

REVIEW 2022



THE INVESTOR FORUM

# WHO ARE WE?

We are a not-for-profit community interest company set up by institutional investors in UK equities.

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# WHAT DO WE DO?

The Forum provides a unique collective engagement facility which sits at the heart of UK equity markets, and helps investors work collectively to escalate material issues with the Boards.

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# WHY WE DO THIS?

We bridge the gaps that emerge between companies and investors, to help build and restore trust, seeking to create long term value for all stakeholders.

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# HOW DO WE DO IT?

We listen to investor concerns and explain these to boards in a comprehensive and consistent manner.

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# WHAT IS THE OUTCOME?

The outcome of our activity is better informed boards and a stronger level of trust and understanding – ultimately leading to sustainable long-term returns for savers.

**The Investor Forum CIC**  
183 Euston Road, London NW1 2BE  
[www.investorforum.org.uk](http://www.investorforum.org.uk)  
26<sup>th</sup> January 2023

Front cover: Daniel Farrington Photography

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## OUR MEMBERS



<sup>1</sup> 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 bring investors together to form expert working groups to address thematic issues and to tackle market failings through our S-360 projects.

→ *Read more under Key Activities.*

### IMPACTFUL:

#### WE DELIVER OUTCOMES THROUGH COLLECTIVE ENGAGEMENTS AND PROJECTS

Since inception, we have led collective engagements with 48 companies, and undertaken 18 major Stewardship 360 projects.

→ *To learn about our engagement record in 2022 read the Collective Engagement Report.*

### 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 54 Members.

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

### VALUED AS:

#### A FORUM FOR SERIOUS, CONSTRUCTIVE CONVERSATIONS TO ADDRESS MATERIAL ISSUES

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 of challenges.

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



**Michael McLintock**

Chair  
26<sup>th</sup> January 2023

Activity levels at the Investor Forum over the past year have been high, with much invaluable work carried out in a variety of formats, and on a number of important topics, with Four O'clock Forums, S-360 projects and Working Groups all receiving good levels of member participation.

Facilitating Dialogue is a key objective for us and this year, in particular, has seen strong demand from members for meetings with company boards; with the ongoing debate about the role of stewardship this capability will be a key focus in 2023.

We published a revised version of the Collective Engagement Framework in January, and we are extremely thankful to our Legal Panel for their continued pro-bono support. The Framework represents a unique piece of market infrastructure and, at a time when scrutiny of investor activity has never been higher, the rigour provided by this proven approach reassures Members when they choose to work collectively to escalate material concerns.

Collective engagements with quoted companies have constituted a smaller proportion of our activity than we would have anticipated at the start of the year. This perhaps reflects a change in investor priorities, with a greater amount of resource being devoted to broader ESG issues. It may also reflect the fact that the natural percentage holding of UK equities amongst UK financial institutions has dropped to remarkably low levels, with the result that focus on UK company-specific issues is just one of many priorities for investors. This theme is developed further in Andy Griffiths' review which follows.

The Executive Team has built a best-in-class engagement capability. The team works with members throughout the year to identify situations where the Investor Forum can help shareholders and companies address concerns through constructive dialogue in pursuit of solutions that can enhance value. Ultimately, however, the extent to which we can act as a catalyst for beneficial engagement is dependent on the appetite amongst our membership.

This past year has seen a number of important changes to the Investor Forum board, beginning with the retirement of Paul Coombes and also Ida Levine who was a founding board member as well as a member of the Collective Engagement Working Group that was instrumental in recommending the formation of the Investor Forum. They each made a thoughtful and valued contribution to the Board's discussions and I am most grateful to them for the time that they devoted to the Investor Forum's affairs.

During the year we were delighted to welcome Ruth Beechey and Alex Edmans onto the board; Ruth, in her role as Chief of Staff at UBS Asset Management, brings legal expertise to our deliberations in place of Ida whilst Alex, Professor of Finance at The London Business School, will ensure continuity of a business school perspective following Paul's departure.

At the beginning of 2023, Edward Bonham-Carter and Anne Marie Fleurbaaij did not stand for re-election at the AGM. They will both be missed and depart with our thanks; I am especially grateful to Edward, who has been a great supporter of the Forum since its inception and has regularly acted as a very able facilitator at the discussion that forms the centrepiece of our annual review event.

I am pleased to announce that Sir Peter Gershon has been appointed as Senior Independent Director following Edward's retirement. The appointment of new directors during the course of 2023 will be an important priority and we welcome suggestions from Members.

Your support over the year is greatly appreciated. I would like to thank the whole team at the Forum for their efforts during this time. Their productivity is high, as are their standards. I believe they deliver excellent value.

# 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 20 - 29)

- Operate the Forum’s Collective Engagement Framework to escalate material issues with the Boards of UK companies
- Deliver exceptional collective engagement outcomes

### Facilitate Dialogue

(Read more on pages 30 - 33)

- Convene parties from across the investment chain
- Provide a forum for institutional shareholders to discuss critical issues with companies
- Create opportunities for Members to gain practical insights from experts on key issues

### Stewardship 360

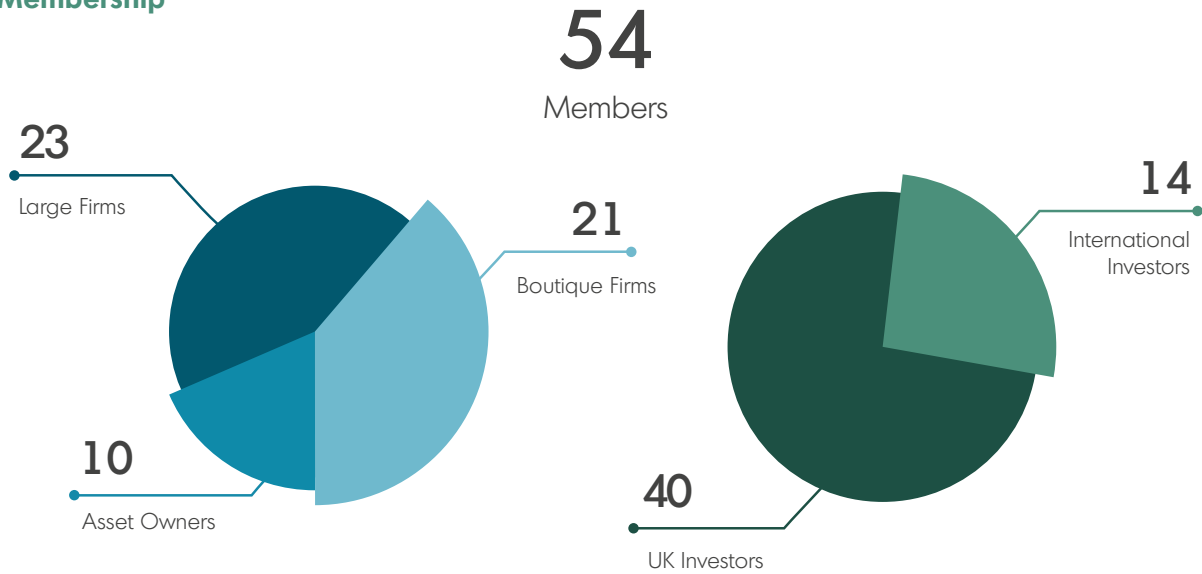
(Read more on pages 34 - 42)

- Deliver projects to both enhance understanding of and address wider issues that impact companies, industries and the environment in which they operate
- Convene expert working groups to address thematic issues or to tackle market failings
- Promote well-functioning markets

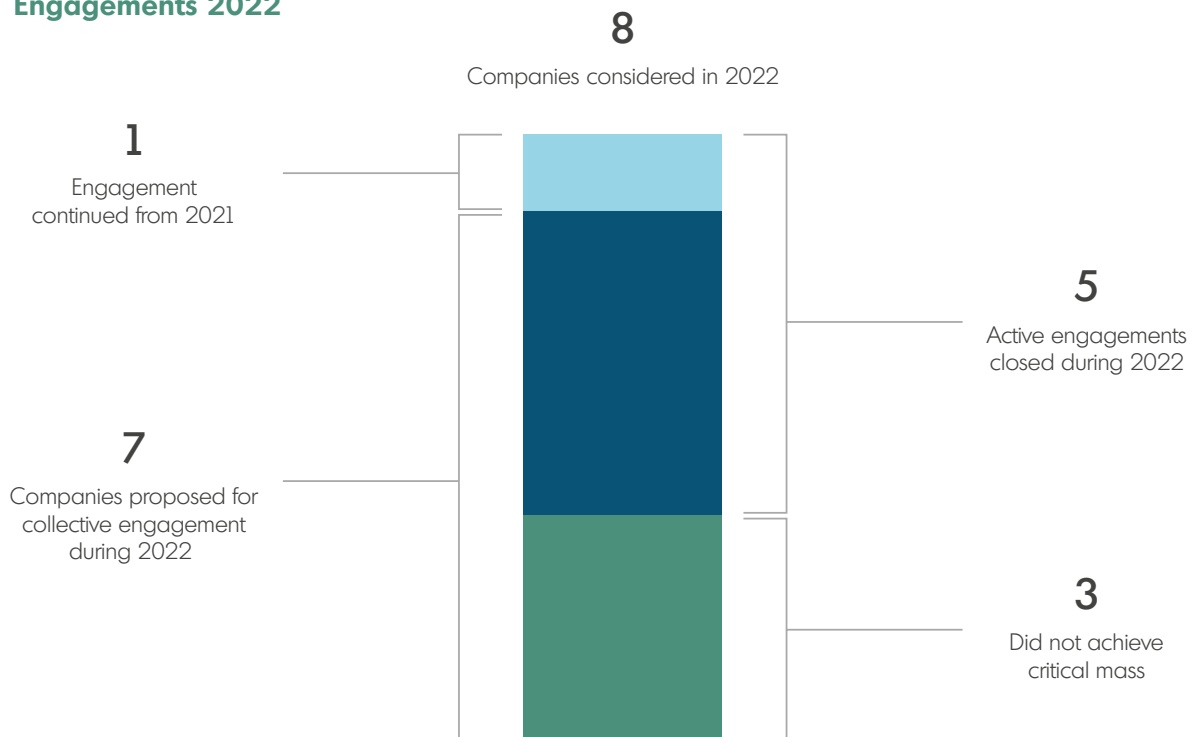


## FORUM SNAPSHOT

### Membership



### Engagements 2022





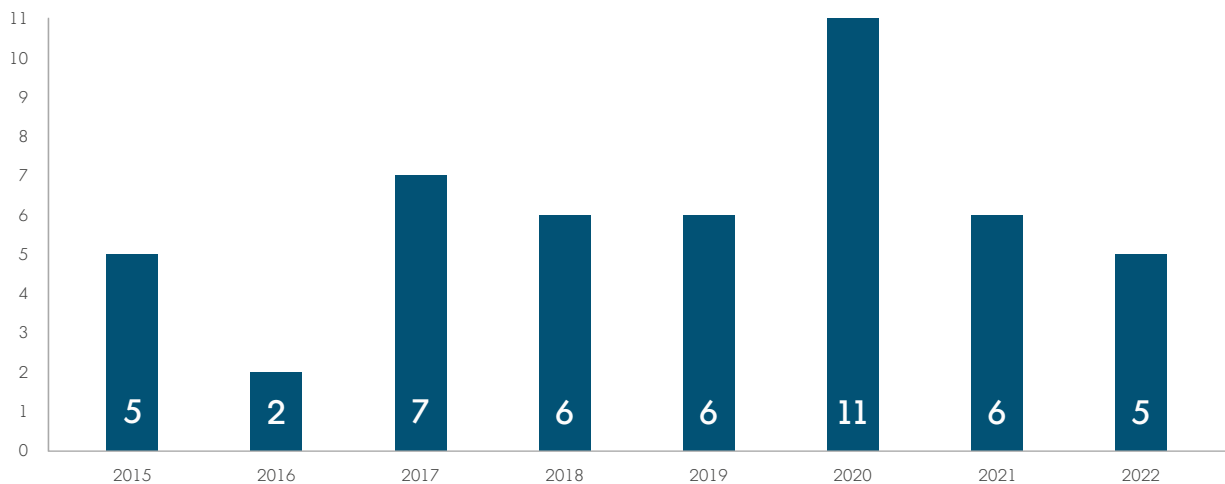
# FORUM SNAPSHOT

## 2022 Collective Engagement Dashboard

	Material Issue Focus	Oversight (by the Board)					Execution (by the Management team)		
		Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
AVEVA	Transaction Oversight					✓			
Euromoney International	Strategic Direction	✓					✓		
GSK	Disclosure								✓
THG	Board Effectiveness		✓		✓		✓		✓
Unilever	Board Oversight		✓	✓	✓		✓		

## Collective Engagement Activity Since Inception

48 Collective Engagements completed since inception



## Engagement Participation in 2022

In each full engagement



2 to 25

Range of Participants



13% to 20%

Market Cap of Company Represented



36

Investors Involved

## EXECUTIVE DIRECTOR REVIEW



**Andy Griffiths**  
Executive Director  
26<sup>th</sup> January 2023

While it is often said that ‘if it ‘ain’t broke don’t fix it’, after the events of 2022, there is a sense across the UK that difficult decisions have been avoided for too long. Nowhere is this more true than in the stock market, where UK listed companies are afforded significantly lower valuations than their global peers.

The status and value of UK listed companies are in need of restoration. As efforts are made to revitalise the economy and to ensure the future competitiveness of the UK as a financial centre, **the core focus should be the one goal that unites stakeholders throughout the investment chain – creating and maintaining sustainable long-term value.**

In our view, shareholders and companies can create a powerful reinforcing virtuous circle when they work in tandem to generate outcomes that benefits all stakeholders. Shareholders therefore have a vital role to play, and we believe that investor stewardship activity is likely to be most effective when focused on practical solutions and real-world impacts.

It is important that investors hold companies to account, and in recent years there has been a significant focus on the power that shareholders can wield through their voting actions to highlight issues and make the case for change.

Our concern is that less energy is being devoted to company-specific engagement in the UK. Our experience shows that it is the combination of voting and engagement that delivers real impact, and the two forces work most effectively when deployed in tandem.

**The Investor Forum has developed a track record of bridging the gaps that emerge between companies and investors through constructive dialogue and we believe that this approach can help to create an environment in which UK public markets are an attractive home for thriving, vibrant companies.**

### Stewardship landscape

In this review we lay out our views on the health of stewardship in the UK and how structural and cyclical factors have combined to reduce the attractiveness of the UK equity market.

