REVIEW 2023

THE INVESTOR FORUM

WHO ARE WE?

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

WHAT DO WE DO?

We sit at the heart of UK equity markets and leverage our experience and networks to tackle challenges, employ our convening power to foster dialogue and deliver solutions-focused engagement outcomes through our collective engagement framework.

WHY WE DO THIS?

We bridge the gaps that arise within the market. We seek to unite companies and investors, to help build and restore trust, with an unwavering commitment to creating long-term value for all stakeholders.

HOW DO WE DO IT?

We understand the evolving dynamics of the market and its various players. We listen to investor concerns and present these to boards in a comprehensive and consistent manner, fostering nuanced and informed dialogue.

WHAT IS THE OUTCOME?

The outcomes of our activities are better informed boards and a stronger level of trust and understanding between issuers and investors – ultimately leading to sustainable long-term returns for savers.

The Investor Forum CIC
183 Euston Road, London NW1 2BE
www.investorforum.org.uk
23rd January 2024

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OUR MEMBERS

abrdn

AEGON
Asset Management

Allianz
Global Investors

ARTEMIS
The Profit Hunter

AVIVA
INVESTORS

BAILLIE GIFFORD

BARINGS

UNIVERSITY OF
CAMBRIDGE
Cambridge University
Endowment Fund

CAPITAL
GROUP

Cevian Capital

COLUMBIA
THREADNEEDLE
INVESTMENTS

evelyn
PARTNERS

EVENLODE
GLOBAL INCOME FUND

Federated
Hermes

Fidelity
WORLDWIDE INVESTMENT

generation

INDEPENDENT
FRANCHISE PARTNERS

Invesco

Janus Henderson
INVESTORS

J O Hambro
Capital Management Group

J.P.Morgan
Asset Management

JUPITER

KENNOX
TRUE VALUE INVESTORS

Legal &
General
INVESTMENT MANAGEMENT

LGPS Central Limited

M&G
INVESTMENTS

Man

McInroy & Wood
PERSONAL INVESTMENT MANAGERS

NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

Ninety
One

NORGES BANK
INVESTMENT MANAGEMENT

OP
Oldfield Partners

OU endowment
management

OWNERSHIPCAPITAL
Long-Horizon Investing

Phoenix

Premier Miton
INVESTORS

Pyrford

Quilter

RAILPEN

RATHBONES
Incorporating
Investec Wealth &
Investment (UK)

RBC

Brewin
Dolphin

redwheel

Rothschild & Co
Wealth Management

Schroders

T.Bailey

T.RowePrice
INVEST WITH CONFIDENCE

The
Health
Foundation

TRIUM
CAPITAL

TROY
ASSET MANAGEMENT

UBS

USS

W
wellcome

WELLINGTON
MANAGEMENT

WESLEYAN
we are all about you

KEY MESSAGES

THE INVESTOR FORUM IS

INNOVATIVE:

WE PROVIDE AN ESSENTIAL STEWARDSHIP CAPABILITY

Through tailored company meetings, events, and a commitment to engaging in constructive dialogue, we have adapted to the evolving stewardship landscape, evidencing the value of our model.

→ *To explore the impact we bring to the market, refer to the Executive Director's Review*

IMPACTFUL:

WE DELIVER SOLUTIONS FOCUSED OUTCOMES

We bring investors together to form expert working groups to address thematic issues or to tackle market challenges through our Stewardship 360 projects. We also provide a forum for investors and corporates to dissect complex issues, fostering thoughtful dialogue to openly address challenges, identify priorities, propose solutions, and showcase best practices.

→ *To learn about the range of ways we deliver value to our Members and the wider market, read the Key Activities Review.*

FOCUSED:

WE WORK TOGETHER TO ADDRESS SIGNIFICANT ISSUES

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

→ *To read more about the importance of engagement and stewardship, see the Collective Engagement Report.*

UNIQUE:

WE ARE A NOT-FOR-PROFIT CATALYST FOR POSITIVE CHANGE

We are inspired by the Kay Review, supported by 55 institutional investors, and staffed by experienced practitioners. We focus on long-term sustainable value creation as the ultimate purpose of stewardship and the one goal that can unite the investment chain.

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

VALUED AS:

A FORUM FOR INSIGHTFUL, CONSTRUCTIVE DIALOGUE

Our reputation with investors, companies and wider stakeholders as a trusted facilitator and bridge builder 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
23rd January 2024

The past year has seen a great deal of productive work carried out by the Investor Forum in a variety of formats, but a continuing decline in the appetite for collective engagements with quoted companies.

Undoubtedly much of the reduced demand for collective engagements can be explained by the reduction in the weighting of UK equities amongst UK-based fund managers. This reduction is seen as one aspect of a wider malaise affecting the UK stock market, with a lack of demand for UK-listed equities being accentuated by a reducing supply as would-be listed companies are deterred from floating due to perceptions of both excessive rules and regulations and of an inflexible attitude amongst investing institutions. Diminishing engagement and increasing friction are both symptoms of capital markets operating well below full health.

A shrinking UK equity market would matter far less if global stock markets were reducing at a similar rate, but the rate of shrinkage appears to be higher in the UK than elsewhere. This has been a topic of much public discussion. The Capital Markets Industry Taskforce (CMIT) was set up with the objective of making recommendations to reinvigorate the UK's capital markets and has promoted a number of reforms in 2023.

