



## **In 2023 UK companies and shareholders have an opportunity to build relationships that are fit for the 21<sup>st</sup> Century**

(London, 26<sup>th</sup> January 2023)

The Investor Forum is pleased to publish its Review of 2022 (view [here](#)).

When The Investor Forum was established in 2014, we identified a clear purpose – to put stewardship at the heart of investment decision-making. Nine years later, there is no doubt that stewardship, and ESG considerations, are at the heart of investment business, if not at the heart of all decision-making.

From our vantage point we see that:

- UK Equities is no longer a 'must own' asset class;
- Relations between investors and companies require a re-set; and
- As the Stewardship agenda expands, the focus of investors on bespoke engagement with UK companies has reduced.

### **UK Equities**

The status, and value, of UK-listed companies needs restoration. Traditional domestic owners, notably UK Pension Funds and Insurance Companies, have diversified away from the UK in the last 30 years and UK companies must now compete for capital in global markets and relative to other asset classes.

Unless companies, investors, regulators and policy makers accept the reality of this situation, UK equities as an asset class will continue to diminish - to the detriment of all economic participants and society more broadly. UK companies must ensure that they can compete for money on a global scale, and reforms should encourage and incentivise long-term ownership.

### **Investor / Company Relations**

There is much debate about the health of the relationship between companies and investors. We believe that the focus of company and investor dialogue should return to the creation of long-term value. Amidst a proliferation of reporting initiatives and accusations of corporate governance 'box-ticking', there is a risk that both sides lose sight of this objective.

The Investor Forum is committed to work with companies and investors to identify the sources of friction, and to identify practical solutions to re-set these vital relationships. We are pleased to report that our suggestions have been received constructively by representatives from FTSE 100 companies.

### **Stewardship best practice**

As the breadth of issues which inform the stewardship agenda continues to expand, less energy is being devoted to UK company-specific engagement. We believe that:

- A renewed focus on 'doing' over 'reporting' is needed:
  - The quantity of stewardship activity that can be most easily measured, has increased but not necessarily the quality of stewardship.
  - Given the increasing array of reporting demands, and need to categorise and certify ESG funds, bespoke company specific engagement risks being crowded out.
- Constructive dialogue to create solutions to complex problems is prioritised:
  - The Investor Forum's approach was designed to help reduce friction and enable an efficient and effective exchange of views between companies and investors.



## Conclusion

There is much work to do in 2023 to enhance the attractiveness of the UK's public markets, and investors have a vital role to play in creating vibrant, healthy markets on which companies can list. In our view, shareholders and companies can create a virtuous circle when they work in tandem to generate outcomes that benefit all stakeholders.

No doubt the upcoming AGM season will present challenges, but over the course of 2023 it will be important to identify practical actions which can reduce friction and encourage a more efficient and effective exchange of information between investors and companies on material issues. We are delighted that a number of companies and investors have indicated an appetite to work together on these important issues.

Investor stewardship activity is likely to be most effective when focused on practical solutions and real-world impacts and The Investor Forum has a proven track record of bridging the gaps that can emerge between companies and investors through constructive dialogue.

### **Michael McLintock, Chair of the Investor Forum, said:**

"The Investor Forum exists to facilitate serious conversations between Boards and shareholders about material issues. The team is committed to create practical solutions to enhance this dialogue and I encourage Chairs of UK companies and investors to work with the Forum to enhance relationships."

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

"The declining relevance of UK equity markets over the last 25 years has been breathtaking. It is crucial that the focus of any reform recognises the global nature of financing and seeks to create an environment in which UK listed companies can once again thrive. We cannot simply hope for a better outcome - practical steps are needed from companies, investors and regulators if we are to create a vibrant marketplace which can attract international capital."

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## The Investor Forum - Activities in 2022

In 2022 The Investor Forum delivered:

- 5 bespoke company engagements with GSK, Unilever, AVEVA, Euromoney International and THG, on issues ranging from board effectiveness and strategy at Unilever to transaction oversight at AVEVA, bringing our total collective engagements since inception to 48.
- 8 bespoke company meetings to enhance dialogue, including with Standard Chartered on climate issues and Rio Tinto on governance issues and strategic priorities.
- 3 Stewardship 360 projects which addressed material issues or promoted well-functioning markets:
  - "Voting turnout at Irish Companies";
  - a "[Modern Slavery Investor Due Diligence toolkit](#)", in collaboration with Themis; and
  - following last year's collaboration with the London Business School's Centre for Corporate Governance to create a "Sustainable Shareholder Value Model", we formed a working group on "The changing nature of the Defence industry".
- 16 webinars and 4 roundtables for Members.
- 2 cohorts of the Investor Forum Development Programme to promote and encourage diversity and inclusion in the Stewardship community.
- Read the 2022 Review [here](#).

### NOTES TO EDITORS:

- The Investor Forum is an independent, not for profit organisation founded in October 2014. At the end of 2022, 54 organisations are Members, including asset managers, insurance companies, pension funds, and endowments. In 2022, Norges Bank Investment Management, Wesleyan and Trium Capital joined as full Members.
- Members have ~£26trn in Global assets under management, and £680bn invested in UK equities, which represents ~30% 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 48 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 professionals with international experience as portfolio managers, asset owners, or investment banking sales and research management.
- The Board is comprised of Directors with a range of stakeholder views, including representatives from Member firms.
- For more information go to the following link: [The Investor Forum](#)