 2020 (source Peel Hunt 18th November 2020). While rights issues ensure pre-emption rights for all investors, their inflexible nature has caused significant challenges for companies and investors alike. The process is onerous for companies and the length of the deal period often contributes to significant share price volatility which increases the complexity and cost of underwriting and creates significant unease among the investor base. The approach has become very much the last resort for capital raising. We would hope that the UK Listings Review, chaired by Lord Hill¹, will consider how this process can be improved.

¹ <https://www.gov.uk/government/publications/uk-listings-review/terms-of-reference-lord-hills-review-on-listings>

S-360: GOVERNING FOR GROWTH

A key focus for the Investor Forum has long been equipping smaller companies for growth, helping them to recognise that the expectations of their investors, their stakeholders and of wider society evolve over time and that they need to establish robust systems to enable them to flourish as larger, more complex entities. This interest has been driven by our engagement experience and in 2020, became the focus of an S-360 project.

Growing a Business, Building a Governance Infrastructure

The need to build capabilities as companies grow has been brought into stark relief in the last year as the ESG challenges at some of the largest AIM stocks have led to significant share price falls. The Forum has been involved in engagements with both Burford and Boohoo, each of which has faced significant challenges in 2020. The high ratings which rapidly growing companies can enjoy – a function of their growth trajectories and expectations for the future – mean that such challenges can have painful impacts on valuations.

Naturally, these issues are not restricted to AIM stocks. Any growing company faces the same challenge of a need to enhance its governance structures and processes, and its spending on controls, to match its expansion. This can mark a significant cultural shift for companies that have been driven forwards with entrepreneurial spirit and with tight cost controls, and so typically the governance enhancements lag the focus on growth. Few companies navigate this phase of their development entirely smoothly, and a few face major problems.

This issue is significant for investors, and the Investor Forum has sought to explore how shareholders might further assist companies to address such challenges. We have sought to examine if there are a set of expectations that might be developed to help all companies once they reach a certain size, regardless of the market on which their shares trade, rather than developments always being a matter of individual negotiation between shareholders and single companies.

Identifying best practice

We are seeking to build investor confidence in the governance pathway of growing companies to support long-term sustainable value creation.

We have written a discussion paper to explore the issues around governing for growth, and organised roundtable discussions attended by investors, Nomads, advisers, brokers, lawyers and company directors.

We have also held a series of individual discussions with a number of parties to gain a deeper understanding of their perspectives, and in particular have drawn on the views of the Quoted Companies Alliance (QCA) as the representative body for smaller quoted companies.

Join the Conversation

Through an open discussion of the issues and concerns, we are working to develop a consensus on the way forward.

We expect to publish a further paper in early 2021 setting out what we have learned through these processes. The timing of this discussion is important in the context of expected changes to the listing regime in the UK next year.

S-360: VOTING TRANSPARENCY

Stewardship encompasses much more than voting, but the voting of shares is an important mechanism for shareholders to express their views and exercise their shareholder rights. Unfortunately, given the complexity of the investment chain, investors and companies still encounter many obstacles in obtaining and providing transparent information on voting.

Why the Increased Focus on Voting Transparency?

With an increased focus on stewardship and voting outcomes, institutional investors are seeking assurance that the votes they cast for their clients are processed accurately and are lodged with issuing companies. Tracing votes so that they can report back to their clients in a timely manner with confidence is currently fraught with difficulties.

Our interest in these issues arose during an engagement, and the Investor Forum subsequently undertook an S-360 project on ADR programmes in 2018/19. Our work identified the key features of an effective voting system.

Investor Forum: Key Features of an Effective Voting System

In our view, the following four features are key to instilling trust and transparency in the voting system:

- 1. Vote confirmation (receipt and lodging)** - Investors should have access to timely and accurate confirmation that the votes they have instructed have been received and lodged in the company vote;
- 2. Voting result verification** - Voting results published by companies should be independently verifiable;
- 3. Voting reporting to beneficial owners** - End clients should have access to timely and accurate information on voting actions taken by those who manage investments on their behalf;
- 4. Voting transparency to companies** - Companies should have access to timely and accurate information on voting actions in order to enhance their ability to engage with investors.

In 2020, given the changing landscape, we were asked to consider wider issues connected to voting transparency in the UK.