The Board and the Executive has been evaluating the future role of the Forum for two years in the light of the rapidly changing UK marketplace. These efforts took on renewed importance in 2023 given the strength of feeling expressed by leading UK chairs that relations with shareholders required urgent attention. We were therefore delighted to be able to propose to CMIT an expanded role for the Investor Forum as a practical response by investors to the expressed concerns.

CMIT published an open letter in late November, which included a number of recommendations, including an enlarged role for the Investor Forum to create the Investor and Issuer Forum. This letter, and the expanded role for the Investor Forum was welcomed by the Chancellor in the Autumn Statement. More details relating to the proposed Investor and Issuer Forum can be found in this report.

No single body currently exists which brings together senior representatives from the fund management and corporate sectors with a shared objective of making the UK's capital markets more effective. The Investor Forum was originally created to help facilitate a more constructive dialogue between investing institutions and quoted companies, and it would seem to be a logical extension of its activity for it to become this body.

The precise terms of reference for the mooted Investor and Issuer Forum, and its funding model, will be the main focus of our activities in 2024. We will work with our Members, CMIT and interested parties to develop the concept and will keep all our stakeholders closely informed as the thinking develops.

Andy Griffiths has been intimately involved in this process and, like me, sees the opportunity now opening up for the Forum as both logical and exciting. Having been so centrally involved in the Forum's inception back in 2014 and then its growth, he feels that the time is now right for his successor to be recruited to lead the organisation into its next phase. Andy has been consistently open with the Board about his thinking, and a process has been initiated to identify his replacement.

I cannot praise Andy highly enough for all that he has done to create the Investor Forum and lead it to its present distinctive and highly respected position in the market. It is a remarkable achievement. I know that Andy would be the first to give credit to Simon Fraser for enabling the Forum to take shape, but Andy's role has been every bit as vital. Many qualities come to mind when thinking about Andy, but top of my list would be thoughtfulness, integrity and high intelligence. He will leave big boots to fill.

Your support over the past year is greatly appreciated. I would also like to express the Board's thanks to Robert Swannell, who has served as a Director since the formation of the Forum, and Jessica Ground and Amra Balic who retired as Directors during the year. I am pleased to welcome Paras Anand (CIO of Artemis) to the Board.

Finally, I would like to thank, on behalf of the Board, all of the executive team at the Forum for their unstinting efforts.

PURPOSE, OBJECTIVES AND KEY ACTIVITIES

Purpose

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

Objectives

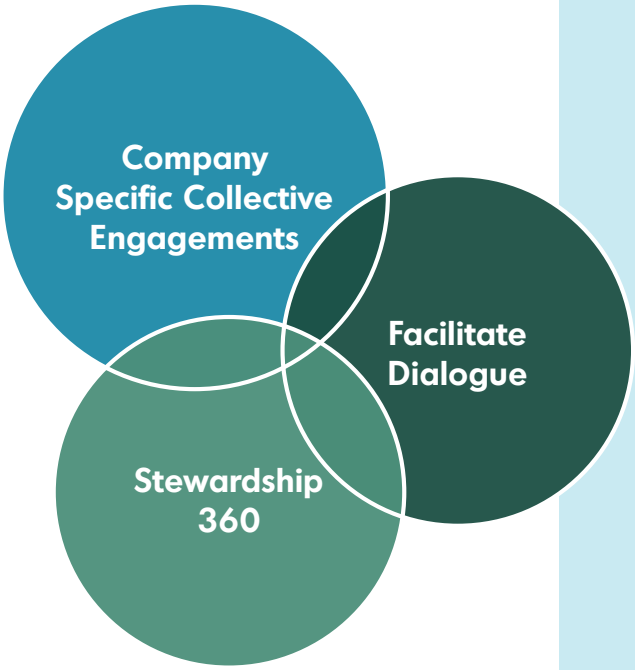
Make the case for long-term investment approaches

Facilitate collective engagement with UK-listed companies

Activities

Company Specific Collective Engagements
(Read more on pages 18 - 23)

- 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 24 - 32)

- 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

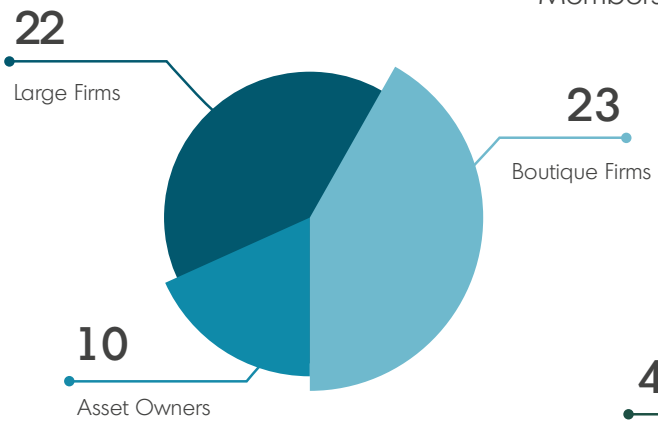
Stewardship 360
(Read more on pages 33 - 42)