The breadth of issues which are considered as part of the stewardship practice has expanded dramatically. In our view to be effective, stewardship must focus much more on ‘doing’ than ‘reporting’. However:

- Members face an increasing array of reporting demands, not just the UK Stewardship Code, but also a range of other initiatives and, for asset managers, bespoke client requests.
- There is also a huge effort underway to categorise and certify ESG funds to comply with regulations and respond to concerns over greenwashing.

Notwithstanding the importance of transparency, reporting activity is diverting attention from stewardship and engagement activity with companies. **We have seen an increase in the volume of activity, notably in the type of activity that can most easily be measured, but not in the quality of stewardship.**

We also observe an increasing focus on voting, and on shareholder resolutions. Often such activity comes at the cost of high-quality dialogue between long term shareholders and companies. Likewise, the attention paid to votes against management resolutions concentrates attention on areas of disagreement rather than on efforts to align interests. **We believe investors can have meaningful impact when they use constructive, bespoke company-specific engagement techniques to create solutions and should not rely on ‘votes against’ alone to deliver change.**

### The declining importance of UK Equities

Money moves globally, competition is intense and the UK is no longer regarded as a ‘must own’ market.

The decline in UK institutional ownership, accompanied by the shift to international owners and index tracking strategies, has been evident for many years. However, the LDI crisis provided a powerful reminder of the asset allocation decisions of pension funds and their de minimus exposure to UK equities. Similarly, with sustained

## EXECUTIVE DIRECTOR REVIEW

selling of UK equities by retail investors, it should not be a surprise that, within asset management organisations, professional resource is being shifted away from UK equities towards other asset classes.

UK listed companies must compete for capital against global peers and privately funded competitors. While individual companies may be able to raise capital efficiently, **UK society ultimately loses out if the wealth created is not shared with domestic citizens.** Beyond company-specific factors, it is also the case that, when liquidity tightens, money (and particularly US Dollars) flows back toward domestic priorities. Emerging Markets have long known the risks that accompany a reliance on US Dollar funding. Increasingly, in the UK we are learning that sources of funding matter and, as a result, just how important reputation is in global markets:

- The implications of the Global Financial Crisis for the UK financial system were magnified because of the reliance on short-term USD wholesale funding (at its peak £700bn of mortgage lending was funded by US money market funds) which was withdrawn as conditions deteriorated;
- The uncertainties that accompanied the UK's decision to leave the European Union, resulted in sustained sales of UK assets by international investors; and
- In 2022, the mini-budget undermined global confidence in UK finances, resulting in significant selling of UK assets by international investors which sent shock waves through the economy.

**A recognition of the UK's diminished importance as an investment destination, and the economy's dependence on international investment, is essential if reforms are to yield benefits.**

Alongside the much-discussed need for growth capital, there is also a need to create a supportive environment for UK listed companies. **This requires an analysis of the underlying causes of the decline in the attractiveness of UK equities, which must surely run much deeper than the criticism of the UK's 'gold-plated' governance codes or the divisive issue of executive remuneration.**

All of the City's rich traditions of entrepreneurship, re-invention and value-creation will be required to restore competitiveness.

### Company relations

Given these challenges, shareholders and companies will need to work together more effectively to make the difficult choices and trade-offs that will be required to preserve and enhance value.

However, the real-world picture is far from encouraging. We can see that there is disquiet among a number of FTSE Chairs with the state of stewardship.

We have commented on the deteriorating relationship between investors and companies in our Annual Review for a number of years, but those concerns are now coming into sharper relief - indeed a group of Chairs felt so strongly about the issues that they were motivated to make a collective public statement in 2022.

In large part, the frustrations expressed are rooted in issues relating to executive remuneration and over-boarding considerations which, in many cases, come down to a difference of opinion between Chairs and investors as to what is appropriate. **These differences of opinion risk undermining long-term relations. This concern is particularly acute given the current cost of living crisis and the potential for a challenging AGM season in 2023.**

The Investor Forum is keen to help facilitate a dialogue to explore the concerns which were raised and, where possible, reduce friction to enable an efficient and effective exchange of views.

**In our view, amidst a proliferation of reporting initiatives and accusations of corporate governance by 'box ticking', both companies and investors appear to have lost sight of the one unifying objective. The focus of company and investor dialogue needs to return to the creation and maintenance of sustainable long-term value.**

### Implications for the Investor Forum

When we started the Investor Forum 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 more particularly ESG considerations, are at the centre of the investment business, if not at the heart of all decision-making.

## EXECUTIVE DIRECTOR REVIEW

Over those nine years, the range of activities has broadened, as we have seen increased appetite for Stewardship-360 projects and working groups and for Investor Forum facilitated company meetings.

In 2021 and, again in 2022, we saw relatively low levels of collective engagement activity. Collective engagement activity is by its nature idiosyncratic, but UK company-specific engagement with an objective of value protection and/or creation is now just one of many priorities for Stewardship teams, whereas 10 years ago, for many it would have been the key goal.

Last year we completed 5 engagements bringing to 48 the number of engagements that we have completed since 2015. We saw a significant increase in take-private transactions in 2021 and 2022, such that private equity firms, event-driven investors and activists, rather than traditional institutions, were the main agents of change.

**With rising interest rates, the era of cheap money and plentiful liquidity is over. This changed environment will have profound implications for valuations and market leadership. While the balance sheets of many UK listed companies are relatively healthy, with more challenging economic conditions ahead we would expect to see more company-specific challenges emerge.**

### Our Priorities for 2023 and beyond

Our focus will remain on three activities - company specific collective engagement, company meetings and Stewardship 360 projects and working groups. In 2023:

#### **We encourage investors to use the platform to engage constructively with companies:**

- Our approach of quiet diplomacy and a proven ability to provide a safe space for serious conversations is a valuable tool for investors and companies to address complex issues.

#### **We invite companies to work with us to facilitate strategic dialogue of the highest quality:**

- We will actively promote company meetings in 2023 to address what we see as a key request from Chairs to ensure strategic dialogue with investors. Our company meeting service, designed primarily to connect investors and Board Directors, has never been more relevant.

In recognition of the breadth of the stewardship agenda, and Member requests, **we will continue to organise Stewardship 360 Projects and working groups to address key ESG issues or to promote well-functioning markets.**

#### **Finally, in 2023 we will increase our focus on the promotion of stewardship best practice, by:**

- Hosting masterclasses, with our Legal Panel and other experts, on regulatory matters;
- Sharing insights on key themes and best practice through Four o'clock Forum webinars; and
- Supporting the development of the next generation of stewardship professionals through bespoke training sessions and our Development Programme.

### Conclusions

**The Investor Forum has built a reputation for helping to bridge the gaps that emerge between companies and investors, through collective engagement and company meetings, and for promoting well-functioning markets, through projects and working groups.**

We are proud of our history of engagement, our record of innovation and our ability to deliver practical outcomes.

I am enormously thankful to all of my colleagues at the Investor Forum for their continued commitment and energy, and to our Board and Legal Panel for their wisdom and guidance.

In a rapidly evolving landscape, we will stay true to our core purpose and always seek to put stewardship at the heart of investment decision making.

**Andy Griffiths**  
Executive Director

## STEWARDSHIP LANDSCAPE

In 2022 it became clear that a number of powerful elements are combining to fundamentally change the investment landscape in the UK, and impact the environment in which the Investor Forum and its Members operate.

From the Investor Forum's vantage point, there is clear evidence that the UK equity market is in need of restoration. A combination of domestic and global forces, of long-term structural

factors and nearer term economic and political dynamics will need to be addressed if UK public markets are to be revitalised.

Unless companies, investors, regulators and policy makers truly accept the scale of the challenges, and work together to find a meaningful response, UK equities as an asset class will continue to diminish in significance, to the detriment of all economic participants and society more broadly.

### Key Challenges

#### 1. The decline of UK equities as an asset class

- Ownership of UK listed companies has been changing for 30 years. UK institutional investors have chosen to allocate capital to other asset classes, leading to a significant shift in ownership towards international investors. For UK pension funds and insurance companies, exit has prevailed over voice.
- Consequently, there has been a significant hollowing out of the professional experience and resource dedicated to UK equities.
- Specialist teams now form part of pan-European or global approaches, and index-tracking strategies have become prevalent. Money flows globally.

#### 2. Remuneration remains a point of contention

- Executive remuneration has been a source of contention for 15 years or more. The differences of opinion between companies, asset managers, asset owners and civil society is starker than ever.
- More than any other issue, the ongoing tension is undermining the wider stewardship relationship and distracting from the ultimate goal of long-term value creation.

#### 3. A broadening of the stewardship agenda

- Thematic and systemic engagement is moving to centre stage as asset owners and asset managers seek to influence an ever-wider range of issues.
- With a much broader agenda, investors will need to prioritise the focus of engagement effectively to meet client expectations, achieve impact and create long-term value.

#### 4. A focus on codification over action

- Scrutiny of investor stewardship and corporate governance has risen dramatically, resulting in a focus on reporting and assurance over activity.
- Transparency is vital, but reporting and compliance must not crowd out good business or active stewardship.

#### 5. The changing political and economic environment

- Higher interest rates, a likely recession, a cost of living crisis and the politicisation of ESG in the US will create a challenging environment for both companies and investors in 2023.
- A collision of cyclical and structural factors mean effective prioritisation is essential if companies and investors are to create and sustain long-term value.

## STEWARDSHIP LANDSCAPE

As these forces collide, the investor/corporate relationship appears to be at risk of becoming a casualty of the competing pressures. We have written about the risks to this relationship over many years, and a recent report from company Chairs illustrates how fractious things have become for some companies. Alongside the concerns of companies, the ever-widening range of stewardship and ESG priorities which investors are grappling with indicates that, in many cases, and on important issues, there are huge differences of opinion. Increasingly it seems to us that companies and investors are in danger of engaging in parallel conversations.

### The changing ownership of UK listed companies

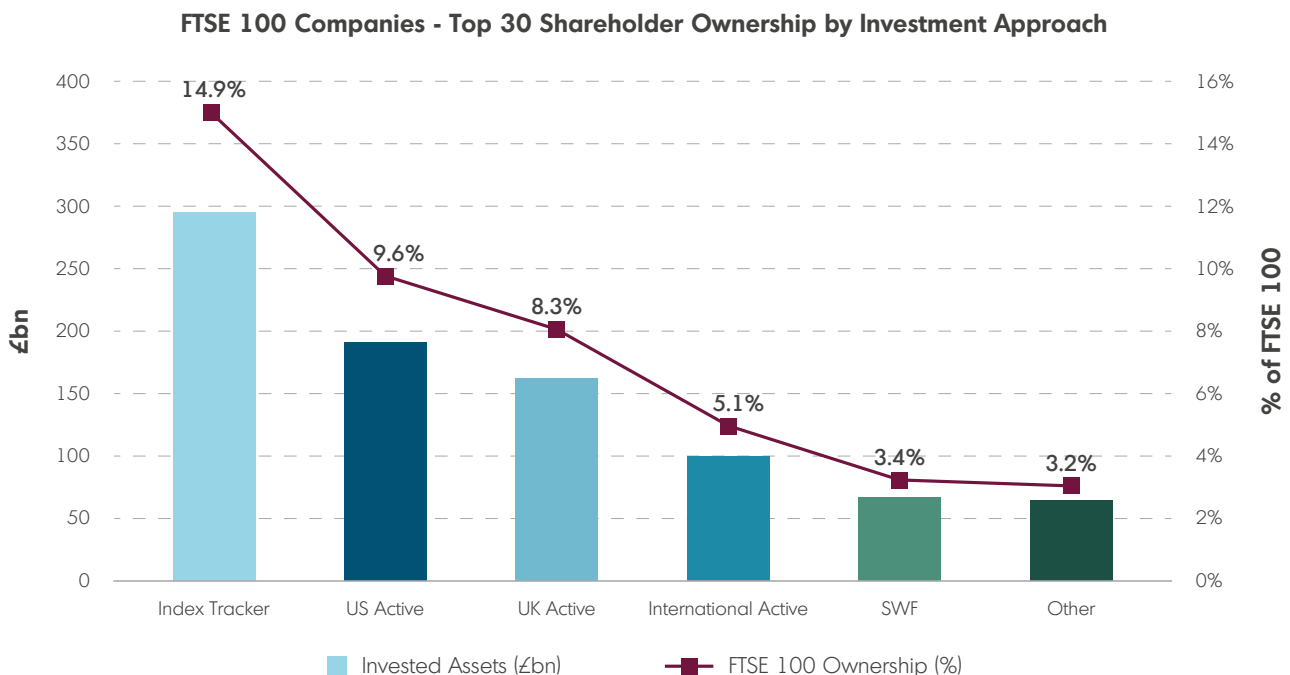
As the traditional domestic institutional owners diversify their portfolios away from UK-listed companies, the UK has become one of the most internationally owned stock markets in the world<sup>1</sup> (after Hong Kong and the Netherlands). The changing nature of the ownership between 1990 and 2020 has been well documented<sup>2</sup>, and the shift in the market structure has been remarkable:

- UK Pension Fund and Insurance Company ownership has fallen from 52% to a little over 4%.
- Ownership by Individuals and Unit Trusts has fallen from 26% to 20%.
- International ownership has increased from 12% to 56%.

In the 11 months to end November, UK savers withdrew a further £10.8bn from funds investing in UK equities, making 2022 the biggest year of outflows in a decade, according to data from the IA<sup>3</sup>.

To better understand the implications of this shift in ownership, we analysed the share register of each of the FTSE 100 companies and aggregated the data to identify which groups have become the biggest owners of UK equities. The results were published in our paper [“Thinking Aloud – UK Equity Ownership”](#), December 2022.

The chart below illustrates the categories of investor that make up the top 30 shareholders of FTSE 100 companies.