SRD II: A Lost Opportunity?

The revised EU Shareholder Rights Directive (SRDII), Chapter 1a, was designed to enable companies to identify their shareholders and to improve the transmission of information between companies and shareholders. Core operational changes were required to be transposed as implementing regulations by 3rd September 2020.

The UK has taken a minimum harmonisation approach, and so SRD II implementation will not drive material improvements in the voting system. Most importantly, the UK retained the current legal position of the “shareholder” as being the member on the register of members of a company (typically the nominee account at the custody bank) and not the ultimate investor.

Law Commission Review

In June 2019 BEIS asked the Law Commission to undertake a study on the intermediated securities system. Susan Sternglass Noble (a Senior Adviser to the Investor Forum) joined the Advisory Panel.

The review published in November 2020 examined issues arising in the intermediated securities system with the aim of informing public debate, developing options for reform and a consensus about issues to be addressed in the future².

Technology Solutions

Technology may provide market-based solutions to voting issues and we profiled the Proximity technology platform with Members to broaden investor awareness.

Pooled Fund Voting

On 1st December 2020, the Minister for Pensions announced the launch of a new DWP working group to address the stewardship barriers identified in the Association of Member Nominated Trustees (AMNT) report in connection with trustee voting in pooled funds.

Conclusion

Voting issues are complex and will receive considerable further focus in 2021. The Forum will continue to work with Members on this important issue. If there is to be a step-change in voting transparency in the UK, it will require all parties to work together given the complexity of the system.

²“Intermediated securities: who owns your shares? A Scoping Paper,” Law Commission, November 2020.

S-360: ENGAGING THE ENGAGERS



The pressure on asset owners to be good stewards of capital is increasing, and they in turn are seeking to exert greater influence on their asset managers.

To do this well, and to drive an effective market for stewardship services, asset owners need to be informed consumers of stewardship services and be well equipped to hold their managers to account to deliver.

Clarity of objectives will assist asset managers in meeting the needs of their clients and better align the investment chain. In turn, this will help to put stewardship at the heart of investment decision making and deliver positive real-world outcomes.

The Investor Forum worked with the Pensions and Lifetime Savings Association (PLSA) to produce new joint guidance – **Engaging the Engagers: A practical toolkit for schemes to achieve effective stewardship through their managers**. The objective was to provide a framework and, most importantly, practical insights which can contribute to an effective alignment of the investment chain to enable pension schemes, and all asset owners, to achieve their long-term obligations through their asset managers.

The guidance focuses on the key questions that schemes might ask their asset managers to ensure that they engage on behalf of schemes and savers. It also provides a framework against which to assess the quality of asset managers' engagement and stewardship work. The aim is to improve the visibility of genuinely effective

engagement and to enable clients to differentiate more readily between leaders and laggards in this area.

To deliver good outcomes for beneficiaries, pension schemes can influence the productive functioning of the chain at three key stages:

- in setting expectations of asset managers;
- in appointing new asset managers; and
- in monitoring and appraising existing asset managers.

The guidance identifies key questions that can be asked of asset managers to gain a deeper understanding of their engagement approach and whether it is likely to deliver the desired outcomes. The paper provides:

- Definitions of stewardship and engagement, and the application across asset classes
- An outline of how to frame an overall pension scheme stewardship strategy
- A framework to understand and distinguish between different forms of engagement
- An overview of what effective engagement looks like and key success factors
- The key questions schemes might usefully ask of their asset managers.

Context

Asset owners are coming under increased scrutiny and pressure to change. They are increasingly being asked to demonstrate the effectiveness of their delivery of ESG, both in terms of stewardship and investment integration, to regulators, but most importantly to their beneficiaries. Being able to identify good, effective stewardship in discretionary investment management arrangements will be critical to having a compelling narrative for the regulators and their scheme members.

In many ways, this offers investment managers an opportunity. Those most engaged in stewardship should welcome rising to the invitation to make their delivery on clients' behalf more visible, providing evidence of outcomes with authenticity, passion and sensitivity.

SAY ON CLIMATE

During October, we were involved in various roundtables on climate-related financial disclosures and the evolution of the UK policy response in advance of COP26. Investors have a key role to play in supporting companies to be part of the solution to the climate challenges the world is facing.