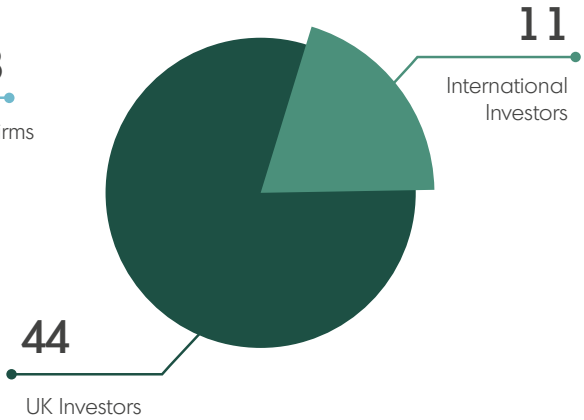
- Deliver projects to enhance understanding and address the wider issues that impact companies, industries and the environment in which they operate
- Convene expert working groups to address thematic issues or to tackle market failings
- Promote well-functioning markets

FORUM SNAPSHOT

Membership

55
Members





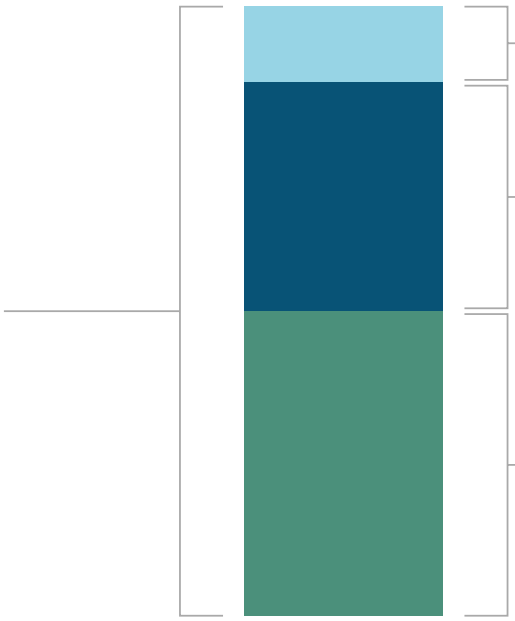
~£18trn
In Global AUM

~£580bn
Invested In UK Equities

~27%
FTSE All-Share Market Cap

Engagements 2023

8
Companies considered in 2023



8
Companies proposed for collective engagement during 2023

1
Active engagement continuing into 2024

3
Active engagements closed during 2023

4
Did not achieve critical mass

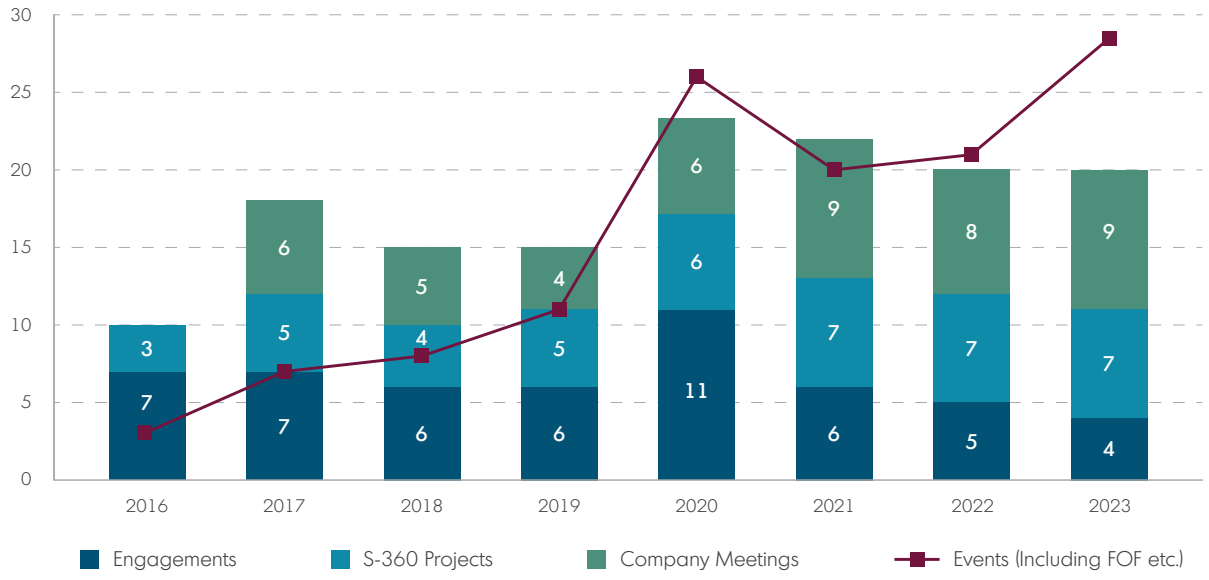
FORUM SNAPSHOT

2023 Collective Engagement Dashboard

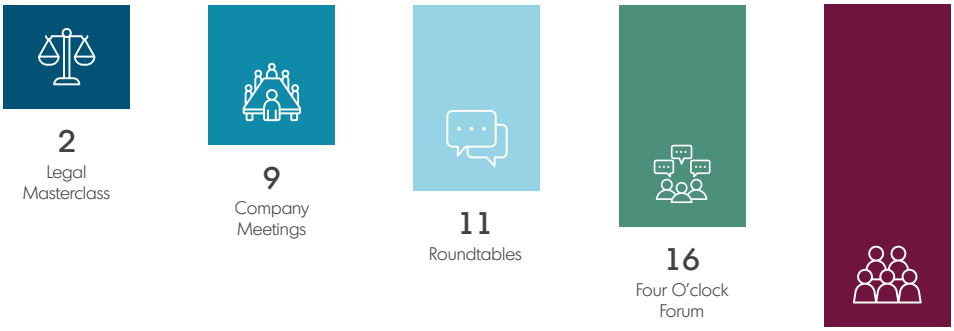
	Oversight (by the Board)						Execution (by the Management team)		
	Material Issue Focus	Strategy	Leadership & Succession	Capital Allocation	Corporate Governance	Corporate Action	Operational Performance	Management Information	Reporting & Communication
Hyve	Transaction Oversight					✔			
Ubisoft	Board Effectiveness		✔		✔				✔
Vistry	Strategic Direction		✔	✔	✔				