Source: Investor Forum: Thinking Aloud - UK Equity ownership, Dec 2022

<sup>1</sup> Owners of the World’s Listed Companies, OECD (2019)

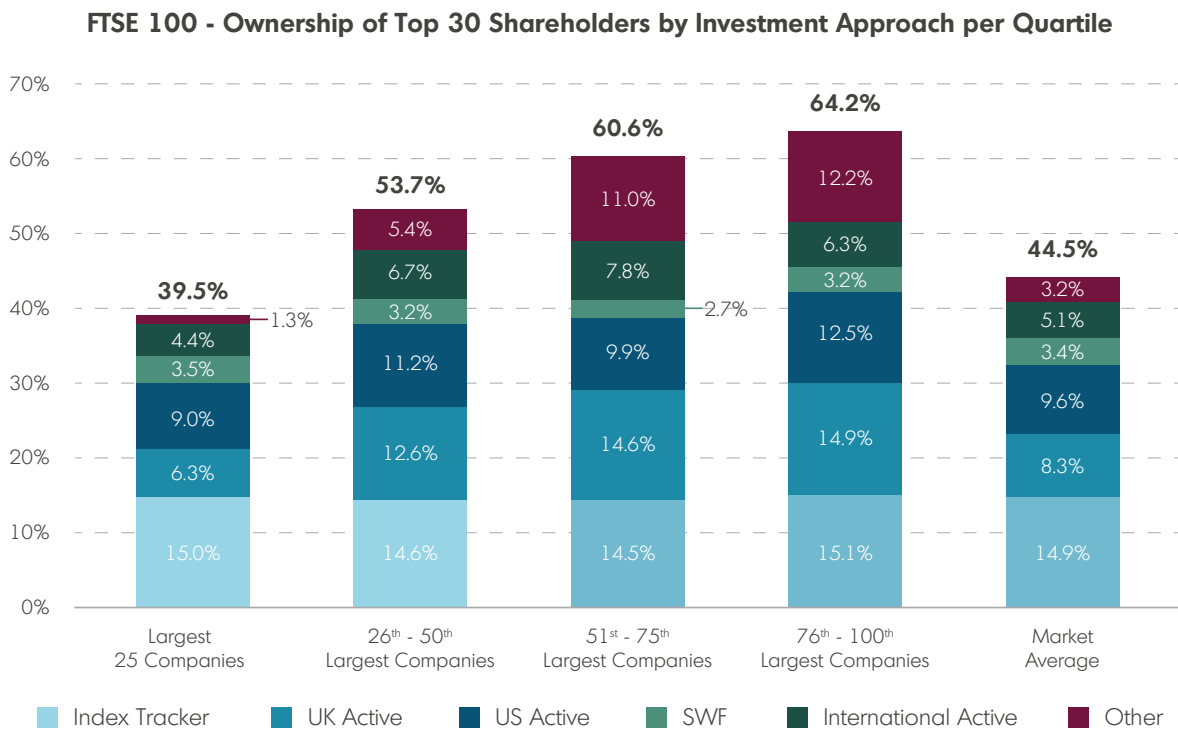
<sup>2</sup> Ownership of UK shares, ONS (2022)

<sup>3</sup> The Investment Association Fund Statistics

## STEWARDSHIP LANDSCAPE

The top 30 registered investors in the FTSE 100 companies account for 45% of the total value of the FTSE 100. We categorised the 452 entities that make up the top 30 shareholders of each FTSE 100 company into six groups, based on the headquarters of the investment firm and their predominant investment style.

We also analysed how the distribution of ownership across the six investment approaches differed by size of company as shown below.



Source: Investor Forum: Thinking Aloud - UK Equity Ownership, Dec 2022

By far the largest group is Index Tracker funds (14.9%) followed by US Active managers (9.6%). UK active funds registered in the top 30 shareholders make up approximately 8.3% of the total value of the FTSE 100 but, throughout each quartile, the ownership is very different – for the largest quartile, they represent only 6.3% of the market capitalisation whereas in the fourth quartile, this approach represents ownership of 14.9%. It is also notable that as company size decreases, the presence of other types of shareholders - block holders, family groups or employee trust shareholdings for example - in the top 30 increases.

UK pension funds have traditionally seen themselves as stewards of their local market, but our analysis highlights how their decisions to allocate funds to alternative asset classes - driven

by a number of factors including diversification, closure of schemes and changing risk appetite - has reduced their influence. This analysis illustrates that, not only has the domestic institutional ownership of the market been hollowed out, but also, in aggregate, the voice of UK asset managers with the largest companies now ranks third behind the voices of index tracking strategies and US active investors.

Dedicated resources focused on UK equities are being significantly reduced as the asset class shrinks in importance. Fundamental portfolio managers with years of experience and the respect of the boardroom are stepping down from managing money, and UK teams are being integrated into broader European and Global equity teams in a number of institutions.

## STEWARDSHIP LANDSCAPE

Stewardship agendas have been significantly impacted by the broader range of global reference points that inform the decisions of the largest investors, and the presence of index tracking investors.

### Remuneration is a point of conflict

A number of Boards feel aggrieved with the reduced levels of support they have received from their shareholders, as expressed through votes against their recommendations at AGMs. Many feel that the principle of ‘comply or explain’ is being superseded by the expectation of strict compliance with codes, and that their particular circumstances are not being taken into account in voting decisions.

Equally, shareholders feel the guidance that they give in their stewardship reports and voting policies, and the messages that they send through their votes, are often not being taken into account. Remuneration policy votes in particular have become particularly contentious, and shareholders now increasingly consider voting against individual directors as part of their escalation process.

In recent years there has been an increase in the activity, and greater scrutiny, of institutional voting at AGMs, driven by a multitude of initiatives including the Stewardship Code, pension scheme Implementation Statements, and NGO campaign activity. A ‘vote against’ seems to have become, for some market participants, a key indicator of ‘active ownership’ and ‘forceful stewardship’.

Given the well-documented frustrations on both sides, one might expect that AGMs have become a battleground of conflicting viewpoints. We examined the evidence in our recent paper [“Thinking Aloud – 2022 AGM season – Contentious votes”](#).

The data indicates that in fact only a small sample of resolutions - less than 6% of all resolutions put to a shareholder vote by FTSE 100 companies in 2022 - saw more than 10% of shareholders vote against the management recommendation, and only a handful where the resolution did not get a majority support<sup>4</sup>.

Since the Public Register was established in the UK in 2017, 423 individual companies have had at least one resolution receive a 20%+ vote against. Over 60% of these saw shareholder dissent in just one year. However, there are a notable number of ‘serial offenders’, and 21 companies have appeared on the register for five or more years, with six appearing every year since the Register’s inception.

The vast majority of contentious votes relate to remuneration, followed by over-boarding and pre-emption rights.

Remuneration Committees seek to incentivise management teams and attract and retain global talent, and investors seek to exercise restraint based on client expectations or where there is a sense of misalignment between compensation outcomes and value creation. The difference of views is a perennial issue, and one which, it would seem, is unlikely to be reconciled anytime soon.

The investment industry provides clear guidance to companies on remuneration at an industry level, through publicly available individual voting policies and in individual Stewardship Code reports. Where company proposals do not comply with published guidelines, investors increasingly decide to vote against a resolution rather than allow a new precedent to be set.

Given the challenges that society faces with the cost of living crisis, and the large number of remuneration policies that will need approval in 2023, we would expect that remuneration issues will emerge at a significant number of companies. As such, the 2023 AGM season will likely be challenging.





# STEWARDSHIP LANDSCAPE

## A broadening of the stewardship agenda

Over the last 5 years the range of issues that stewardship teams prioritise and the geographic focus of their activity has expanded exponentially.

We once again reviewed the Stewardship Code reports of our Member firms, and noted the

stated areas of focus. A few dominant themes emerged, as might be expected, but firms also mentioned that they would be engaging with companies on a range of sub-themes, as shown in the table below.

## Identified themes in Member Stewardship Code Reports

	Environmental	Social	Governance
Dominant Theme	Climate change	Diversity, Equity & Inclusion	Remuneration
Sub-themes	Biodiversity	Access to finance	Anti-bribery & corruption
	Clean resources	Child labour	Anti-competitive practices
	Environmental stewardship	Collective bargaining	Audit issues
	Circular economy	Community relations	Business ethics
	Deforestation	Data privacy	Cybersecurity

From just this small sample of Member reports, it is clear that companies will be facing a complex series of demands from their shareholders as they seek to address an increasingly broad range of issues.

To enable this broader scope of work, stewardship teams have increased in size, with resources added to both central teams, and embedded within investment teams. A recent survey of our Member firms revealed that our 30 largest Members now together employ over 300 Stewardship professionals globally, of which around a quarter are identified as available to lead engagements with UK companies.

Within the wide range of issues identified as stewardship priorities, there is a shift towards ‘sustainability’ issues and away from matters pertaining to ‘good governance’. Prioritisation is therefore essential to ensure that effective governance is not ‘crowded out’ by an extensive list of stakeholder priorities.

With regulators demanding evidence of activity, intentionality and outcomes to ‘earn’ Stewardship Code approval and sustainability labels for funds, there is an enormous focus on reporting and assurance. While important, this focus risks crowding out traditional stewardship activity, increasing the quantity but not the quality of engagement.

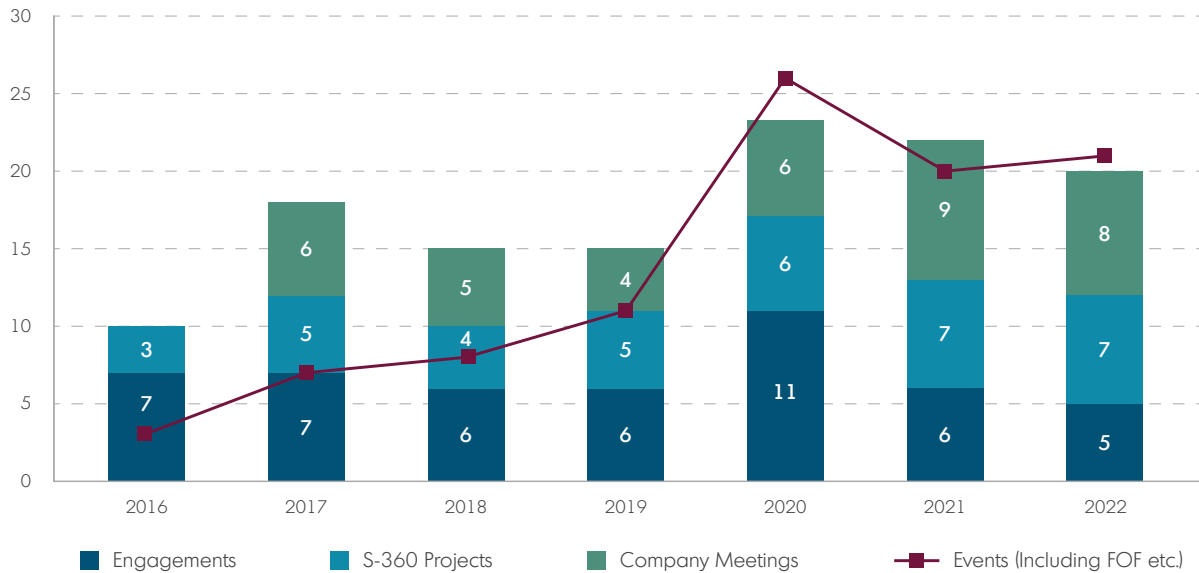
## The changing political and economic environment

Higher interest rates and a likely recession in 2023 will significantly impact corporate health and, most likely, shareholder returns, all of which is likely to require increased vigilance, active ownership and engagement by shareholders.

The increasing politicisation of ‘ESG’ in the US and the associated Anti-Trust concerns are likely to have a significant impact on stewardship activities relating to UK Equities given that US investors own more than a quarter of the UK market.

## REFLECTIONS ON ENGAGEMENTS & DIALOGUE

**Investor Forum Activities Since Inception**



The Investor Forum seeks to deliver impact through three main activities - collective engagements, facilitated dialogues (which comprise company meetings, events and educational webinars) and Stewardship 360 projects and working groups. While the balance between activities shifts over time, the chart above illustrates that the overall level of activity remains high.

We saw a significant uptick in Events in 2020 as we launched our Four O'clock Forum series of webinars which offer Members an opportunity to engage with expert speakers to gain insights on key stewardship themes.

Over the last two years, we have seen a lower level of demand for company specific engagement, which has been offset by strong demand for both deep-dive project work, through S-360 projects and working groups, and company meetings.

### Collective engagement

Since the Investor Forum was formed in 2014, our core focus has been on collective engagements. In our Annual Reviews, we have published 48 engagement case studies, highlighting which of ten key factors the engagement addressed:

Oversight by the Board	Execution by the Management team
Strategy	Operational Performance
Leadership & Succession	Management Information
Capital Allocation	Reporting & Communication
Corporate Governance	Capital Allocation
Corporate Action	
Improving Governance	

As investor stewardship activity has widened significantly beyond governance, strategy and performance, we have identified in the case studies the 'material issue' that formed the basis of the engagement strategy. For example, in 2021 we reported that the engagement with HSBC centred on their environmental strategy, and in 2020, the engagement with boohoo related to the social issues that were concerning investors.

## REFLECTIONS ON ENGAGEMENTS & DIALOGUE

Collective engagement activity is by its nature idiosyncratic, but the significantly changing stewardship landscape described in the previous section means that UK company-specific engagement with an objective of value protection and/or creation is now just one of many priorities for Stewardship teams, whereas 10 years ago, for many it would have been the key goal. As UK Equity teams have reduced in size, investment processes have globalised and well-resourced, centralised, stewardship teams have been embedded there has been a significant shift in activity. The Forum has been pleased to support Member stewardship activity on a wider range of Environmental and Societal issues through engagements, S-360 projects and company dialogues.

Alongside the structural shifts, we have seen a number of take-private transactions, such that the most active engagement in the last two years has been by private equity firms or activists rather than via traditional institutions. As interest rates rise, and the era of cheap money and plentiful liquidity recedes, the appetite for leverage is declining and we will likely see a reduction in take private activity through buyouts. While the balance sheets of many UK listed companies are in relatively healthy condition, in times of market uncertainty, and with more challenging economic conditions ahead, we would expect to see more company-specific challenges emerge which will quite likely result in increased collective engagement activity.

In 2022, we completed a review of the Forum's Collective Engagement Framework which underpins all our engagement activity to ensure that we act in a way which is consistent with all relevant laws and codes, to protect Members when they engage through the Investor Forum (read more on page 42).

The Framework is a critical piece of market infrastructure which gives investors confidence that they can work together collectively to raise issues of concern on material issues or developments. Our experienced practitioners establish clear boundaries regarding what can and cannot be acted upon under the auspices of the Forum, prioritise the protection of Member interests, and minimise the risks relating to acting in concert, inside information and anti-trust considerations. We are confident that our unique model, created

in conjunction with, and supported by, leading law firms, sets a best-in-class standard for engagement with UK companies.

### S-360 Projects

Our Members value the opportunity to work with peers, to explore issues in depth with experts, and to raise material issues with companies.

The number of S-360 projects has remained fairly constant in recent years, but the nature and depth of the projects has evolved over time. We increasingly draw on Member Working Groups to co-create frameworks and gain insights which can then be shared with all Members, and which can contribute to promotion of well-functioning markets, an important Stewardship Code outcome. On pages 20 – 42 we report on activity this year, and provide examples of the impact that these projects have had.