Say on Climate Proposal

In November, the Forum published a note called “Thinking Aloud – ‘Say on Climate’: An opportunity to deliver impact in the UK”.

We discussed the opportunity presented in the UK arising from the government’s desire to take a leadership position, the FCA’s proposals to mandate TCFD-aligned reporting by premium listed companies and the publication of HMT’s ‘A Roadmap towards mandatory climate-related disclosures’.

We believe that a signal of investor confidence in the effectiveness of a company’s climate strategy, through a non-binding vote, could bring a focus to the extensive work that many companies are undertaking to articulate their climate ambitions, and disclose these in an acceptable and consistent form.

Importantly, such an approach could be applied consistently to all premium listed companies and would provide investors with an opportunity to signal which companies are making good progress and those that are lagging. It would use the established and accepted mechanism of a non-binding vote, and the existing stewardship techniques of engagement and voting, to put climate at the heart of the strategic debate for all premium listed companies.

Next Steps: Join the Conversation

We propose that the forthcoming BEIS consultation on changes to the Companies Act to mandate reporting be expanded to explore the option of allowing investors to have a ‘say on climate’, in much the same way that they have had a ‘say on pay’ since the announcement by BEIS of Directors’ Remuneration Reforms in March 2013³.

A formal BEIS consultation is the most democratic way to surface the views of all stakeholders and make an informed policy choice. The window provided by preparations for COP26 provides a unique focus for this discussion.

By building it into the UK legislative framework, the vote would bring scrutiny to the mandated disclosures and avoid the need for individual shareholder resolutions or voluntary company filings, except in cases where shareholders believe such action is warranted. Initiatives that use these tools would be freed to focus on their effort in regions where the policy environment is less progressive, or individual situations where urgent escalation is required.

We continue to engage with other stakeholders to collectively build a compelling case for change.

³ www.gov.uk/government/publications/directors-remuneration-reforms-frequently-asked-questions

FACILITATING DIALOGUE

“Facilitate dialogue” is one of the objectives of the Investor Forum. In 2020, the value of high-quality dialogue, strong relationships and the power of investor signals was evident.

‘Four O’clock Forum’

At the start of lockdown, the Investor Forum launched a series of virtual events for Members to provide opportunities to share insights, discuss topical issues and hear from experts. The series was a great success, with over 460 attendees representing 49 Member firms joining 22 events.

Each Four O’clock Forum provides an interactive session with a focus on one of four areas:

1. **‘Thinking Aloud’** – we created discussion materials and an opportunity for investors to exchange thoughts on the practical impact of important recent developments. We covered issues such as Capital Raising, Audit and increasing regulation.
2. **‘Expert Speakers’** – we invited experienced practitioners to share reflections on key issues. Speakers have included Philip Augar, Donald Brydon, John Kay, Marty Lipton, Nick Moakes, Nick Robins and Anthony Bolton.
3. **‘Stewardship Forum’** – individual companies were invited to share insights into different aspects of governance, continuing our ‘Stewardship Forums’ in a virtual setting. For example, the Director of Health, Safety, Environment & Sustainability at Balfour Beatty plc discussed the challenges of the Covid-19 crisis for working practices (this also formed part of the ‘Working practices in Construction’ S-360 project).
4. **‘S-360 Deep Dives’** – the Forum continues to develop S-360 projects, which included sessions on voting transparency and purpose. In November, we explored, through a series of four webinars, how climate change considerations are impacting investor dialogue and company decision making, with insights from company analysts, climate framework specialists, NEDs and the FRC.

Company Letter

In April, the Investor Forum sent a letter to 322 Chairs and NEDs of UK listed companies offering our support as they sought to understand and address the needs of their shareholders during the current crisis. We were encouraged that so many companies opened up a very active dialogue directly with their shareholders throughout 2020. Our reminder that our platform is available to companies as well as investors was appreciated, and we spoke to companies about Board dialogue with investors and helped a number of them to organise virtual events during the year.

Company Meetings for Members

In addition to collective engagements, the Forum also facilitates meetings with companies to address issues of specific concern to Members.

These fulfil the objective of facilitating dialogue in situations where communication has proved challenging or where investors are seeking to address a broader agenda with the company to complement their individual interactions. Read more on page 20.