One still open at year end

Activity Since Inception



Events 2023



2 Legal Masterclass

9 Company Meetings

11 Roundtables

16 Four O'clock Forum

+1K Audience

EXECUTIVE DIRECTOR REVIEW

Andy Griffiths
Executive Director
23rd January 2024

The Investor Forum will celebrate its 10th anniversary in 2024. Its purpose has always been to put stewardship at the heart of investment decision making and the model has constantly evolved in pursuit of this goal. In recent years, our focus has increasingly shifted to facilitating enhanced dialogue between companies and investors, and to leading working groups which tackle thematic concerns or address frictions in the functioning of markets.

From our unique vantage point, it is clear that the marketplace has changed dramatically over this period. **While London is a globally vibrant financial centre, the UK Equity market is no longer its talisman.**

If the fortunes of UK-listed companies are to be rejuvenated, and with them the attractiveness of the UK equity market, then we must concentrate on solutions to the many problems and frustrations that have been surfaced.

The reform agenda

The UK equity market will undergo a series of fundamental changes, and market participants must now come together to develop the best ideas for reform. For investors, that requires a renewed effort to align interests across the investment chain.

Amidst all the reviews, consultations and debates, we discuss three key issues in this review:

- The need to reimagine effective stewardship
- A fracturing of the investment chain
- The changing nature of engagement

It has never been more important to create practical solutions which improve the functioning of the market and to build bridges which span the investment chain. These are the tasks that the Investor Forum will prioritise as its role evolves. The references in both the recent Autumn Statement and the CMIT open letter are a clear recognition that the Investor Forum has an important role to play in creating an Investor and Issuer Forum.

The need to reimagine effective stewardship

The UK equity market has many positive characteristics, including:

- Some of the best access to companies and most transparent information flows of any market in the world
- A series of investor protections that have proved their worth over decades.

That said, stewardship practice has to change. **In recent years there has been too much of a focus on evidencing how investors hold companies to account and on codification over action.** While much of this agenda has been shaped in response to corporate failures, the constructive element of engagement seems to have been crowded out. Policies and procedures have not eliminated risk, but they have negatively impacted relations between investors and companies to the detriment of UK listed markets.

Investors can hear the frustrations of UK-listed company boards, and understand the value of good stewardship and effective engagement. Much can be done to streamline the plethora of initiatives that have been introduced over the last few years, whilst not discarding the key principles of Governance and Stewardship that have served, and can continue to serve, society so well.

Asset Owners, Asset Managers, Companies and Regulators all need to step outside of their own stakeholder group to forge a more effective model of stewardship and engagement. In our opinion a re-set is required to build a common understanding.

2024 must be a year of stewardship action. A debate on the future of stewardship is essential to inform an effective review of the Stewardship Code which will be undertaken by the FRC in 2024.

EXECUTIVE DIRECTOR REVIEW

Before diving into the technicalities of stewardship or finessing the existing Code, the industry needs:

- Senior representatives from key stakeholder groups to agree terms of reference for the FRC review;
- A commmitment from the 8 regulators and government departments that comprise the UK Stewardship Regulators Group, to deliver a simplified and joined-up roadmap;
- To review the effectiveness and market impact of the 2020 Stewardship Code; and
- To figure out how to simplify and reduce the burden of Stewardship Reporting.

A fracturing of the investment chain

We have had a front row seat observing the changes in the investment chain for a decade. Markets work best when there is a clear alignment of interests between savers, asset owners, asset managers and companies. In the UK, this chain has been fragmenting for 20 years and we see two issues that will likely drive further significant changes in behaviour:

- The changed nature of UK equity ownership – now much more global and much more passive – means that companies are required to interact with different types of investment manager, with very different approaches.
- The changing dynamic in the relationship between Asset Owners and Asset Managers:
  - A greater focus on environmental and social issues, greater scrutiny of stewardship activity and a move to thematic engagement all have their roots in shifting client expectations about the role of asset managers.
  - This is particularly the case in relation to voting outcomes and there are increasing calls for voting decisions to be separated from capital allocation decisions as asset owners seek to express their views on issues directly.

The impact of these forces on company relations with investors, particularly with regard to voting outcomes, will likely have significant implications. The issues are complex and inter-related, and you can read more about them, and our Best Practice Dialogue Series, which is exploring how to support and enable effective relationships between companies and investors, on pages 28-32.

The changing nature of engagement

Resources dedicated to UK equites continue to be significantly reduced as the asset class shrinks in importance. Portfolio managers with years of experience and the respect of boardrooms are stepping down from managing money, and UK teams are being integrated into broader European and Global equity teams in a number of institutions.

As a result, and alongside changing stewardship priorities, demand for bespoke company-specific collective engagement, as foreseen in the Kay Review, has declined. We remain committed to providing this capability and, in a more volatile environment we would expect engagement demand to increase. These issues are discussed in more detail in our review of The Stewardship Landscape on pages 12-14.