Our long running Working Practices S-360 project was inspired by the company engagement with Sport Direct plc in 2015. Investors wanted to understand whether the issue around zero-hour contracts and warehouse working conditions were unique to that company or endemic across the sector. It is an excellent example of how an insight from one company engagement informed much broader engagement on working practices across the apparel, food manufacturing and construction sectors.

In the last few years, the principle of 'promoting well-functioning markets' has meant that some projects have moved away from having a company-focus to instead dealing with the systems in which they operate. An expert central secretariat who can drive the projects and involve relevant participants has proven to be an effective model for 'getting things done', as evidenced this year by the success of the Irish Voting group. Connecting the chain and presenting institutional investor views in a clear and forceful manner can be vital in a fragmented system with many vested interests.

### Company meetings

Over the last 6 years, Investor Forum-facilitated company meetings, primarily in a virtual context, have become an increasingly valuable forum for companies and shareholders to discuss complex issues with a view to creating practical solutions to address material issues.

## REFLECTIONS ON ENGAGEMENTS & DIALOGUE

Stewardship and investment teams value the opportunity to identify key issues and to discuss those issues alongside their peers with relevant board members and experts at companies.

Members and companies appreciate the role that the Forum plays in identifying key issues for discussion, curating an agenda and chairing the discussion. We have also found that Investor Forum-facilitated meetings in advance of an Annual General Meeting provide valuable opportunities for investors and companies to ensure that they have exchanged relevant information and concerns in order to inform voting decisions, particularly on contentious issues.

These meetings can play an important role as part of a broader programme of engagement by companies, such that individual meetings with key shareholders can then concentrate on matters that are of particular interest to that one investor.

A number of Chairs have indicated a desire to see increased attention paid to strategic issues in their dialogue with shareholders and the Forum is keen to talk with any Board that would like to discuss additional options to enhance the dialogue with their investors.

### Events

We have seen a significant increase in events, primarily due to our Four o'clock Forum series of educational webinars, but also due to Member interest in expert speaker roundtable discussions.

Member feedback indicates that there is value in having a forum of learning, particularly as Member stewardship teams have, on average,

doubled in size. Hosting events on a variety of issues offers us many touch points within an organisation, from new graduates embarking on a career in ESG, to specialists in single issues, as well as experienced governance professionals and industry analysts. It helps everyone keep up with fast-evolving issues, and is inclusive of our global Membership base.

On the basis that well-informed professionals are equipped to make better decisions, our events series contributes to our aim to create value and focus on the long term.

### Conclusion

Our Members are supportive of the Forum's work – they value highly our professionalism, the quality of our work and the opportunities that we give them to influence our priorities.

We are proud of our record of innovation and our ability to devise new services to meet Member needs (for example, S-360 Working Groups, Company meetings, Four o'clock Forums, Development Programme).

We will continue to focus on our three activities - company specific collective engagement, facilitating dialogue through company meetings and events, and S-360 projects and working groups – and will continue to adapt to meet the needs of our Members.

### 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”. The Investor Forum was established as a not-for-profit member organisation following the considerations of a Collective Engagement Working Group in 2014.

# KEY ACTIVITIES

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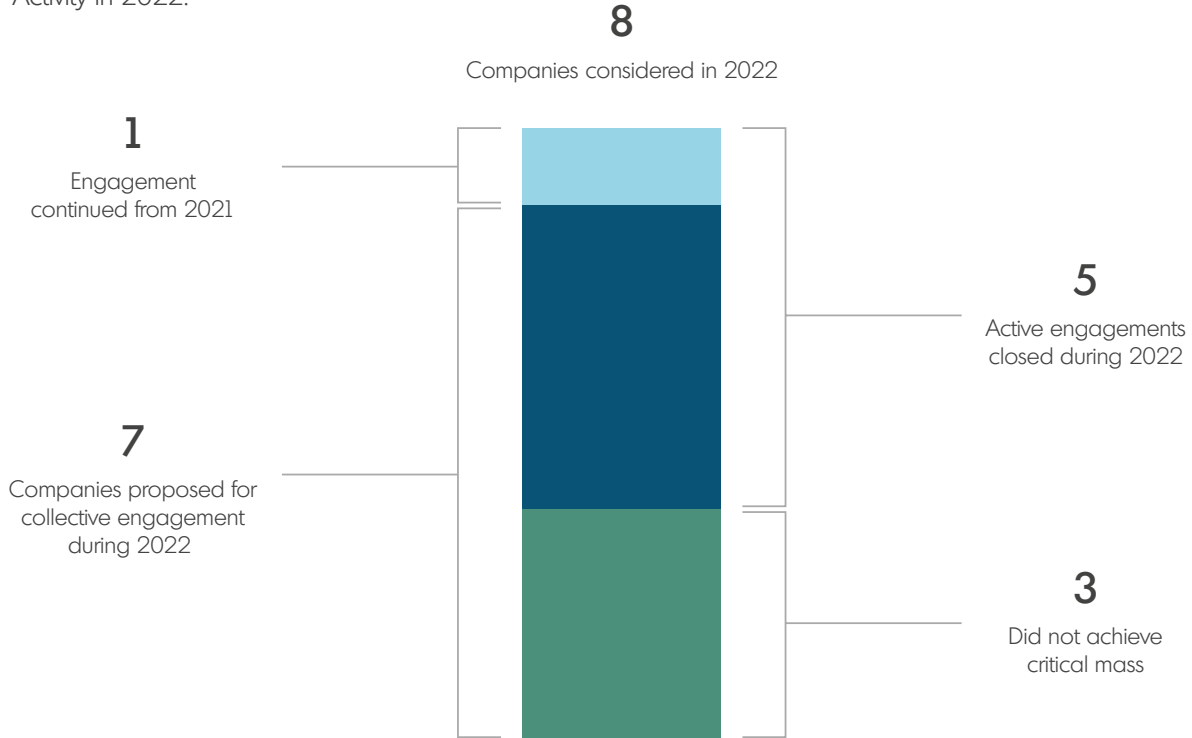
- *Collective Engagement*
- *Facilitating Dialogue*
- *S-360 Projects*



# COLLECTIVE ENGAGEMENT - SUMMARY

## Facts and Figures

Activity in 2022:



## 3

Proposed in 2022 but did not proceed:

- **1** - Involved a bid situation where there was frustration with the process, but no engagement objective could be defined.
- **1** - Was an AIM-listed company that was not well-owned by the Membership, and on which there were differing views.
- **1** - Related to on-going concerns. In the near term, shareholders were prepared to give the company more time to execute on their stated strategic goal, but investor patience is being tested, and an engagement objective may yet emerge.

## Member Participation

During 2022, the Forum:

Worked with



36

Institutional Investors

Worked with



2 to 25

Range of Participants

Worked with



13% to 20%

Market Cap of Company Represented

## COLLECTIVE ENGAGEMENT - REPORT

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

By engaging collectively, investors can:

- Escalate concerns
- Safeguard long term value
- Promote well-functioning markets

We are always available to discuss developments with any UK company should Members have concerns – be they operational issues, governance shortcomings, strategic missteps or an issue that has the potential to negatively impact reputation. Where the company itself identifies the need to address a material issue we are also available to facilitate dialogue.

We completed 5 **collective engagements in 2022**:

- Investors were unhappy with the offer for **AVEVA** by its majority shareholder, and we engaged to highlight the concerns to the Board. Given this was a bid situation, heightened procedures were followed.
- The engagement with **Euromoney Institutional Investor** was a targeted engagement, which was designed to address an emerging concern. The approach employed was a lighter touch than our traditional engagements following an introduction to the Chair by the proposing investor.
- We were asked to evaluate the efficacy of segmental reporting at “new” **GSK** following the demerger of its consumer health business, and to share the findings with the company. The Chair replied with a comprehensive justification of the current approach and provided a robust rebuttal of the request.
- The engagement with **THG**, which was opened in 2021, resulted in a one on one meeting with the SID in February. The objective was to reinforce investor priorities with regard to the urgent need to appoint an independent chair and to highlight key characteristics that were important to shareholders in making the appointment. The engagement contributed towards its narrowly defined objective but did not focus on the broader concerns/symptoms of weak governance.
- Following media speculation on a **Unilever** bid for GSK Consumer Healthcare, we worked with Members and the Company to reinforce investor concerns and to facilitate an enhanced dialogue in order to ensure a shared understanding of future priorities. As part of the collective engagement, we surveyed Member concerns, wrote two letters to the company (supported by 25 Members), and facilitated a Member-only investor meeting (attended by 32 Member firms) with the CEO and Chair.

Case Study	Material Issue	Engagement Focus	Outcome
<b>AVEVA</b>	Transaction Outcome	Board Oversight	Enhanced bid price
<b>Euromoney</b>	Strategic Direction	Reinforced investor views on acquisitions	The company accepted a private equity bid later in the year
<b>GSK</b>	Disclosure	Request for enhanced transparency	Board awareness of investor views but no change in disclosure
<b>THG</b>	Corporate Governance	Appointment of independent chair	Reinforced investor views
<b>Unilever</b>	Board Oversight	Ensure a shared understanding of future priorities	A meeting with the Chair and CEO provided a platform to create a shared understanding of priorities

# COLLECTIVE ENGAGEMENT - REPORT

Engagements since inception (Size of name indicates number of participants):



## Case Studies

On the pages that follow we provide case studies of the engagements which were closed during 2022. We have again sought to balance the, sometimes competing, needs for discretion and transparency.

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

The disclosures that follow add to our record of transparent reporting since we began to engage in 2015. A full list of companies that we have facilitated a collective engagement with since inception can be found above. This public track record of collective engagement is unique, and provides tangible evidence of the stewardship capabilities of our members. The track record helps to demonstrate the value of collective engagement as a tool for investors to escalate concerns with Boards and, where necessary, to catalyse change.



## COLLECTIVE ENGAGEMENT - PROCESS



### Member Proposal

- What is the level of Member interest?
- Is a constructive solution possible?

Members escalate their engagement candidates to the Forum. 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.



### Initiation

- Consult with Members
- Develop a strategy
- Draft a letter to company
- Target constructive, tangible outcomes

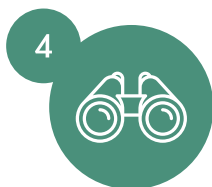
The Forum will invite all Members to opt in to an engagement. An engagement strategy will be developed with clear objectives and targeted outcomes, based on perspectives from portfolio managers, credit analysts and ESG teams at Member firms.



### Engagement

- Share Members' views with company
- Two-way dialogue

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.



### Monitoring

- Follow due process
- Monitor developments
- Regular contact with participants and the company

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.



### Conclusion

- Evaluate outcomes
- Identify Lessons Learned

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.

<b>Company:</b> UNILEVER 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: Jan 22 – May 22		Index: FTSE100		Number in Engagement: 25		Combined Shareholding: 20%		

## Basis of Selection

### Why did the Forum engage?

- In January 2022 there was a newspaper report that Unilever had made an approach to GSK about acquiring their Consumer Healthcare division. The leak and the resulting confirmation from Unilever surprised investors. Questions were raised about the strategy to re-orientate the Unilever brand portfolio toward higher growth categories, and the disappointing performance of Unilever shares relative to their FMCG peers. There was also a media debate regarding the company's purpose-led approach.

## Objectives

### What did the Forum engage on?

- Following a number of announcements, media commentary, and the rumoured arrival of an activist investor onto the share register, our objective was to provide a clear picture of the perspectives of long-term shareholders on the challenges facing Unilever, in particular with regard to Board effectiveness, in order to ensure an alignment between company and shareholder priorities.

## Engagement Methods

### How did the Forum engage?

- We conducted a series of calls with Members to gather views and identify concerns. Following these meetings a critical mass of 25 Members supported a letter to the Chair. At the same time, Unilever approached the Investor Forum to seek input on investor views.
- Unilever quickly responded to our letter, invited us to meet with the CEO and agreed to participate in an Investor Forum-hosted webinar with the CEO and Chair to address the identified concerns. The event was restricted to Investor Forum Members and thirty-two Member firms were represented.
- Whilst the webinar provided a degree of comfort regarding the operational performance and confirmed the company's intentions with regard to capital allocation, the majority of participants wanted to reinforce continued concerns about the effectiveness of the Board. Based on this feedback, we wrote a second letter to the Unilever Chair.

## Outcomes

### What did the engagement achieve?

- The Chair formally responded to the second letter, confirming that the feedback had been very helpful, giving the Board another reference point to use alongside the direct feedback received from shareholders and noting that the engagement, letters and webinar had been "a very valuable experience".
- Investors were able to clearly articulate their concerns and reinforce the key priorities through this engagement. Investor confidence that Unilever had heard and would acknowledge the concerns was increased, and a platform for further investor escalation, if required, was established.
- Later in the year, the Board added two new Non-Executive Directors, including a representative from the activist investor and announced that the long-serving CEO would retire in 2023.

## Lessons Learned

### What has wider applicability?

- When large-scale corporate M&A transactions are considered, companies can surprise shareholders and potentially reveal fundamental differences in opinion over key priorities. This engagement allowed investors to clearly articulate their concerns and reinforce their key priorities. Unilever were proactive in engaging with the Investor Forum in the interest of understanding the need for further action and clarification.
- This engagement provides a good example of how investors and companies can work together to create a shared understanding of priorities and to rebuild confidence in the stewardship of the company.
- The Investor Forum provides a safe space for a constructive but frank exchange of views between shareholders and Boards in order to clear the air and build agreement on future priorities.

<b>Company:</b> AVEVA 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: Oct 22 – Nov 22		Index: FTSE All Share		Number in Engagement: 8		Combined Shareholding: N/A		

**Basis of Selection**

**Why did the Forum engage?**

- In September 2022 the AVEVA board recommended a takeover by Schneider Electric, which already owned 59% of the issued share capital. The takeover was structured as a Scheme of Arrangement and hence needed 75% support from the independent shareholders.
- A number of shareholders made public statements about their dissatisfaction with the bid, particularly given that the AVEVA business was in a period of transition, and their desire to remain long-term investors in the company.

- that the Board would act in the best interests of all shareholders during the period of corporate activity.
- We emphasised that these shareholders believed that the investment thesis for AVEVA remained attractive, that it was a unique asset with attractive long-term growth prospects and a strong management team. We asked that the Chair share the letter with his Board colleagues.
- The IF had a meeting with the AVEVA Chair, Company Secretary and Investor Relations as well as a chaperone from their advisers given it was a live takeover situation.