GOVERNANCE AND OPERATIONAL REVIEW

- *Governance*
- *Internal Resources & Policies*
- *Membership*
- *Legal Panel*



GOVERNANCE REVIEW

From the outset the Forum has adopted standards that are consistent with the very best corporate governance practices in the UK, whilst being mindful of the characteristics of a membership led Community Interest Company (CIC). The Investor Forum was incorporated as a not-for profit CIC in September 2014, with Members granted equal voting rights and a Board of Directors drawn from across the investment chain and wider stakeholders. Full membership of the Forum is open to institutional investors in UK-listed companies, including both asset managers and asset owners and both UK-based and global organisations.

Board of Directors

The Forum has an independent Board of Directors that is elected each year by its Members at the Annual General Meeting. The Board oversees the work of the Forum’s executive officers.

The composition of the Board is intended to reflect Member interests, and to incorporate independent voices from industry, academia and the corporate world to bring a diversity of perspectives. Profiles for each director can be found on pages 45 and 46. During 2020, 3 new Directors were appointed and 1 Director resigned from the Board, which resulted in refreshed active member representation and enhanced diversity.

During 2020, the Board met four times to discuss the work of the Forum and to consider its progress in meeting its objectives. It reviewed developments in markets and stewardship and considered the implications for the Forum.

The Chair and Board are supported by two subcommittees:

- The Nominations and Remuneration Committee (NARC) identifies, evaluates and recommends to the Board candidates for appointment or re-appointment as Directors. The Committee keeps the mix of knowledge, skills, diversity and experience of the Board under regular review. It seeks to ensure an orderly succession of Directors and to maintain a balance between Member representatives and independent Directors. It also monitors the outside directorships and broader commitments of the Non-Executive Directors. The Committee met four times during 2020.

- The Operational Oversight Committee (OOC) oversees the legal, audit, and risk issues affecting the business, and its financial management. The Committee has oversight of key policies, reviews the financial statements, key risks and considers other topics, as directed by the Board. The OOC met four times during 2020.
- No Non-Executive Director receives any remuneration.

The Executive and the Board of Directors have access to pro bono support from the Investor Forum Legal Panel which is formed of senior legal practitioners from four leading international law firms.



THE BOARD

Simon Fraser¹ – Chair | Sep 2014*

Chair since 2014, Simon is also Chair of McInroy & Wood and Chair-elect at Murray International Trust plc. He spent 28 years at Fidelity, working in the US, Europe and Asia helping build the network of international investment professionals, ultimately becoming Chief Investment Officer of Fidelity International. Since leaving Fidelity he has also served as Chair of F&C Investment Trust plc and Merchants Trust plc and as a non-executive director of Barclays plc and Ashmore plc. Since March 2020 Simon has also Chaired the Pre-Emption Group.

Andy Griffiths – Executive Director | Sep 2014

Andy has over 25 years of international investment experience. Before setting up the Investor Forum in 2014, Andy was a senior investment professional at Capital Group and M&G. Throughout his career, Andy has been responsible for financial sector investments and has consistently been ranked among leading equity investors in Europe. Andy was also an Operating Partner with Corsair Capital.

Amra Balic | Dec 2020

Amra is Head of BlackRock's EMEA Investment Stewardship team. Amra joined BlackRock in 2011 after 11 years with Standard & Poor's (now S&P Global), where she was a Director in European Corporate Credit Ratings. Amra is also a board member of Eumedion, a Dutch investor association, and a member of the FRC Investor Advisory Group and the IA Corporate Governance and Engagement Committee.

Edward Bonham Carter² | Dec 2014

Edward was previously CEO, Chief Investment Officer and UK fund manager at Jupiter Fund Management plc, before becoming Vice Chair in 2014. He chairs both the CSR and Stewardship Committees at Jupiter. Previously he worked at Schroders and Electra Investment Trust. He is currently Senior Independent Director of Land Securities Group plc and ITV plc, a Non-Executive Director of Netwealth Investments, a Trustee of the Esmée Fairbairn Foundation and is on the Strategic Advisory Board of Livingbridge.

Paul Coombes | Oct 2017

A former director of McKinsey & Company, Paul was head of their UK insurance practice and global leader of the firm's financial institutions practice. He is currently Chair of the Centre for Corporate Governance, London Business School, and a member of the FRC's Stakeholder Advisory Panel.