Making the case for an Investor and Issuer Forum

Given the reputation that the Investor Forum has built providing effective outcomes to engagement between investors and companies, and recognition by government and industry taskforces of this unique platform, there is an opportunity to work with investors and issuers to:

- Address friction in the market; and
- Deliver a greater alignment of expectations on key issues, at both the individual company level and the market level.

In so doing, we must ensure that the interface between asset managers and asset owners works efficiently to address client concerns and to create solutions to the challenges which face society.

We are delighted to see so much interest from investors, companies and government in the concept of an Investor and Issuer Forum and you can read more about our plans on page 11.

Conclusion

It has been an enormous privilege to build and lead this organisation for a decade.

It is a source of great pride that we have been able to build a platform to enable effective dialogue between companies and investors on the most challenging of issues. As market practioners now seek solutions to create more effective markets in the UK, I am delighted that the Investor Forum will play a key role in both enhancing dialogue and creating practical solutions to problems.

EXECUTIVE DIRECTOR REVIEW

It is of course enormously frustrating that the UK public markets, which are home to many truly extraordinary companies, have not in aggregate delivered attractive returns for investors over the last two decades, and are viewed by many as no longer being an asset class of choice. It is critical that, from all the analysis and soul searching of recent years, policy makers and regulators clearly recognise the need to simplify the regulatory framework and market practitioners engage in creating a more prosperous future.

Looking forward

Stewardship professionals will need to adapt to meet a number of important global challenges. Markets always evolve, and we must all do our bit to build a truly effective system that can compete globally.

The efforts to reform the market, to make it 'match fit', are beginning to take shape, and the proposed package of reforms is wide ranging. There is unlikely to be consensus around the value of all the proposed changes, but we hope that the very best ideas will gain traction. The time for analysis and reflection is over - it is time to move forward with conviction to put in place the conditions that will underpin a vibrant listed equity market.

As the time comes for me to hand over the leadership of this organisation to a new CEO in 2024, I am thankful to everyone that has supported the Forum since 2014 - most especially my colleagues, our Board and our Members. We have created a platform and a community that has a proven ability to create practical solutions to the most complex problems.

I have no doubt that the approaches and techniques that we have developed will make a lasting contribution to the revitalisation of UK markets. There is no more important an objective, no more valuable a purpose.

THE CASE FOR AN INVESTOR AND ISSUER FORUM

The Evolution of the Investor Forum

The Investor Forum was created in 2014 to give life to one of the recommendations in John Kay's 2012 Review of UK Equity Markets.

We have built a strong reputation as a trusted intermediary and are well-positioned at the nexus of investors and corporates to build trust.

With support from CMIT[1] as well as from the UK Government in the Autumn Statement[2], we are consulting on a possible evolution of the Investor Forum to become the Investor and Issuer Forum.

The extension of the current remit would provide a focal point to enable market participants to come together to help create an environment in which UK listed companies can thrive. To deliver market-wide impact, it will be crucial to establish support from investors and issuers and to secure enhanced funding to expand the Forum's capabilities.

The creation of an Investor and Issuer Forum would provide a signal that market participants are committed to working together to resolve both systemic and company-specific challenges.

Historical context

We take inspiration from the formation of the Takeover Panel in 1967, when market practitioners created a new mechanism to enhance market integrity.

We argue that it is once again time for companies and investors to work together on tangible actions to create a more vibrant equity market, to encourage the much richer dialogue needed to restore confidence in the functioning of the market and to enhance the value of UK listed companies.

The need for an Investor and Issuer Forum

At its heart, the Investor and Issuer Forum would bring together industry leaders from the Boards of listed companies and the investment community to identify key challenges, jointly develop practical solutions and more positively shape the UK capital markets in which they operate. This representative group would ideally be supported by a small, independent and experienced executive team.

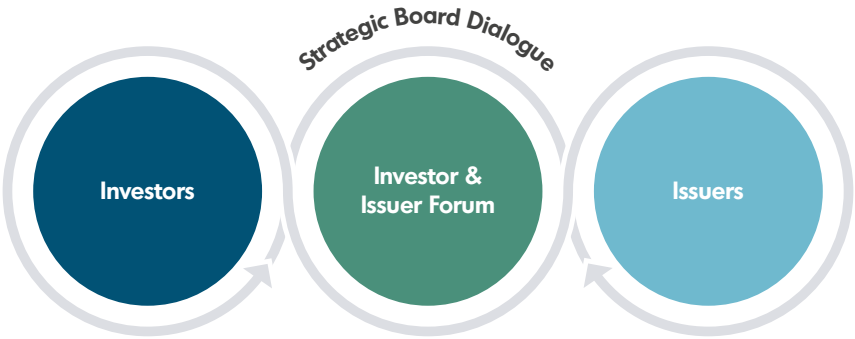
Building on our proven capability we can meet the identified need for better strategic dialogue and seek to address specific concerns related to governance and stewardship agendas, ESG integration, and other material issues.

Echoing the unique contribution of the Takeover Panel, this Forum would play a central role in strengthening the UK's reputation as an attractive place to do business. Through practical actions, the Forum would seek to enhance effectiveness, reduce friction and increase competitiveness.

By leveraging our established platform, we can offer an efficient solution to address the challenges without the need for lengthy setup or costly establishment of new initiatives.