**Objectives**

**What did the Forum engage on?**

- The Investor Forum initiated an engagement with the company to ensure that the Board had a clear understanding of the continued strength of investor concerns and to encourage the Board to consider steps to address the issues raised ahead of the publication of offer Documents.
- The objectives were to highlight the level of concern about the proposed bid, and to provide formal evidence to the AVEVA board to empower its negotiating position.

**Outcomes**

**What did the engagement achieve?**

- The offer documents were published unchanged and a number of shareholders reiterated concerns, in some cases publicly.
- On 11<sup>th</sup> November 2022, Schneider Electric announced a 4% increase in the offer price. The Scheme of Arrangement was subsequently approved on 25<sup>th</sup> November, although 13.5% of shareholders voted against the special resolution and 16.5% against the Scheme at the Court Meeting.
- A number of shareholders would have preferred AVEVA to remain an independently listed UK company and some felt that the final takeover price still failed to reflect the potential value that patient AVEVA shareholders could have eventually realised.

**Engagement Methods**

**How did the Forum engage?**

- All participants that opted into the engagement agreed to our standard engagement policies and “No-Concert Party and No-Group Undertaking”. Given the sensitivity of the takeover situation, heightened procedures were also followed:
  - We did not collect data on Members’ shareholdings to avoid possibly creating price sensitive information about the level of opposition to the bid.
  - We reviewed our engagement approach with a partner at one of our Legal Panel law firms before drafting a letter to the AVEVA Board.
- In early October, before the final offer documents were circulated, we wrote to the Chair on behalf of six institutional shareholders to seek assurance

*Continued >>>*

## Lessons Learned

### What has wider applicability?

- Whereas in the past a recommended takeover was seen as a “done deal”, increasingly it seems that target Boards are prepared to recommend a bid and pass the decision onto their shareholders.
- In these instances, if shareholders do not agree with the Board recommendation, they should engage actively to make their views known and, if necessary, use their voting powers if they are not satisfied with the recommendation. Codes and regulations are such that effective engagements in the form of bilateral conversations, public statements and collective engagement are all permitted.
- We would expect that interest in collective engagements, like AVEVA, will become more common as shareholders take a more proactive approach during takeovers. Our approach of quiet diplomacy informed by our Collective Engagement Framework represents a safe and effective escalation mechanism in such cases which complements direct engagement and public statements by individual shareholders.
- We believe this engagement is an example of impactful, discreet engagement which demonstrates that investors can work together in a bid situation, using the IF model to effectively escalate their concerns.

## Facilitating Dialogue Case Study: Sainsburys - Shareholder resolution on living wage accreditation

In July, **J Sainsbury plc** faced a shareholder resolution directing the Company to accredit as a Living Wage Employer by July 2023. The resolution was tabled by ten investors, coordinated by ShareAction’s Good Work Coalition.

The Board did not support the resolution, stating that the Company should make independent decisions regarding pay and benefits, rather than having them determined by a separate external body.

We invited the company to talk to investors in a neutral venue, to present their views and take questions to help inform investor voting decisions. The agenda covered current staff pay strategy, and the business implications of becoming a living wage employer, including the impact on third party contractors and subcontracted workers. There was much discussion on how a board should balance the needs of all its stakeholders, and its competitive position within the industry.

This was the first resolution on this topic in the UK, and investors themselves came under scrutiny on their position. Some pre-declared their support, and others reflected publicly on the nuances which had led them to support the company on this occasion.

The resolution received 16.7% support, but the debate on investors’ role in addressing inequality and the cost of living crisis continues.

Given ongoing concerns over the cost of living, the Investor Forum launched a new S-360 Project on the cost of Living in the fourth quarter, and held a Four O’clock Forum for Members to provide further insight into the work of the Living Wage Foundation.

## CASE STUDIES

<b>Company:</b>	EUROMONEY INSTITUTIONAL INVESTORS PLC
<b>Timeframe:</b>	March 22 – April 22
<b>Number in Engagement:</b>	2
<b>Index:</b>	FTSE 250
<b>Combined Shareholding:</b>	18%

This was a lighter touch, targeted, proactive engagement, with an abbreviated format.

We were approached by a large shareholder who wanted to emphasise to the Board their belief that it was appropriate to stick to the current strategy, and to be patient, rather than to consider more radical alternatives in order to recover value.

We spoke with 5 investors, and views were mixed regarding the merits of a formal letter to the company. There was, however, consensus around the desire to see the company continue to execute on the stated strategy and common concern about the effectiveness of communications with the market.

The proposing investor remained of the view that they would like the Investor Forum to reinforce their

concerns. To escalate the issue with the company, they introduced the Investor Forum to the Chair, and a meeting was organised.

The Chair welcomed the opportunity to explore the concerns, demonstrated a clear understanding of the issues raised by investors, and found the conversation helpful. The Chair felt the approach was constructive and helped to clarify the importance of the various points that had been raised in discussion with shareholders. He appreciated the need for the company to deliver on its intentions.

No further steps were taken to organise a collective engagement. Ultimately an offer for the company was accepted by shareholders in September 2022.

## CASE STUDIES

<b>Company:</b>	GSK PLC
<b>Timeframe:</b>	September 22 – November 22
<b>Number in Engagement:</b>	13
<b>Index:</b>	FTSE 100
<b>Combined Shareholding:</b>	13%

Following the spin-off of the consumer healthcare division Haleon, GSK changed its segmental reporting, and we were asked to investigate shareholder views on the efficacy of the new disclosure given that it did not include details of the profitability of the Vaccines division.

The GSK vaccines business is often referred to as the crown jewel in the GSK portfolio and, in many investors' eyes, is a distinct investment proposition from the Specialty and General Medicines divisions.

We surveyed GSK shareholders within the Investor Forum Membership to understand investor perspectives. Investors expressed to us the value of greater insight on vaccine profitability. This would enhance their confidence in the underlying performance of the business, and they believed, also likely contribute to a clearer recognition of the Group's value.

We wrote to the Chair to share the feedback, and to encourage GSK to enhance the segmental reporting of the Vaccines division.

GSK provided a detailed response to the issues raised by Investor Forum Members. Following the Haleon spin-off, GSK has simplified its

organisational structure to form an integrated biopharma business and felt it was therefore inconsistent, given the 'one GSK' organisational structure to unbundle the vaccines business in external reporting.

The engagement met the narrow objective of sharing the breadth of concerns on reporting and transparency but did not result in any change to the GSK approach. Whilst participants were disappointed that GSK chose not to enhance the disclosure, they appreciated the detailed rationale that was provided. The response from the Board gave some participants comfort, gave others further material on which to continue direct engagement and was seen as unsatisfactory by others.

Whilst the company has made a strong case for aligning reporting with the operational simplification of new GSK, concerns will remain until delivery and execution improve significantly. The critical determinant of a rerating of GSK shares will be whether the recent period of significant restructuring delivers a more attractive R&D pipeline, which in turn delivers higher growth and better returns for shareholders.

## CASE STUDIES

<b>Company:</b>	THG PLC
<b>Timeframe:</b>	November 21 – March 22
<b>Number in Engagement:</b>	5
<b>Index:</b>	N/A
<b>Combined Shareholding:</b>	20%

The company faced difficult media headlines and questions were being raised about its overall governance since IPO. Given that the company had indicated an intention to apply for a premium listing, investors felt there would be merit in sending a collective message to encourage further action.

Specifically, the objective of this engagement was to encourage the appointment of an independent Chair in order to enhance Board effectiveness. There was also a call for greater disclosure, and for the company to get on the front foot and control the narrative around the business model and its activity.

The Forum spoke with the IR team, and wrote to the Senior Independent Director. A meeting was held with the SID to discuss progress on Chair succession and to share investor expectations. The company appointed an independent Non-Executive Chair in March 2022. Feedback on the appointment and selection process was

positive, and those investors in the engagement were offered the opportunity to meet the new Chair in one-on-one meetings. We noted that the comments made regarding the Chair's mandate appeared to be consistent with the feedback we shared in the letter to the company in December 2021 setting out investor expectations.

The appointment of a Chair in whom investors had confidence was an important first step, and was the principle objective of the investors who participated in the engagement. The engagement focus was intentionally narrow and THG plc has much work to do to rebuild its reputation with the market although we note that the Board composition has evolved significantly. While the shareholder register has changed considerably during the year, we have continued to monitor developments at the company. In particular, we are tracking progress towards THG's stated objective of achieving a Premium listing, the timing of which remains subject to the outcome of the ongoing FCA review for reform of the listing regime.

### What companies can expect from the Investor Forum:

- No shareholder support, no engagement: shareholders escalate their concerns to the Forum and we only proceed with a critical mass of support
- Focused on value creation not box ticking: tests apply before proceeding – engagement is grounded in economic rationale, a long-term focus and constructive solutions
- Comprehensive engagement strategy and mandate: we will have spoken with the portfolio managers, sector analysts and governance professionals to understand their views
- Agreed way forward: the views we convey are agreed by all engagement participants
- Ongoing interaction: up-to-date views from participants. Participants are aware if the company is unwilling to engage positively with the Forum
- No intention to supersede direct engagement: we encourage participants to continue their individual interactions with the company
- Confidentiality: all dialogue is confidential although public escalation strategies may be considered when necessary

## FACILITATE DIALOGUE: COMPANY MEETINGS

The Forum has a history of facilitating meetings between leading investors and senior Board members and executives at companies to discuss issues of specific concern to Members. We create a safe place for serious, constructive conversations to address material issues.

Member meetings with, primarily, non-executive directors are valuable for investors and efficient for companies.

- These meetings increase confidence that the Board is fully aware of the focus of investors and the nature of any concerns and help investors gain clarity on Board priorities.
- A bespoke agenda, curated and facilitated by the Investor Forum, creates the opportunity for a focused and positive discussion, even if challenging issues need to be discussed.
- It is a time and resource efficient way for non executives to reach a wide cross section of the shareholder base which complements existing roadshow initiatives by offering an opportunity

for investors to reflect on the issues of key importance to them.

- In 2022 we have found these meetings to be particularly helpful in advance of Annual General Meetings to help clarify any outstanding issues which in turn equips investors as they seek to make informed voting decisions.

Over the last 5 years Investor Forum facilitated company meetings, primarily in a virtual context, have become an increasingly valuable forum for companies and shareholders to discuss complex issues with a view to creating practical solutions to address material issues, as shown in the activity chart on page 16. This capability is increasingly valuable for stewardship teams and given that a number of Chairs have indicated a desire to see an increased focus on strategic issues in their dialogue with shareholders, we plan to expand this capability in 2023.

To ensure clear objectives, rather than simply add another meeting to congested diaries, we have focused on four distinct areas:

### ENGAGEMENT-SPECIFIC

#### Active escalation to address engagement objectives

Objective:

- Gain information and insight in response to a concern event or emerging issue.
- Review progress as part of, or at the conclusion of, a collective engagement.

### VOTE-SPECIFIC

#### Inform and hold to account

Objective:

- Pre AGM – Seek evidence and clarity to inform voting decisions (e.g. on contentious proposals or shareholder resolutions).
- Post AGM – Seek to better understand and resolve outstanding concern.

### ISSUE-SPECIFIC

#### Ad hoc meetings to facilitate dialogue

Objective:

- Address company-specific issues or broader concerns (e.g. discuss findings of an independent review; scrutinise climate commitments).

### THEMATIC

#### Educational focus, to inform Members or consider market-wide issues

Objective:

- Explore best-practice and learn from corporates.
- These may be as part of a S-360 project, or as a Four O'clock Forum on key themes.



## FACILITATE DIALOGUE: COMPANY MEETINGS

During the year we organised a number of investor meetings with companies separate from formal Collective Engagements, each with a bespoke agenda. Given our priority to encourage companies to implement effective climate commitments, we facilitated a number of meetings to discuss progress on implementing agreed climate transition action plans.

- **Standard Chartered plc** asked us to gather feedback from shareholders on its climate policies and commitments, to help inform its engagement with shareholders and stakeholders ahead of the 2022 AGM. We shared aggregated feedback with participants and the Board in advance of its February Board meeting. We then hosted a meeting with shareholders for the Group Chair, and a number of Executives in advance of the company's AGM to discuss the net zero pathway, and the company's response to the shareholder resolution that had been filed by MarketForces.
- In April, the Head of Public Policy and Corporate Responsibility and Head of Sustainability from **Barclays plc** joined Members to discuss the bank's key climate commitments, to help inform shareholder votes ahead of its AGM.
- We gathered feedback for **NatWest Group plc** in the framing of its climate resolution ahead of the AGM and, later in the year, hosted a meeting with the company's Head of Climate Change and Climate and Purpose Lead to talk about progress towards their climate commitments and next steps.
- **BHP Group Ltd** (now solely listed in Australia) approached us with a request to arrange a group investor meeting to discuss the climate-related shareholder resolutions that had been tabled at its AGM. The Climate & Sustainability Officer, Global Accounting Policy and ESG Officer joined the call.

In addition to the focus on climate, we also organised meetings to provide investors with an opportunity to hear directly from the Chair on contentious issues or matters of general strategic concern:

- An investor meeting was held with the Chair and CEO of **J Sainsbury plc** to discuss the shareholder resolution regarding adoption of the Living Wage (see case study on page 26).
- The new Chair of **Rio Tinto plc** joined Members as part of his initial round of meetings with investors to set out his thoughts and respond to questions on strategic priorities, Board oversight and corporate governance, company culture, and the Climate Action Plan.
- We hosted a meeting with the Chair of **HSBC Group plc** to gain insight into the challenges raised by Ping An and the effectiveness of their response, following feedback which we had shared with the company.



## FACILITATE DIALOGUE: EVENTS

In addition to company meetings we organised a number of bespoke events in 2022, such as our Four O'clock Forum series and Member roundtables.

The activity chart on page 16 shows the mix of events that the Forum organised during the year.