Anne Marie Fleurbaaij | Oct 2019

Anne Marie is the Managing Director of Marketable Assets at Cambridge Investment Management Ltd, the manager of the Cambridge University Endowment Fund. Previously, she spent 12 years as a Portfolio Manager with GIC (London), a sovereign wealth fund. Prior to this, she was a Vice-President at Morgan Stanley Investment Management and began her career at Deloitte. She serves as a Senior Adviser to Girls Are Investors and is an Ambassador to the Diversity Project.

Sir Peter Gershon | Jan 2018

Sir Peter has held senior executive and non-executive positions in public and private companies in healthcare, technology, defence and telecommunications industries. His previous senior board level appointments include Chair of Premier Farnell plc, Chair of Tate & Lyle plc and Managing Director of Marconi Electronic Systems. Sir Peter also has experience of the public sector through his appointment as Chief Executive of the Office of Government Commerce and leading 3 independent reviews for the UK Government. He is currently Chair of National Grid plc.

Jessica Ground | Jan 2017

Since September 2020 Jessica has been the Global Head of ESG at Capital Group. Prior to this, she was the Global Head of Stewardship at Schroders where she was previously a fund manager and an analyst covering Financials and Utilities on a pan-European and Global basis. Jessica is a member of the Code Committee for the Takeover Panel.

1. Chair of Nomination and Remuneration Committee
2. Senior Independent Director
3. Chair of the Operating Oversight Committee

*Appointment date

THE BOARD

Chris Hitchen | Dec 2014

Formerly CEO of RPMI Railpen, Chris is now Chair of Border to Coast Pension Partnership and The Pension SuperFund, as well as being a Trustee and Chair of the Investment Committee of NEST. Chris is also a board member of the International Centre for Pensions Management and on the investment committee for the Guardian Media Group.

Ida Levine³ | Dec 2014

Ida is a Non-Executive Director and Lead Expert on Policy/Regulation at the Impact Investing Institute, as well as a trustee of The Royal Academy of Dance and a principal at Two Rivers Associates. She also is a member of the Financial Markets Law Committee (established by the Bank of England). She was previously Senior Vice-President and Senior Counsel at Capital Group, and a Board Director of Capital International Limited.

James Macpherson | Oct 2017

James was until recently Deputy CIO of BlackRock's Fundamental Active Equities team and a member of BlackRock's Leadership Committee, having been at the firm and its predecessor companies as an analyst and portfolio manager for 32 years.

Andrew Millington | Dec 2020

Andrew is Head of UK Equities at Aberdeen Standard Investments. Andrew was previously a UK and European equity portfolio fund manager at ASI, after starting his career at Baillie Gifford.

Luba Nikulina | Apr 2019

Luba is Global Head of Research at Willis Towers Watson, responsible for the global team of more than a hundred investment professionals conducting economic and capital markets research, evaluating asset management firms in a variety of different asset classes, coming up with investment recommendations and creating new investment solutions for asset owners.

Sacha Sadan | Dec 2014

Sacha is Director of Investment Stewardship, has overall responsibility for corporate governance at LGIM, and is on the Board of Legal & General Investment Management Ltd. Sacha was previously Senior UK Equity Manager at Gartmore. He is also a member of the Lloyds of London Investment Committee.

Robert Swannell | Dec 2014

Robert is Chair of UK Government Investments, which is the centre of excellence for corporate finance and corporate governance for HMG. He is currently a member of the Takeover Appeal Board and was previously Chair of Marks & Spencer plc. Robert spent over 30 years in investment banking with Schrodgers/Citigroup and was on the board of both British Land Company plc and 3i Group plc.

Chantal Waight | Dec 2020

Chantal is the Director of Strategy and Corporate Development at M&G plc. Chantal was previously an equity analyst, and more recently, the Director of Investor Relations at Prudential plc, where she led investor communications through the merger and transformation of M&G Investments and Prudential UK&E and the demerger of M&G from Prudential plc.

INTERNAL RESOURCES AND POLICIES

Executive Team

The Investor Forum benefits from a collegiate culture that welcomes input from any source and encourages debate, while focusing on practical outcomes.

The culture of the organisation means that the team recognises that there is always something new to learn, and that each engagement is different and must be considered afresh. Feedback is sought from Members and the Board to help learn lessons: external perspectives are invited to challenge and question how things are done, and how they might be improved.