It is time for market practitioners to come together to address the problems which are undermining the functioning of the UK equity market.

A new Investor and Issuer Forum can serve as a catalyst to unite practitioners in pursuit of practical solutions to create a trusted and respected UK capital markets ecosystem which can benefit all of society.



The power of dialogue is key to Bridging the Gap

[1] CMIT Open Letter 22nd November 2023– Resetting the UK's approach to Corporate Governance
[2] Autumn Statement 2023 – Paragraph 5.125

STEWARDSHIP LANDSCAPE

There is no doubt that the environment for investment and stewardship has become much more complex. Companies, asset managers and asset owners all face enormous pressures as they seek to rise to the challenge of re-purposing business models to deliver sustainable returns.

Our detailed assessment of the landscape in January 2023 remains intact. We have been encouraged by the breadth of debate in search of solutions, but one year on a dent has yet to be made in the big issues.

Developments in the Landscape

The 5 challenges which we identified last year all remain valid:

1. Decline of UK equities as an asset class

- The UK equity market delivered an essentially flat performance in 2023.
- By the end of October, 30 £100m+ companies had completed or announced takeover deals which would see them leave the market.
- A handful of companies announced their intention to de-list from the UK and focus their primary listing on other markets (primarily the US).
- Data from the ONS and PPF confirmed the de minimus holdings of UK equities by UK insurance companies and pension funds, and the continued rise in overseas ownership.

2. Remuneration is a point of contention

- The 2023 AGM season proved to be relatively uncontroversial. Resolutions related to remuneration (reports or policy) accounted for 35 of the 106 agenda items that received over 20% votes against in the FTSE 350 (ex IC) index - the lowest number of incidents since 2019.
- A number of companies have expressed concern about the need for change, citing talent retention and a need to increase competitiveness.
- Asset owners are increasingly vocal about issues of equality and the need for 'fair' remuneration.

3. The stewardship agenda is broadening

- The breadth of issues which investors prioritise continues to expand to meet client demands.
- Regulation around sustainable fund labelling has increased, along with a widening of the range of reporting requirements and a requirement to evidence that funds are compliant.

4. A focus on codification over action

- This, above all the issues identified, is impacting market relationships the most – for companies and investors alike.
- The complex raft of overlapping rules and requirements requires urgent simplification, which would in turn enable much more effective engagement between investors and issuers.

5. A changing political and economic environment

- As the UK approaches an election year in 2024, we have seen a significant shift in Government policy to focus on the competitiveness of UK markets and a pull back on a number of proposed reforms. This shift is likely to have a meaningful impact on the stewardship and governance landscape.
- We expect the FCA to roll out significant reforms, and the FRC to launch a new Corporate Governance Code and re-consider the Stewardship code in 2024.
- CMIT launched a number of initiatives in 2023 to make the case for wider market reform, and the Capital Markets of Tomorrow Report will offer an opportunity for market participants to focus on the creation of more vibrant and valuable markets.

STEWARDSHIP LANDSCAPE

Stewardship for both investors and companies looks very different in 2023 than it did when John Kay wrote his review of UK Capital Markets in 2012 and it will change again dramatically over the next five years.

Market ownership

There has been much discussion about the ownership of the market and the long-term trend for UK institutions to diversify away from UK equities. A recent update from the ONS, using data at the end of 2022, confirms two well established trends:

- 58% of the market is now owned by overseas investors[3]. US investors are the second largest owner of UK equities and account for 26% (£626bn) of the equity market.
- Domestic pension funds (1.6%) and UK insurance companies (2.6%) now have a de minimus exposure to UK equities. In combination these groups had just £100bn invested in UK Equities.

Changing dynamics

As these twin trends have developed over the last 15 years, the investment industry has evolved dramatically. At the large institutions, UK investment teams have been dramatically reduced in size, and are now either part of larger regional or global teams or moved to boutique operations. Investment teams have re-focused and now assess UK companies in the context of a much broader pool of international companies and there has been a significant exodus of experienced UK equity portfolio managers. There is little evidence that new flows of domestic savings are being directed towards UK equities.

Alongside the shift in investment teams there has been a dramatic shift in Stewardship teams. Company-specific engagement on long term strategy, capital allocation, value creation and governance has been crowded out by:

- A much broader stewardship agenda – notably on 'E' and 'S' issues
- More thematic engagement
- Globalisation of ESG teams
- Enormous client interest in active ownership
- Very significant reporting requirements across the investment chain.

As is the case with portfolio managers, many experienced governance professionals have left the industry in recent years. Heads of Stewardship now have a far broader range of issues to consider and face greater expectations from Asset Owner clients.

Implications

In combination, these shifts have significant consequences for companies:

- Very different shareholder registers
- Significant changes in the approach to, and the focus of, engagement
- More policy-driven governance voting.

These trends are well established and unlikely to change - the UK equity asset class has lost critical mass and there is little appetite to create tailored single market solutions. Asset allocators and asset managers are rational and have refocused their resources on other asset classes in response to client preferences and a poor long-term track record for the UK equity asset class.

There are undoubtedly a wide variety of outstanding companies in the UK, but these must compete for attention in a global world, and the record of value creation for UK companies over an extended period of time no longer justifies the resources it once did given the range of alternative opportunities and the performance of other asset classes.