### Four O'clock Forums

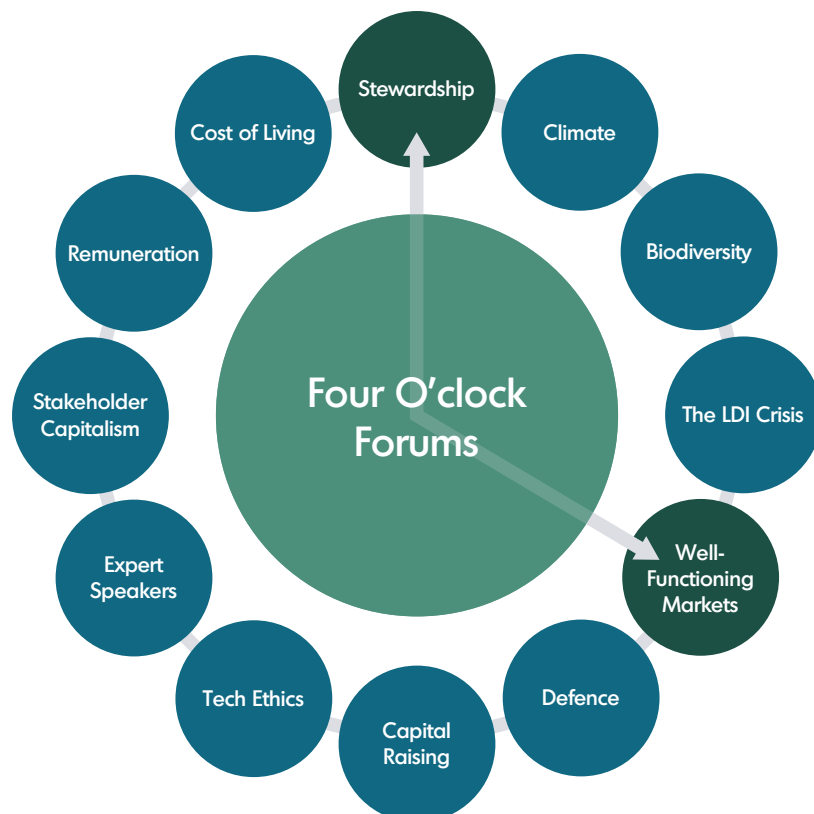
Our Four O'clock Forum series of virtual events for Members provides opportunities to engage with expert speakers on important ESG issues, to expand knowledge and to build expertise which can in turn inform stewardship activity. A newly launched 'Knowledge Hub' on the Members-only section of our website hosts recordings of the key events, along with summary notes and slides. This represents a rich on-demand resource for Members.

In 2022, we held 16 Four O'clock Forums, with 302 attendees from 50 Member firms.

There was continued interest in climate-related issues, with nature and biodiversity also rising on investor agendas.

Highlights of the year included:

- **'E': Climate Policy and Reporting** – with a variety of groups including Autonomous, the Cambridge Institute of Sustainable Leadership, Carbon Responsible, and CDP.
- **'E': TNFD Framework Risk Assessment Process** – with EY
- **'S': Defence** – with Moody's ESG Solutions
- **'S': Digital Economy** – with Creating Future Us
- **'G': Remuneration** - with PwC, and the Living Wage Foundation
- **'G': Markets, Audit and Corporate Governance Reform** - with Mark Austin, author of the UK Secondary Capital Raising Review
- **'G': Proxy Season Review** - with Georgeson
- **'G': Implications of the LDI Crisis** - with Ondra Partners



## FACILITATE DIALOGUE: EVENTS

### Roundtable discussions

Whilst our prime focus is on practical solutions, we also provide opportunities through the year for Members to step back and consider the wider context in which stewardship activity occurs. Our roundtable series allows Members to get together with their peers and discuss more conceptual issues with experts, and explore issues raised in academic papers.

Highlights of the year included:

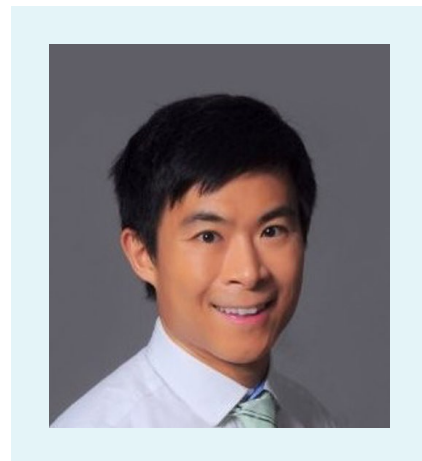
- “The end of ESG” with Professor Alex Edmans
- “Why engagement matters” with Professor Bob Eccles
- “The Rule of Law and investor approaches to ESG” with the Bingham Centre and Paul Lee

In addition, we held a discussion with 10 Members on the role of activists in the UK to gain insights and to identify potential further steps to enhance engagement with companies when an activist is involved, or indeed before an activist becomes involved. We discussed alignment of interests, catalysts for change in long-term underperforming companies and regulatory concerns. This discussion informed our approach when engaging with Unilever later in the year (see case study on page 24).

“Active engagement, driven by a long-term mindset, is key to ensuring that businesses create both financial and social value, and shareholders deliver returns to their clients. Collective engagement can be a particularly effective form. For investors, it combines a diversity of perspectives and gives critical mass; for companies, it allows them to communicate with several key shareholders together. The Investor Forum has played a major role in helping shareholders engage collaboratively to create shared value and I’m delighted to have joined its Board.

While engagement is a highly practical topic, it can also be guided by academic research. Rigorous studies have investigated the financial and social consequences of engagement, the engagement themes that create and subtract value, and the pros and cons of different approaches. But many flimsy papers abound, and it’s important to discern which research you can trust. And academic research can’t be applied in a vacuum; even the best papers only show what happens on average and may not apply in every setting. I look forward to combining my academic expertise with the practitioner experience of my new colleagues to further advance the Forum’s stewardship activities.

Alex Edmans  
Director, 2022



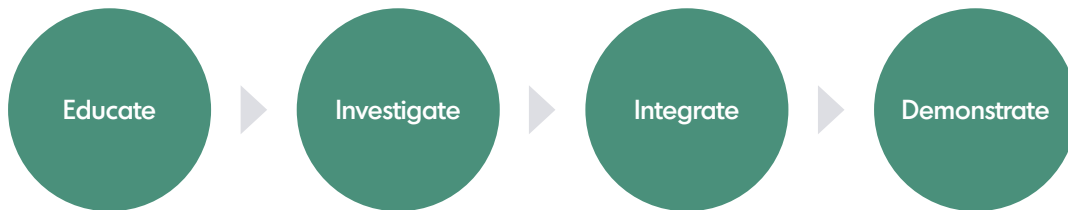
## STEWARDSHIP 360 (S-360) PROJECTS

The Stewardship 360 (S-360) programme brings investors together to consider 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. Projects also focus on promoting well-functioning markets, and wider stakeholder issues.

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, and wherever possible includes a company focus.

The approach to S-360 projects is best described as:



This structure provides flexibility to address issues in differing degrees of depth, depending on the outcome being sought, while maintaining focus in terms of both the time and resources spent, and the clarity of objective.

In 2022 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.

### Project Update: S-360 - Plastic pellets

PAS 510 was published in July 2021, and the co-sponsoring investor group continues to engage to raise awareness and encourage uptake. The Investor Forum participated in a webinar with the British Retail Consortium’s members to explain to retailers how the use of auditable standards can help evidence good environment risk management, and ways that sustainable procurement practices can cascade compliance through supply chains and make an impact on behaviour.

## S-360: STAKEHOLDER CAPITALISM



January 2022

**What does stakeholder capitalism mean for investors?**



THE INVESTOR FORUM



London Business School



Centre for Corporate Governance

In January 2022, following a year-long collaboration with the London Business School's Centre for Corporate Governance, we published the report "What does stakeholder capitalism mean for investors?".

Bringing together the capabilities of the Investor Forum and London Business School's Centre for Corporate Governance, we sought to combine the rigour of the academic mindset with the practical experience of investment professionals. These included both asset managers and asset owners from over 30 global institutions all of whom are Investor Forum Members. Working together, we engaged in detailed discussions on the evidence and the contrasting implications of the shareholder and stakeholder models of capitalism.

The work recognised the unrelenting pressure to incorporate stakeholder perspectives and concerns. It also acknowledged that, in many cases, the investment process can appear to be divorced from the stakeholder context within which business operates today. The challenge was therefore to identify a principled and rigorous way that investors could respond to wider stakeholder concerns, in a manner that is fully consistent with their fiduciary duties to clients.

To address these issues, we proposed a Sustainable Shareholder Value Model, which seeks to build on current best practice and adherence to the spirit of the Stewardship Code, and a Triple test to inform which potential stakeholder initiatives shareholder should evaluate.

Our articulation of the sustainable shareholder value model revealed three additional insights:

- First, investors must do more work to incorporate stakeholder perspectives into their investment process.
- Second, there needs to be a step change in securing far greater specificity of client mandates beyond narrow contractual commitments to create a shared understanding of how these stakeholder issues will indeed be considered.
- Third, in an environment where stakeholder issues are readily politicised, investors need a robust way to ensure that they are prioritising stakeholder matters in a way consistent with their proper role, aligned with client mandates and fiduciary duty.

Only on this foundation will investors have a clearly legitimate basis for determining how they will reconcile responsiveness to stakeholder issues with adherence to fiduciary duty.

Identifying which stakeholder issues to act on is challenging for investors who are on the receiving end of multiple demands relating to a wide variety of issues. To decide which stakeholder issues to prioritise, we proposed a triple test that investors should commit to, against which potential initiatives can be evaluated. The Triple test incorporates three principles:

### MATERIALITY

In order for investors to have a mandate for action on a stakeholder issue, the stakeholder should be material, recognising the complex nature of materiality



### EFFICACY

There should be a realistic prospect of investor action bringing about the desired change in the real world, such that the stakeholder benefit exceeds the cost incurred



### COMPARATIVE ADVANTAGE

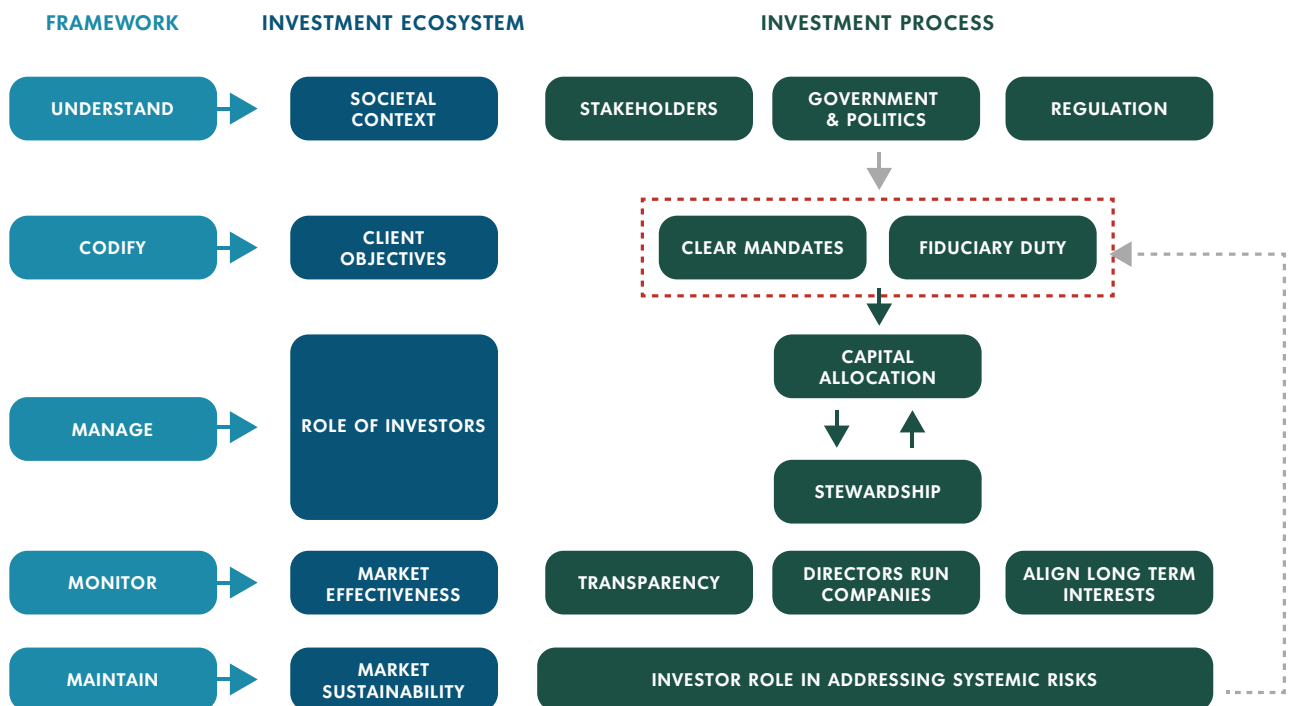
Investors should act where they are well-placed to address the issue, either individually or collectively, and when compared with other actors, for example government or stakeholders themselves

# S-360: STAKEHOLDER CAPITALISM

In 2022, we applied the Sustainable Shareholder Value Model (Figure 1) to inform an S-360 project on Defence sector (see page 37). We used the Sustainable Shareholder Value Model to frame the issues which might

determine investability in the Defence Sector at a time of turbulent geopolitics and evolving Governmental and societal attitudes towards the need for Defence.

**Figure 1: Sustainable Shareholder Value Model**



## S-360: THE CHANGING NATURE OF THE DEFENCE INDUSTRY

Geopolitical instability in 2022, and principally the Ukraine conflict, has focused debate on the Defence industry's 'license to operate', and the role of ESG considerations in investors' decisions relating to investment in the sector. These complex issues provide a practical illustration of the concept of 'dynamic materiality' where a significant shift in stakeholder expectations can have material implications for both capital allocation and stewardship.

Some argue that investment in the defence industry is of key importance to uphold and defend democracy, freedom, stability, and human rights; others take a moral stance that weapons are 'instruments of death' and cause significant harm and human suffering. Investors face challenges in navigating the conflicting views, given the wide range of ethical and philosophical positions and differing beliefs around the role investors play in the system.

We formed a Working Group of Members to:

- Review the impact of investor policies and client mandates;
- Identify the key challenges for ESG investing and stewardship activity; and
- Build a framework to help investors identify a 'values-aligned' investable universe.

The objectives of the Working Group were to provide a venue for Members to reflect on the complex issues surrounding this sector and to create a framework which each member firm can use when evaluating their own approach to investing in the defence sector. It was not our intention to produce a stated Investor Forum policy position.

### Applying the Sustainable Shareholder Value Model

To help identify and address the competing demands that stakeholders increasingly expect investors to prioritise in their stewardship activities, we used the Investor Forum/LBS Sustainable Shareholder Value Model (see page 36) to systematically consider the various perspectives

and pertinent issues. We considered the model's five stages to assess stakeholder considerations as they relate to investing in the Defence Sector, and explored the emerging issues through a series of investor interviews, as well as a roundtable discussion with a senior defence industry expert.