The team's culture is based on a regular, open dialogue. During 2020, we set up daily Zoom video meetings to maintain the team's connectivity in a challenging environment and, later, added Microsoft Teams which further enhanced communications and supported the team-driven interactive approach of the Forum.

The team is highly motivated and has a deep knowledge and understanding of investment markets and stewardship based on extensive experience as portfolio managers, research analysts, asset owners and capital market practitioners.

Of the nine employees, seven are investment professionals each with over 20 years' industry experience. 43% of the investment professionals, and 55% of the entire team, are female. At year end, we also had one senior investor working with us on a pro bono basis.

Each collective engagement or project is managed by an individual member of the team in conjunction with the Executive Director, and where appropriate other members of the team, to develop and enhance the planned approach.

Each member of staff has an individually tailored contract of employment taking into account flexible working hours. In addition to their base salary all employees, including the Executive Director, are provided with a 'cash-equivalent' allowance to facilitate a personal selection to be made from publicly available benefits to suit their own needs (including pensions provision). This is currently calculated as 15% of gross salary.

The highest paid Full Time Equivalent member of staff (which is not the Executive Director) is paid at a rate which is equivalent to 3x the remuneration of the lowest paid member of staff. Variable compensation across the team represented 2% of gross salaries in FY 2020. Remuneration details for the Executive Director are detailed in The Investor Forum CIC Report and Accounts for the year ended September 2020.

Covid-19 Response

The Investor Forum team moved quickly and effectively to a remote working environment in March 2020, enabled by an upgrade in IT systems and a new video conferencing platform. Individuals remained productive, management was mindful of personal circumstances, and all appreciated the two-way flexibility that was shown.

We are appreciative that in the most challenging of years the team has remained healthy and we have been able to continue to deliver impact in spite of the circumstances. We are grateful for the support of Members, which means that the financial position has remained stable.

Financial Resources

The Investor Forum CIC (company number 09242326) has a financial year-end of 30 September. A copy of the Report & Financial Statements (audited by Sayer Vincent LLP now in its fifth year of audit tenure) is posted at Companies House each year. As a not-for-profit company, the Forum's financial objective is to balance costs with anticipated revenue.

The Investor Forum is an independent entity funded solely by subscription fees from its members. For the year ending 30 September 2020, membership revenues (from 52 members) were £1,027k and the company recorded a surplus of £73k for the financial year after taxes.

Continued »»

INTERNAL RESOURCES AND POLICIES

The funding approach of a CIC is unique in that any reserves generated cannot be returned to the original investors but must be used for the benefit of the community or else, in the event of the company being wound up, transferred to an “asset-locked body”. The Forum’s asset-locked body is the registered charity “Business in the Community” as set out in the Articles of Association. BITC is an appropriate recipient for any Forum surplus in the event the Forum winds up, as it is a UK-focused charity whose purpose is to advance responsible business for the long-term.

Over time, the Forum will seek to accumulate a reserve, equivalent to a maximum of six months of operating costs, to help manage the natural variability of income and expenditure. The Forum has currently accumulated 3 months of reserves.

Managing Conflicts

The Investor Forum manages potential conflicts of interest through:

- Conflict of Interest Policy (new, introduced October 2020);
- The Collective Engagement Framework;
- The Code of Conduct and Ethics for employees and associates;
- The Members Code of Conduct; and
- The letter of appointment for directors.

Conflicts that may arise during the collective engagement process are managed through the CEF and with recourse to pro bono support from the Legal Panel, if appropriate.

Review and Assurance

External Assurance

The Forum has been audited by external auditors, Sayer Vincent LLP, since 2016 and each of the auditor reports has been unqualified.

Internal Assurance

The Board’s responsibilities include reviewing the performance of the Executive. The Forum conducted a programme of Member meetings in the fourth quarter of 2020 to solicit feedback and discuss the Investor Forum’s impact and activities.

The meetings provided positive feedback on the Forum’s activities during 2020, including the newly launched Four O’clock Forums.

Internal Policies Controls

All internal policies are reviewed and approved by the OOC periodically, to ensure that they are up to date.