The agenda for reform

The PRI's regulation database[4] indicates that in the UK alone there are 20 legal requirements or best practice 'ESG' codes, 80% of which are less than 10 years old. Beyond these there are a multitude of initiatives which seek to collect data to evidence ESG activity. With the launch of the Transition Plan Taskforce Disclosure Framework, Sustainability Disclosure Requirements from the FCA and the overlap of EU's Sustainable Finance Disclosures Regulation, this perimeter will be expanded further. The complexity of this landscape for both investors and corporates is overwhelming.

[3] Ownership of UK quoted companies, 2022, ONS
[4] PRI Regulation Database: unpri.org/policy/regulation-database

STEWARDSHIP LANDSCAPE

The main intention behind much of this additional codification is to:

- Incorporate stakeholder perspectives on an expanded range of issues beyond financial metrics; and
- Provide additional transparency to inform decision making.

However, the practical effect has been to move from a principles-based approach to governance and stewardship to one which is much more policy and rules based.

If the UK picture itself is not complex enough, the internationalisation of the ownership of the UK equity market means that many investors will look at these requirements through a global lens, adding a further layer of complexity and in many cases resulting in the application of global or regional approaches rather than tailored UK-specific approaches.

While this is not a UK-only phenomenon, the UK has reached a point where action is needed to simplify and create a renewed focus to allow the market to work more efficiently. Companies, investors, regulators and policy makers must fully accept the scale of the challenges and work together to find a meaningful response. The FRC will have a vital role to play in 2024. The recent decision to scale back proposed changes to the Corporate Governance Code and the intention to review the Stewardship Code represent much needed opportunities to simplify the governance and stewardship architecture.

There is a sense of urgency, and a number of reforms have been proposed. The Capital Markets Industry Taskforce (CMIT) has been a catalyst for change through its interventions during 2023, including requesting Nigel Wilson to outline a holistic vision for the UK in The Capital Markets of Tomorrow report. The pressure for change is welcome, given the urgency of the challenges, and 2024 will be a year when important decisions will be taken on the reform proposals. Investors will need to play their role in this process, and it will not be easy to achieve a consensus on all of the suggested reforms.

Market practitioners need to step into this debate, and the Investor Forum will play its part by consulting on an evolution in its role to create an Investor and Issuer Forum to 'facilitate and promulgate more effective ongoing engagement between boards and their shareholders'.

The future of stewardship

The core principles of Governance and Stewardship in UK markets and English Law mean that the UK remains an attractive market to invest in from a shareholder rights perspective. That said, the increasing focus on evidencing how investors have held companies to account since the introduction of the 2020 Stewardship Code risks shattering the investment chain and action is needed to re-align the interests of asset owners, asset managers and companies.

While much of the focus is on the national debate, the continued politicisation of 'ESG' in the US has had a chilling effect on investors globally, and in particular on the appetite to work collaboratively. While these pressures are likely to increase further in 2024 ahead of the US Presidential election, we continue to believe that the Investor Forum's Collective Engagement Framework is a key asset. Our track record of engagement, over the better part of a decade, demonstrates how investors can work together effectively to address material issues, whilst operating fully within the requirements of US, European and UK laws and regulations.

We welcome the opportunity to review the Stewardship Code in 2024, and it is vital that market participants use this opportunity to simplify and clarify what effective stewardship looks like.

A collision of cyclical and structural factors mean that effective prioritisation is essential if companies and investors are to create and sustain long-term value. We see increasing tension between Asset Owners and Asset Managers and between Companies and Asset Managers. It is vital that all participants are motivated to re-align the investment chain around the common goal of creating long-term sustainable value. A clear recognition and understanding of the roles, responsibilities and priorities of all agents in the chain is urgently needed. 2024 must be a year of stewardship.

LONG-TERM HEALTH OF THE UK EQUITY MARKET

The UK stock market has delivered much weaker returns than other major global markets in recent years. Speculation as to why continued throughout 2023, with insightful analysis by Ondra Partners[5].

Domestic investors have sold UK Equities

The PPF's Purple Book[6] provides a detailed analysis of just over 5,000 Defined Benefit pension schemes which in aggregate invest £1,404bn on behalf of the members:

- In 2023, the average scheme's equity investment fell to 18% from 19.5% in 2022.
- 62% of the equity portfolio is invested in overseas equities, 30% in unquoted or private equities and 8% in UK equities (i.e. 1.4% of total assets) or circa £34bn in aggregate.
- 15 years ago, the equity portfolio would have been split 52% overseas equity and 48% UK equity with no unlisted investments.

