



Stewardship must now deliver real-world outcomes

(London, 13 January 2022)

The Investor Forum is pleased to publish its Review of 2021 activities (view [here](#)).

Established in 2014, The Investor Forum helps investors work collectively to escalate material issues with the Boards of UK-listed companies. Our 56 members have £805bn invested in UK equities, representing ~33% of the FTSE-All Share market capitalisation.

Our reputation with investors, companies and wider stakeholders as a trusted facilitator provides a unique platform to work collectively to identify solutions to the most complex challenges. In 2021 we delivered:

- 6 bespoke company engagements with Arrow Global plc, BT Group plc, Informa¹ plc, HSBC Group plc and Kingspan Group plc, bringing our total number to 43.
- 9 bespoke company meetings to enhance dialogue, including with Barclays, BHP, HSBC and Unilever on climate issues, and GSK, boohoo and Kingspan on governance issues.
- 3 new projects to promote well-functioning markets – ‘Governing for Growth’, ‘Engagement with Bid situations’ and ‘Voting Turnout at Irish Companies’, as well as the publication of a new BSI standard to address plastic pellet pollution

The value of our model and the track record of engagement outcomes is evidence of what can be achieved when investors collaborate.

The changing Stewardship landscape

The shift in priorities that emerged in 2021 is nothing short of remarkable. A heightened focus on a broader range of ESG issues increased pressure on investors, regulatory scrutiny, and competition, and is changing the landscape dramatically. We have seen a move by investors to use their voting rights more assertively and to broaden their engagement to cover more E & S issues – particularly around climate, diversity and employee rights. We have also seen a significant rise in ‘Dear Chair’ letters, issue-specific campaigns and company ‘naming and shaming’.

With conflicting concerns between companies and investors over remuneration schemes, continued high scrutiny of investor voting patterns, the need to debate climate responses and the likelihood of more shareholder resolutions, the 2022 AGM season could be one of the most challenging on record. The gap between shareholders and companies on a number of issues is widening, and the importance of constructive dialogue cannot, therefore, be understated.

In our experience, public pronouncements and voting actions alone are not enough to deliver impact. A focus on solutions, careful negotiation and mutual respect are all required. Trust and discretion enable the tough discussions that are essential to deliver engagement outcomes from engagement.

The climate challenge

The Race to Zero and GFANZ initiatives have catalysed significant increases in commitments from asset owners, asset managers and companies. Ultimately though, it will be the actions of individual companies that matter. It is clear that civil society, NGOs and activists are suspicious of ‘greenwashing’ and far from convinced about the pace of change or the credibility of the commitments. This is a challenge for all of us, and, rightly, it is far from comfortable.

¹ Includes two phases of engagement with Informa plc



The Forum has both a proven ability to engage effectively with the Boards of UK companies to escalate material concerns and a strong convening power. In a number of cases during 2021, the Forum was valuable in helping investors to influence how companies intend to deliver against the net zero ambitions and to assess whether credible, tangible actions will follow on from the ambition statements in a timely fashion.

As we stated a year ago, we continue to believe that companies need to clearly articulate climate transition strategies, and that an investor vote to signal support, or otherwise, for that strategy has significant value. The added detail in Climate Transition Action plans is welcome, and is likely to support far more scrutiny than is possible with shareholder resolutions alone.

The health of public markets

In 2021 there were over 20 take private bids in the FTSE 350. Although we have seen a welcome opening of the IPO market, it is clear that many companies see merit in being privately owned. Activist campaigns were launched against six FTSE 100 companies, as the case to simplify some of the UK's largest companies was forcefully made.

As the calls for more engagement increase, we believe that investors require greater clarity from the FCA on the interpretation of the Market Abuse Regime ("MAR"). An effective regulatory framework is essential but we believe that MAR is impeding collective engagement as investors are increasingly reluctant to exchange views and work together.

As Lord Hill illustrated, there is much to consider if the UK is to become a more attractive market. While lower free floats and dual class share structures might persuade more entrepreneurs to list, they will not fundamentally make a UK listing more attractive. Instead, we need to create an environment which incentivises and encourages companies to list here.

In the last decade the UK has enjoyed enormous successes in Fintech (where a unique environment created the conditions for a number of start-ups to achieve 'unicorn' status), and in building a leading position in offshore wind. Yet there is no assured route to the UK public market for these Fintech companies and there will be an enormous opportunity for the public markets to fund the growth in renewable solutions.

The Climate Change Commission estimates that the UK must invest £1 trillion to achieve its net zero goal by 2050 – this represents a huge investment opportunity. We need to build a supportive ecosystem and make the case for new clean growth companies to list on UK public markets. Capital formation on this scale presents an opportunity to revitalise the UK stock market, just as the formation of joint stock companies to deliver canal, railroad and power generation solutions did in the 19th century.

Michael McLintock, Chair of the Investor Forum, said:

"The pressure for engagement between quoted companies and shareholders continues to increase. The Investor Forum exists to facilitate proper engagement between shareholders and companies - in other words, to focus on material strategic and governance issues of concern to both parties, and to do so within a long term, constructive and discreet framework. The Forum has continued to be highly effective in this role during 2021."

Andy Griffiths, Executive Director of the Investor Forum, said:

"We believe in engagement and the power of dialogue. If we are to address the challenges that face the investment world and broader society, then we need a step change in the dialogue between companies and investors to create real-world value.

We are in the early stages of a 30-year revolution, and I firmly believe that public markets are essential to financing a just transition to a net-zero economy. Through constructive engagement, we will help demonstrate that investors and companies are part of the solution".



Contacts:

- **Investor Forum**

Andy Griffiths

andy.griffiths@investorforum.org.uk

Tel: 020 7611 2223

- **Lansons**

Tom Baldock

tombaldock@lansons.com

Tel: 07860 101715

Tom Straker

toms@lansons.com

Tel: 07505 425961

Notes to editors:

- The Investor Forum is an independent, not for profit organisation founded in October 2014. At the end of 2021, 56 organisations are Members, including asset managers, insurance companies, pension funds, and endowments. In 2021, Investec, JO Hambro, Premier Miton, T Bailey and Tellworth joined as Members.
 - Members have ~£24trn in Global assets under management, and £805bn invested in UK equities, which represents ~33% of the FTSE All-Share market cap.
 - The purpose of the Investor Forum is to position stewardship at the heart of investment decision making by facilitating dialogue, creating long-term solutions and enhancing value.
 - The Investor Forum has built a unique public record of 43 comprehensive collective engagements with the Boards of UK-listed companies since its inception, covering issues from succession and governance to the direction and execution of strategy.
 - The executive team comprises senior investment professionals with international experience in portfolio manager, asset owner, governance, board positions and investment banking sales and research roles.
-