The Forum’s Governance Framework was reviewed during the year and updated to incorporate new best practice from the 2018 Corporate Governance Code. The Investor Forum Rules were also updated to include an explicit Conflicts of Interest policy and to cover the security of the Members’ only section of the website. The Board is responsible for reviewing and approving the Governance Framework and the Conflicts of Interest Policy.

COLLECTIVE ENGAGEMENT FRAMEWORK

The Collective Engagement Framework defines the way the Forum manages collective engagements. The Framework puts in place a legal, operating and governance structure to manage the key risks, and flags key points or circumstances during engagements that might require heightened procedures. The Framework has been specifically designed to take into account:

- The need to safeguard against dissemination and creation of inside information, inadvertently or otherwise;
- The creation of concert parties under the City Code or triggering group filing requirements under Section 13 of the U.S. Securities Exchange Act;
- The creation of concert parties or acquisition of control of, including by exercising a controlling influence over, any Company under the U.S. Bank Holding Company Act of 1956; and
- Competition law.

The Forum's internal procedures for conducting Collective Engagements are regularly reviewed against the Framework.

10 Key features of the Collective Engagement Framework

1. **TRUSTED FACILITATOR, NOT AN ADVISER** – Members retain full voting and other investment rights in respect of their shareholdings. No control is ceded to the Forum or other Members.
2. **OPT IN/OPT OUT** – A Member actively chooses to participate in an Engagement involving a company in which it is a shareholder. It can also choose to opt out of an Engagement at any time.
3. **COMPLEMENTARY TO MEMBERS' DIRECT ENGAGEMENT** – Members are actively encouraged to continue their direct interaction with companies outside the Forum's auspices.
4. **CONFIDENTIALITY** – Members must agree to comply with confidentiality obligations during an Engagement. Disclosure of identities and public statements must be agreed by participants during an Engagement.
5. **NOMINATED GATEKEEPER** – Members retain full control as to whether or not they receive information, and who receives that information.
6. **HUB & SPOKE MODEL** – A bilateral model is the usual method of communication between the Executive and Members involved in Engagements.
7. **NO INSIDE OR COMMERCIALLY SENSITIVE INFORMATION** – The Forum is not intended to be a means of facilitating the exchange of inside or commercially sensitive information between companies and Members or among Members themselves. Participation in an Engagement will not exempt any person from any law or regulation governing the use and dissemination of inside information.
8. **NO-CONCERT PARTY AND NO-GROUP** – Members must agree that they will not form a concert party or group in respect of the relevant company while participating in an Engagement under the auspices of the Forum. The Executive will engage with the Takeover Panel and seek specialist advice when required.
9. **HEIGHTENED PROCEDURES** – At various points in an Engagement, heightened procedures may be deemed necessary, including seeking specialist advice.
10. **CONFLICT OF INTEREST AVOIDANCE** – The Forum maintains control procedures to avoid conflicts of interest which could impact either its own governance or individual Engagements.

MEMBERSHIP

Full membership of the Forum is open to institutional investors in UK-listed companies, including both asset managers and asset owners, irrespective of where the investor is located.

As of 31 December 2020 there were 52 full Members. All except one Member has consented to the publication of their names and a list is given at the front of the report on page 2. The other member has opted to remain anonymous.

In 2020 we were pleased to welcome 3 new Full Members. Merian merged with Jupiter in July 2020 so ceased to be a Member.

To become a full Member of the Investor Forum, and to participate in collective engagements, investors are required to:

Sign:

- A Membership Application form; and
- The No-Concert Party and No-Group Undertaking.

Abide by the Investor Forum:

- Articles of Association;
- Code of Conduct; and
- Rules of Membership

What Members can expect from the Investor Forum:

Our approach is:

- Value-driven: we engage on material issues
- Discreet: we avoid unnecessary public confrontation
- Safe: we limit the legal and regulatory risks
- Constructive: we identify solutions
- Methodical: we have a consistent and robust process
- Best practice: we enhance stewardship by investors and boards alike

Our objective is to help our Members:

- Realise long-term benefits for their clients and beneficiaries
- Maximise their return on engagement effort
- Be confident that collective engagements will be safe, secure and discreet
- Demonstrate a commitment to high quality stewardship to all stakeholders
- Contribute to the long-term success of UK-listed companies for the benefit of the broader economy

Legal Panel

Historically one of the key challenges, in fostering collective engagement by institutional investors, has been a concern regarding the inadvertent violation of legal or regulatory requirements. From its inception, the Forum has benefited from extensive pro bono support from a number of leading law firms, who have played a key role in establishing a safe and secure legal and regulatory environment in which to undertake collective engagement.