We established that the role of government was not well understood by investors, and convened a meeting with the Export Control Joint Unit to learn more about the export licensing system, the statutory and regulatory framework for export controls, and the Strategic Export Licensing Criteria.

### Identifying a values-aligned investable universe

Many investors have a clear policy around investing in the Defence sector, codifying the scope of what they can and cannot invest in and establishing a 'values-aligned' investable universe for stock selection and portfolio construction. Policies range in scope from a limit within certain products on direct equity investment in companies involved in the production of controversial weapons, to firm-wide restrictions on any types of exposure to issuers that have more than 5% of revenue from military sales.

Given the important need for clarity of mandate, and the desire to invest in a way which is aligned with both firm and client values, we considered the practical considerations involved in establishing a standalone Defence Investment Policy. In collaboration with the Working Group, the Investor Forum produced a report which set out the detailed steps involved in formulating a transparent and comprehensive policy with the goal of identifying a values-aligned investable universe.

As stakeholder expectations continue to evolve, we intend to continue to explore the issues in this project in 2023.

## S-360: WORKING PRACTICES



In the fourth quarter of 2022, we collaborated with Themis to produce a toolkit to assist investors in undertaking due diligence related to modern slavery.

Building on the domain expertise gained through our previous projects on Working Practices and the input of a Member Working Group, the toolkit was designed as a step-by-step guide for investment teams to undertake due diligence on modern slavery issues within listed companies, and evidence this to their stakeholders.

To provide the most current and comprehensive insights, the Toolkit draws on the deep knowledge of NGOs, academics, think tanks and regulators, and includes signposts to valuable resources that investors can use to educate themselves, inform company research, and help fulfil the suggested actions set out in the framework.

The toolkit has four objectives. It aims to help the investor:

1. Understand the global context and systemic risks relevant to listed companies;
2. Evaluate whether an investee company has appropriate processes and commitments in place, with acceptable levels of transparency;
3. Interrogate how statements translate to practice; and
4. Take action to drive improvements.

### Why a modern slavery toolkit?

Investors may be connected to modern slavery and human trafficking through their own operations and supply chain, and share a responsibility with all business for addressing this. However, their most material exposure is likely to be through the companies in which they invest their clients' capital. Because the institutional investment sector is so intertwined with the rest of the economy, investor action can drive better global practice in detection and mitigation, and help those that are most vulnerable. Investor interest, in the form of questions, feedback and proactive engagement, can be a powerful driver of corporate action to address the underlying issues.

The clandestine nature of modern slavery and related practices mean it is not possible to get reliable market data to inform quantitative screening. External rating agencies therefore need to make many assumptions, and are themselves relying on opaque disclosures on complex multi-tiered supply chains. Companies face different transparency requirements depending on their domicile, and must comply with different legislation depending on the markets they sell to, or operate in. All of this means that to gain a comprehensive understanding of the potential exposures and issues within a portfolio, an investor will need to undertake detailed company-specific due diligence.

This toolkit focuses on investor due diligence for invested assets, rather than for their own operations and supply chains. Helpful guidance on operational due diligence for financial institutions can be found in the Themis online Anti-slavery hub<sup>5</sup>.



## 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.

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 2022, we focused on the following issues:

- **Voting turnout at Irish Companies** (page 40) - an investigation into the barriers to exercising shareholder rights at Irish companies following the change in the Central Securities Depository in March 2021
- **Investor engagement in active transactions** – throughout the year we have been working with our Legal Panel and Members and have held discussions with the Takeover Panel and the FCA to seek increased clarity to address investor concerns about permissible engagement in circumstances when either a potential transaction becomes the subject of market speculation, or once a transaction is formally announced.

The Forum continues to contribute to the political and regulatory debate through submissions to regulatory reviews, when appropriate, 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.

During the year we provided input into the Austin UK Secondary Capital Raising Review to ensure a full range of investor views were taken into account in preparing final recommendations as well as perspectives on the proposed changes to the role of the Pre-Emption Group, and the implementation of the recommendations.

We completed and have published the triennial review of the **Collective Engagement Framework** with our Legal Panel. As part of this review we have engaged with the Takeover Panel and the FCA on investor concerns about Acting in Concert, the Market Abuse Regime (MAR) and the Sir Christopher Gent Final Notice. We were particularly pleased that, following an extensive period of engagement on behalf of Members, the FCA provided clarification on the importance of shareholder engagement with company directors in Market Bulletin 42 (published in December 2022) in light of the Gent Ruling.

Regarding the Public Register, we undertook an analysis of the recorded 'controversial votes' given questions over the nature of follow up engagement to address outstanding concerns. The large majority of the recorded votes against represent situations related to remuneration, over-boarding or idiosyncratic issues, where there is a difference of opinion between companies and investors. It is unlikely that many of these differences of opinion could be resolved by an increase in collective engagement.



## S-360: VOTING TURNOUT AT IRISH COMPANIES

Following the 2021 AGM season, shareholders became concerned that the efficacy of the voting process had been negatively impacted by changes in the Irish market. A Working Group of nine institutional investors with a significant collective investment in Irish securities was convened in October 2021 under the auspices of the Investor Forum.

The objective of the Group was to understand the consequences of recent changes to the system of proxy voting for Irish companies, and to explore whether there were actions that could be taken to escalate concerns with the relevant parties to ensure that institutional investors were able to fully exercise their shareholder rights and fulfil their stewardship responsibilities in the 2022 voting season.

### Market participant engagement

In January 2022, the Investor Forum, on behalf of the Group, sent a letter and a 'Call to Action' note to the Irish Market Committee of Euroclear Bank (EB) to ensure that the Committee fully understood the perspectives of institutional investors in Irish equity markets, and asking for action to be taken to address the concerns.

The Irish Market Committee responded constructively to the Group's letter, and welcomed the dialogue. A follow up meeting with the Group was also held to provide further information. A mutual understanding of the issues was established, along with priorities for market clarification and development.

The Group were pleased to note the clarifications that had been requested from EB were provided in the March Newsletter "Ireland - Voting Services – Reminder". The letter reminded clients of EB's voting offering for Ireland, the rules for blocking of positions, beneficial owner details, and how to vote electronically per meeting resolution. Clients were requested to cascade the information in this Newsletter throughout the voting chain to their clients and their underlying clients.

### Shareblocking intervention

Following a live case investigation in January 2022, the Irish Voting Working Group, with the help of Euroclear Bank and with the support of the chair of the Irish Market Committee, was able to pinpoint the source of the blocking flag and

challenge the application of the rule applied by a third-party voting service provider. Errors were also occurring in the data being passed through the chain of notification. Further scrutiny and engagement was required at the start of the 2022 season to ensure the application of the rule was accurately and consistently applied. As a result of this intervention, all parties are hopeful that this will result in a material decrease in shareblocking in future.

### Other issues

- Shareblocking will remain an issue where meetings are held on a Tuesday, unless Irish legislation is changed to remove non-working days from the calculation of the record date. There is market-wide advocacy for this change to be made as a priority in the Miscellaneous Provisions Bill, and the Working Group support this.
- Investors can minimise the time that blocking occurs by instructing their votes close to the deadline, and removing the blocking flag immediately after the record date. This will require a better flow of information on process and timing throughout the voting chain.
- Unlike in the UK, the process to allow an institutional investor's representative to attend an AGM and speak in person is not through a 'Letter of Representation', but by issuing an instruction. Awareness of this option, and the implications of using it, were not widely understood amongst investors and their service providers.



## S-360: VOTING TURNOUT AT IRISH COMPANIES

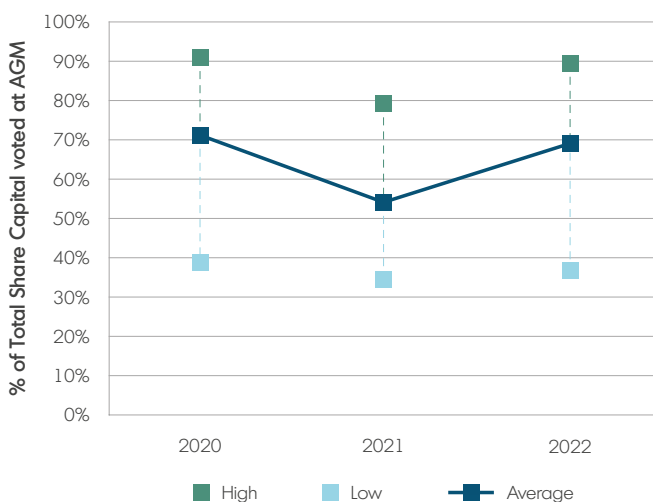
- SRD II imposed an obligation on intermediaries to transmit information “without delay” between companies and shareholders. In order to give effect to the spirit of this legislation, there needs to be a move from multiple batch processing to real time information flow.
- Investors would like to be able to receive confirmation that their vote has been cast, and companies would like to be able to identify which of their shareholders have voted. For this to happen, information on beneficial owner details needs to be conveyed with the voting instruction. Provision of confirmation of votes cast requires an evolution of market infrastructure to ensure all participants can comply with the requirements.

### Project outcome

One tangible consequence of the project has been the identification of the source of the unnecessary blocking flags. A solution was implemented from mid-May 2022 and voting turnouts in the remainder of the 2022 Irish AGM season returned to historic levels.

Beyond this important near-term outcome, the clarifications made, and the commitments to future process enhancements, will be beneficial to the whole market.

Figure 1 below charts the quorum for the ISEQ 20 (the index composed of the 20 largest companies that trade on Euronext Dublin). It shows the range of quorum, and the average. In 2021, the year that the CSD changed, there is a notable reduction in the average turnout, which then recovers to near-2020 levels in 2022 after the interventions described above.



Source: Data compiled by Georgeson. Adjustments have been made for incomplete 2020 data. Note the lowest turnout in 2021 and 2022 excludes Ryanair, which was impacted by company-specific changes.

## S-360: COLLECTIVE ENGAGEMENT FRAMEWORK REVIEW

During 2022 we completed a comprehensive review of the Collective Engagement Framework. The Framework was first published in October 2016, and previously reviewed in 2019. While the Framework is typically formally reviewed every three years, the Forum's procedures for evaluating and managing engagements and other activities are regularly reviewed in light of practical experience as well as any changes to law and regulation, if applicable. The foundation provided for the Investor Forum's activities by the Collective Engagement Framework has proven invaluable, in particular as collaborative engagement faces increasing scrutiny. It represents a critical part of UK public market infrastructure that has been built and maintained with pro bono support from legal experts.

### Collective Engagement Framework Review

The 2022 review conducted by our Legal Panel confirmed that the Framework remains 'fit for purpose'. The update takes into account developments in competition law, regulation and practice in the UK, U.S. and EU.

We undertook an in-depth analysis of UK Market Abuse Regulations, particularly relating to investor engagement around active corporate transactions, and relevant aspects of the Takeover Code. We are re-assured that only minimal revisions to the Framework were needed.

Updated regulatory guidance from the U.S. Federal Reserve relating to the U.S. Bank Holding Company Act of 1956 has been incorporated

as has a discussion of potential changes to SEC group filing requirements under Section 13 of the U.S. Securities Exchange Act of 1934. Both developments should enhance the confidence of investors to undertake collective engagement.

In the 2022 review we have paid particular attention to evolving practice in dialogue between companies and their shareholders on ESG matters. We have also considered the implications for the Investor Forum's approach to facilitating effective dialogue on a wider range of issues whilst maintaining a disciplined and professional environment at all times and for all participants.

The complete Framework is available to Members and a summary is available in the public area of our website.

### Conclusions and next steps

During 2023 we will host a series of master classes with our Legal Panel to provide Members with an opportunity to consider key issues with experts. Our aim is to promote best-practice, to ensure that all relevant legal and compliance considerations are front of mind for engagement participants, and to provide opportunities to debate these important issues with senior practitioners from leading law firms.

In addition to education and outreach, we will also continue our S-360 project on Active Transactions with a view to providing increased clarity and confidence regarding collective engagement in bid situations.

### Case Study: Active Transactions Working Group

We began work on engagement in active transactions in late 2021 in response to the large number of take-private situations that Members had encountered. Following a roundtable discussion with the Takeover Panel we worked extensively with members of our Legal Panel in 2022 and engaged further with the Takeover Panel and the FCA during the year.

We will continue to work on issues, particularly as they relate to MAR, in 2023 to clarify, encourage and enhance collaborative engagement best-practice as it relates to transactions.

# GOVERNANCE AND OPERATIONAL REVIEW

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- *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 Board is intended to be representative of the membership of the Forum. Ordinarily, the majority of the directors are expected to be Member representatives. The Forum wishes to promote a Board which has:

- a broad range of industry perspectives
- an appropriate balance of views, skills, knowledge and experience and tenure; and
- diversity of gender and ethnicity.

During 2022, 2 new Directors were appointed, and 2 Directors stepped down from the Board. The chart opposite highlights the range of skills that directors bring to the Board and profiles for each director can be found on page 46 and 47.

During 2022, the Board met four times to discuss the work of the Forum and to consider its progress in meeting its objectives. The Board reviewed developments in the UK market and the stewardship landscape, and considered the implications of these changes on the work of the Investor Forum and its Members.

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 formally met once during 2022.

- The Operating 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 2022.

From 1<sup>st</sup> October 2021, the Chair role has been remunerated; no other 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 five leading international law firms.

## Figure 2: Board composition

The table below provides a breakdown of Board composition, including experience (industry background), competency (key skills and knowledge) and attributes (gender and ethnic diversity).



# GOVERNANCE REVIEW

## Partnerships



**ICGN**  
International Corporate Governance Network  
*Inspiring good governance & stewardship*

The Investor Forum remains a Supporter of the Impact Investing Principles for pension funds. As such, we agree to promote and amplify the importance of the principles to our Members. We have continued to keep Pensions for Purpose abreast of our work on the implementation of the plastic pellet supply chain standard – PAS 510:2021.

The Investor Forum supports a range of activities promoted by ICGN and is a member of the Global Network of Investor Associations (GNIA). Andy Griffiths took part in the ICGN 2022 Proxy Season Review, where he chaired a panel on current trends and lightning rod issues for 2023, particularly considering increased pressure on institutional investors around issues of how they engage with companies on ESG.