We would like to thank the members of our Legal Panel for their ongoing support.

Davis Polk

Hogan
Lovells

MACFARLANES

Skadden

STEWARDSHIP CODE 2020: MAPPING INDEX

Below we signpost how the Forum can help its Members to meet the standards set in the FRC Stewardship Code. Detailed evidence of their participation in the Forum's activities is provided to Members on an annual basis.

Principle	Section	Page(s)
<p>P1. Purpose, strategy and culture Becoming a Member of the Investor Forum, and participating in Forum engagements and S-360 activities, provides evidence of actions to enable effective stewardship. Membership of the Forum demonstrates commitment to, and 'implementation of a policy to undertake', collective engagement as part of stewardship activity.</p>	Purpose, Objectives and Key Activities; Collective Engagement Review, Stewardship Activities	11, 19-42
<p>P2. Governance, resources and incentives Forum membership demonstrates a commitment to contribute to the investment industry's collective resource for stewardship activities. The Forum's Collective Engagement Framework provides a structure and process to conducting engagements in an efficient and effective way.</p>	Governance and Operational Review	44-49
<p>P3. Conflicts of interest The Forum's structures and membership requirements allow Members to manage actual and potential conflicts of interest relating to engagement activity. The Forum's own Conflicts of Interests Policy documents how conflicts are managed with respect to the Directors, Employees and Associates, the Legal Panel and in collective engagement activity.</p>	Conflicts Case Study, Managing Conflicts; Collective Engagement Framework	20, 48, 49
<p>P4. Promoting well-functioning markets The Forum is a 'relevant industry initiative' in which Members participate. Members opt into Collective Engagements, projects and other activities which are Member-initiated. The Forum has enabled Members to join a multi-stakeholder approach to explore issues such as working practices, AIM company governance and calling for a 'say on climate'.</p>	Promoting Well-Functioning Markets; S-360; Facilitating Dialogue	36-42
<p>P5. Review and assurance Members receive annual statements evidencing their participation in all Forum activities.</p>	Internal Resources and Policies	48
<p>P6. Client and Beneficiary needs</p>	N/A	N/A
<p>P7. Stewardship, investment and ESG integration Forum engagements and S-360 projects typically involve integration of investment considerations and stewardship, including material ESG issues. Insights on material issues gained from the Forum's collective engagement activity, company meetings and S-360 projects can be used by Members to inform investment decisions.</p>	Collective Engagement Report; S-360	19-42
<p>P8. Monitoring managers and service providers</p>	N/A	N/A
<p>P9. Engagement Forum membership demonstrates a commitment to engagement. The Forum reports on completed Engagements, including the basis of selection, engagement objectives, methods; outcomes and lessons learned.</p>	Collective Engagement Report	14-30
<p>P10. Collaboration Forum membership allows Members to participate in collaborative engagement to influence issuers. Participation in Forum engagements and S-360 projects provide evidence of engagement activity and outcomes on both company specific issues and thematic issues. The Forum reports on completed Engagements, including outcomes, to assist Members' in their own reporting and to demonstrate to other stakeholders the scale of investor engagement.</p>	Collective Engagement Report; S-360;	19-42
<p>P11. Escalation Initiation of, and active participation in, Forum engagements and S-360 projects provides evidence of escalation by Members. Our reporting on Engagement and S-360 activities provides evidence of outcomes.</p>	Collective Engagement Report; S-360;	19-42
<p>P12. Exercising rights and responsibilities The Forum's project on Voting Transparency and participation in the Law Commission review helped members ensure the effective exercise of their voting rights.</p>	Voting Transparency	39

- **Chair:** Simon Fraser
- **Executive Director:** Andy Griffiths
- **Chief Operating Officer:** Fiona Ellard
- **Senior Advisers:** Victoria Sant (Company Secretary), Habib Annous, Paul Lee, Tim Shanagher, Susan Stenglass Noble, Guy Walker
- **Communications Manager:** Maida Richards
- **Finance & Operations Assistant:** Laura Devonshire



THE INVESTOR FORUM

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