*As a founder member, UBS supports the Forum's purpose of putting stewardship at the heart of investment decision making. Responsible and constructive engagement has an important role in driving positive change and I welcome the opportunity to support the Investor Forum in helping to facilitate that, collectively, for firms, big and small.*

*It has been my great privilege to work alongside both the highly experienced executive team of the IF and my fellow directors, whose deep industry knowledge is so critical for supporting strategic development of the Forum.*

**Ruth Beechey**  
Director, 2022



## THE BOARD

### Michael McLintock<sup>1</sup> – Chair | May 2021\*

Michael is Chair of Associated British Foods plc. Michael retired from M&G in 2016 having joined the company in 1992 and been appointed Chief Executive in 1997. In 1999 he oversaw the sale of M&G to Prudential plc where he served as an Executive Director from 2000 until 2016. He is also Chair of Grosvenor Group Limited, a Trustee of the Grosvenor Estate, and a member of the Takeover Appeal Board. He was a Director of Close Brothers Group from 2001-2008 and a member of the Finance Committee of MCC from 2005-2018.

### 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 the leading equity investors in Europe. Andy was also an Operating Partner with Corsair Capital until 2018.

### Amra Balic | Dec 2020

Amra leads BlackRock’s investment stewardship efforts in EMEA on behalf of clients globally, and is a member of BlackRock’s Global Operating Committee and EMEA Executive Investments Committee. Amra joined BlackRock in 2011 after 11 years with S&P Global, where she was a Director in European Corporate Credit Ratings. Amra is also a Director of Eumedion, a Dutch investor association, a Trustee of the ECGRF, and is on the IA Corporate Governance and Engagement Committee. Previously Amra was a member of the European Commission Expert Group and the PLSA (UK) Stewardship Advisory Group.

### Edward Bonham Carter<sup>2</sup> | Dec 2014

Edward was previously Vice Chairman, CEO, Chief Investment Officer and UK fund manager at Jupiter Fund Management plc, before becoming Director of Stewardship & Corporate Responsibility in May 2021 when he stepped down from the Jupiter Board. Previously he worked at Schroders and Electra Investment Trust. He is currently Senior Independent Director of Land Securities Group plc and ITV plc, Chairman of Netwealth Investments, a Trustee of the Esmée Fairbairn Foundation and is on the Strategic Advisory Board of Livingbridge.

### Ruth Beechey | Mar 2022

Ruth is Chief of Staff at UBS Global Asset Management UK, where she has worked for 22 years. She is a Director of UBSAM UK’s main portfolio management entity and the UK based Life company. She is also Trustee director of the UBS Pension Fund and sits on the Community Impact Forum for UBS, London. As a qualified lawyer, her previous roles include being Legal Counsel at UBS and Morgan Grenfell. Ruth is also a member of the Investment Association’s Strategy and Risk committee.

### Alex Edmans | May 2022

Alex is Professor of Finance at London Business School who focuses on corporate finance, responsible business and behavioural finance. Alex is a Fellow of the European Corporate Governance Institute and a member of Royal London Asset Management’s Responsible Investment Advisory Committee. He gave the TED talk “What to Trust in a Post-Truth World” and the TEDx talks “The Social Responsibility of Business” and “The Pie-Growing Mindset”. He is the author of “Grow the Pie: How Great Companies Deliver Both Purpose and Profit” and co-author of “Principles of Corporate Finance” with Brealey, Myers, and Allen. Poets & Quants named him Professor of the Year for 2021.



## THE BOARD

### 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 is a co-Chair of the Board of Trustees for 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 National Grid plc, 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 chairman of the Dreadnought Alliance and enfinium Limited.

### Jessica Ground | Jan 2017

Jessica is Global Head of ESG at Capital Group. Prior to 2020, 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.

### Andrew Millington | Dec 2020

Andrew is Global Head of Equity Research and Investment Process at Abrdn. Andrew was previously a UK and European equity portfolio fund manager at ASI, after starting his career at Baillie Gifford. He is a Trustee of Cattanach, a Scottish grant making charity. Andrew is a member of the IA Investment Committee.

### Luba Nikulina | Apr 2019

Luba is Chief Strategy Officer at IFM Investors, a global investment firm focused on private assets, owned by 20 Australian pension funds. Prior to this, she was global Head of Research at Willis Towers Watson, responsible for the global team of more than a hundred investment professionals, and co-Chair of the Investment Consultant Sustainability Working Group.

### Robert Swannell | Dec 2014

Robert is a member of the Takeover Appeal Board. Until September 2021, Robert was Chair of UK Government Investments, which is the centre of excellence for corporate finance and corporate governance for HMG and was also previously Chair of Marks & Spencer plc. Robert spent over 30 years in investment banking with Schroders/Citigroup and was on the board of British Land Company plc and 3i Group plc.

### Chantal Waight<sup>3</sup> | Dec 2020

Chantal has worked as an investment analyst on both the sell and buy side, and was previously Head of Equity Research at M&G Investments. Chantal has more recently held corporate roles as Director of Strategy and Corporate Development at M&G plc and as the Director of Investor Relations at Prudential plc.

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

\*Appointment date

## 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 Executive Director and the Managing Director lead the team. During the year, a new Stewardship Director was hired, and a new graduate joined the team to support all activities.

The team 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.

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.

Of the team of ten, eight are investment professionals, six of whom have over 20 years' industry experience. 50% of the entire team are female.

During the year, the COO stepped back from her responsibilities but remains with the Forum as a senior adviser. The Finance and Operations Manager has taken responsibilities for many of the aspects of the COO role.

The team continues to operate on a hybrid model: with each member of the team typically working in the office for 60% of the time on selected core days and working from home on other days. The new model has been well received, providing plenty of interaction to develop the team's culture whilst affording much valued individual flexibility.

Each member of staff has an individually tailored contract of employment which takes 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).



## INTERNAL RESOURCES AND POLICIES

The highest paid Full Time Equivalent member of staff (which is not the Executive Director) is paid at a rate which is equivalent to 6x the remuneration of the lowest paid member of staff.

Variable compensation across the team represented 1% of gross salaries in FY 2022. The Investor Forum made two discretionary payments to all staff in Spring and Autumn, which equated to 6% of personnel costs in FY 2022, given the cost of living pressures.

### 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 seventh year of audit tenure) is posted at Companies House. 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. We are grateful for the continued support of Members, which means that the financial position has remained stable. For the year ending 30 September 2022, membership revenues (from 54 members) were £1,109k and the company recorded a surplus of £67k for the financial year after taxes.

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 between 3 and 6 months operating costs, to help manage the natural variability of income and expenditure. At year end, the Forum has accumulated reserves equivalent to 4.5 months of operating expenses.

The Investor Forum manages potential conflicts of interest through a series of policies and procedures:

- A Conflict of Interest Policy;
- The Collective Engagement Framework (CEF);
- 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 and the Executive team conducted a programme of Member meetings in the fourth quarter of 2022 to solicit feedback and discuss the Investor Forum's impact and activities.

#### Internal Policies Controls

All internal policies are reviewed and approved by the OOC periodically, to ensure that they are up to date. The Board is responsible for reviewing and approving the Governance Framework and the Conflicts of Interest Policy.

During the year, the Board approved an updated Conflicts of Interest Policy, and the OOC reviewed and approved an updated Stop and Watch List policy for personal investment dealing. The OOC also reviewed the Articles of Association, and recommended to the Board that no changes were required.

## INVESTOR FORUM DEVELOPMENT PROGRAMME

With the heightened focus on diversity in the asset management industry, the Investor Forum reviewed its key contacts at member firms in 2020 and was struck by the very limited number of people in Stewardship teams from ethnic minority backgrounds. As a practical step to begin to address this imbalance, the Investor Forum team committed to use its networks to identify and help equip future leaders.

The Forum launched the 12-week Investor Forum Development Programme in September 2021 to offer individuals at Member firms from ethnic minority backgrounds an opportunity to develop skills, learn from experts and build an industry network. Members proposed individuals from their firms to participate in the programme which aims to support and inspire individuals and increase diversity within the investment management industry.

Participants enhance their skills and perspectives, build networks with their peers and actively engage with the inspiring Expert Speakers. The programme culminates in Four O'clock Forum presentations by the participants.

Following the success of the first cohort in 2021, we ran two cycles of the programme in 2022:

- The second cohort of 10 individuals worked in two teams to research their selected topics: "The Biodiversity Challenge: dependency, opportunity and action in investment management" and "What can investors do to help reduce the risk of modern slavery".
- The third cohort of 9 individuals focused on: "Should investors focus on diversity?" and "Climate adaptation".

Team Members and expert speakers volunteer their time, and the programme is offered at no cost to individuals at Member firms.

We would like to thank the Expert Speakers:

- Rooney Anand - former GreenKing plc CEO; Redcat CEO
- Habib Annous - former Capital International portfolio manager; Hammerson plc NED
- Kimberly Lewis - Head of Active Ownership, Schroders
- Lisha Patel - Managing Director, Investments, Wellcome Trust
- Priti Ruparelia - Head of DC Bundled Client Relationships, LGIM
- Lindsey Stewart - Director of Investment Stewardship Research, Morningstar UK
- Saima Yarrow - Head of LNG MiQ, Envision Board member

We would also like to thank Jyre for providing all participants with access to their digital leadership platform. Jyre's product combines technology, psychology and data to deliver uplifts in development across the key goals that define team and personal effectiveness.



Second Cohort, with IFDP Ambassador Habib Annous



Third Cohort

## COLLECTIVE ENGAGEMENT FRAMEWORK

The Collective Engagement Framework describes the way the Forum manages collective engagements and the Forum's other activities. 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, in particular governing "competitively sensitive" information.

The Forum's internal procedures for conducting Collective Engagements and our other activities 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. **BILATERAL MODEL** – A bilateral model is the usual method of communication between the Executive and Members involved in Engagements.
7. **NO INSIDE OR COMPETITIVELY SENSITIVE INFORMATION** – The Forum is not intended to be a means of facilitating the exchange of inside or competitively 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 either inside or competitively sensitive 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<sup>st</sup> December 2022 there were 54 full Members. All except one Member has consented to the publication of their names and a list is given on page 2. The other member has opted to remain anonymous.

In 2022 we were pleased to welcome 3 new Full Members. 5 firms ceased to be a Members due to corporate restructuring (3) or a change in their stewardship priorities (2).

To become a full Member of the Investor Forum, investors are required:

**To sign our:**

- Membership Application Form
- No-Concert Party and No-Group Undertaking Form

**To abide by:**

- the Members Code of Conduct
- Rules of Membership
- our Articles of Association as a Community Interest Company

**To complete:**

- the Member Contact Sheet (establishing Primary Contacts, consent to use of logo and preferred communication)

**To pay:**

- an annual Membership fee, based on the agreed Tier of Membership

These are set out in our Governance Framework.

**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.

**What Members can expect from the Investor Forum:**

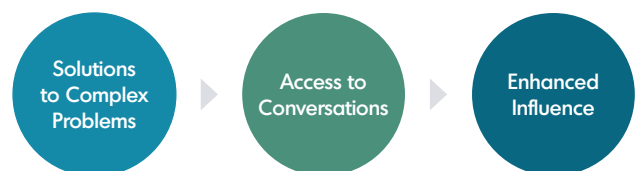
**Our approach is:**

- 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

**Benefits of Membership:**



In 2022, the Legal Panel reviewed and refreshed the Collective Engagement Framework to ensure its continuing relevance in the changing regulatory landscape.

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

## SIMON FRASER STEWARDSHIP AWARD

### Simon Fraser

Founding Chair of The Investor Forum  
1959 - 2021



In 2021, the Investor Forum launched the Simon Fraser Stewardship Awards, in honour of the founding Chair of the Investor Forum, and in recognition of his commitment to stewardship, his generosity of spirit and his ability to both recognise and bring out the best in the people around him.

The Award recognises excellence in the field of investment stewardship and nominations are judged against the following criteria:

- Putting stewardship at the heart of investment decision making.
- Demonstrating sound judgement and the ability to deal with challenging situations effectively and with integrity.
- Taking an initiative, individually or collectively, which demonstrates either personal development or helps others to develop stewardship skills.
- Focusing on practical outcomes which have had an observable impact.

We were delighted to receive so many nominations, which highlighted the wide amount of stewardship activity that is undertaken and the many forms that it can take. The industry needs all these internal champions who investigate issues, collaborate, campaign for increased transparency, refine processes, and drive change - and we are glad to have a chance to celebrate them all in Simon's name.

The inaugural winner of the award was Miranda Beacham, Head of ESG at Aegon Asset Management. The judges felt she had made a significant contribution to the industry, serving on an Investment Association committee and becoming co-chair of the Corporate Governance Forum. With the Forum, she has initiated engagements, joined S-360 working groups, actively participated in many of our events, and challenged her peers to take on difficult situations.

We 'highly commended' Joanna Sulc, Stewardship Manager at abrdn. Joanna demonstrated the importance of tenacity, of doing the right thing to make sure votes count, and was instrumental in driving the Forum's working group looking at the issues with voting at Irish listed companies (see page 40).

The winner of the 2023 Award will be announced at our Annual Review event in January 2023.

## STEWARDSHIP CODE: 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><b>P1. Purpose, strategy and culture</b>            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; Key Activities	5, 20 - 42
<p><b>P2. Governance, resources and incentives</b>            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 Operations Review	43 - 52
<p><b>P3. Conflicts of interest</b>            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>	Managing Conflicts; Membership	49, 52
<p><b>P4. Promoting well-functioning markets</b>            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 voting at Irish companies.</p>	Promoting Well-Functioning Markets	39 - 41
<p><b>P5. Review and assurance</b>            Members receive annual statements evidencing their participation in all Forum activities.</p>	Membership	52
<p><b>P6. Client and Beneficiary needs</b></p>	N/A	N/A
<p><b>P7. Stewardship, investment and ESG integration</b>            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	20 - 42
<p><b>P8. Monitoring managers and service providers</b></p>	N/A	N/A
<p><b>P9. Engagement</b>            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	20 - 30
<p><b>P10. Collaboration</b>            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;	20 - 42
<p><b>P11. Escalation</b>            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;	20 - 42
<p><b>P12. Exercising rights and responsibilities</b>            The Forum's project on Voting at Irish Companies and Engaging in Bid Situations helped members ensure the effective exercise of their voting rights.</p>		40 - 41



## INVESTOR FORUM TEAM

- **Executive Director:** Andy Griffiths
  - **Managing Director:** Victoria Sant (Company Secretary)
  - **Senior Advisers:** Fiona Ellard, Tim Shanagher, Susan Sternglass Noble, Guy Walker
  - **Stewardship Director:** Saul Chambers
  - **Stewardship Analyst:** Ryan Hayday
  - **Finance & Operations Manager:** Laura Devonshire
  - **Events & Communications Manager:** Maido Richards
  - **IFDP Ambassador:** Habib Annous
- 



THE INVESTOR FORUM

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