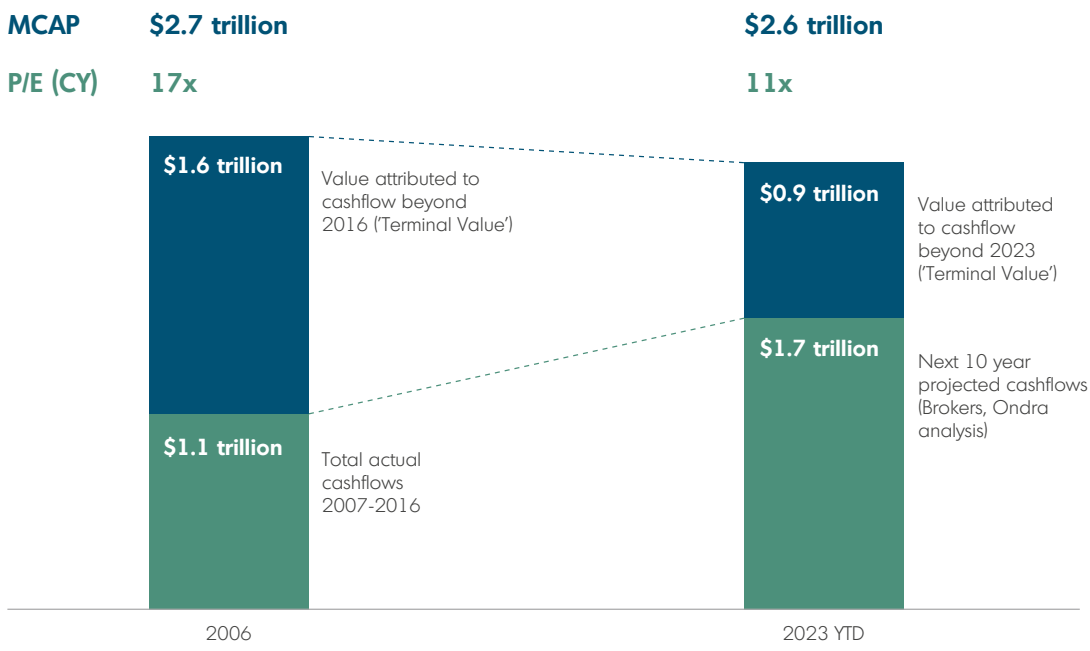
Valuation – the stark reality

The de-rating of UK equities has been dramatic - the total value of the market at the end of Q3 2023 was little changed from end 2006, immediately before the Global Financial Crisis began to take hold. As a consequence, the price earnings valuation multiple has fallen from 17x in 2006 to 11x currently.

Using discounted cash flow models, we can see that the capitalisation of the UK market implied a $1.6trillion terminal value (i.e. by deducting the present value of the actual 2007-2016 cash flows from the total market capitalisation). By Q3 2023 that terminal value is estimated to be just $0.9trillion (after deducting estimated cash flows between 2024-2033).

In 2006 the long-term growth prospects of the market represented 60% of the market value but by 2022 just 35% of the market value was accounted for by long term growth prospects.

FTSE 100 in 2006 and today, split into initial 10 years and thereafter



Source: Ondra Partners October 2023

[5] Britain plc in liquidation, Ondra Partners October 2023
[6] The Purple Book 2023, Pension Protection Fund

LONG-TERM HEALTH OF THE UK EQUITY MARKET

The implication is that the UK market rewards near term returns and ascribes less value to long-term growth companies.

This decline in the UK market terminal value contrasts with the other developed markets which have seen increasing terminal values. While the terminal value of the UK market value has fallen by 45% over this period, that of other markets has increased significantly (CAC +52%, DAX + 204%, S&P +312%).

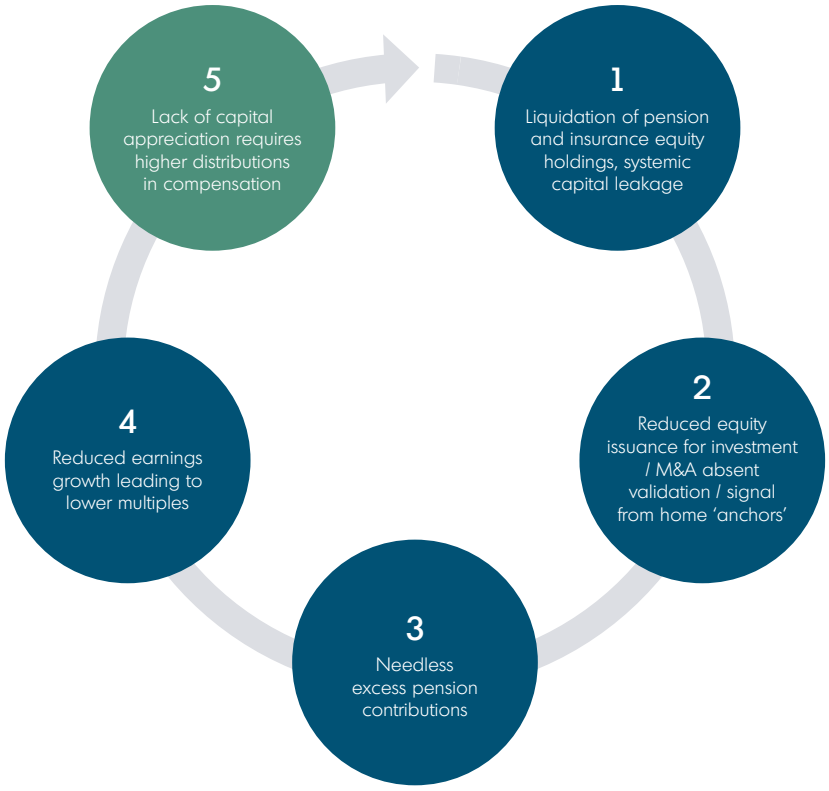
Whist some of this under-performance may be explained by a high proportion of lower growth sectors such as oil, materials and banks, there have been significant structural headwinds.

Market Leakage

Since 2000, supply side reforms have driven an outflow from UK equities into other asset classes. Ondra has quantified the impact of four factors which in total have depleted the value of the UK market by over £800bn:

1. £250bn of pension contributions by UK companies into defined benefit pension schemes to address projected deficits.
2. £150bn due to the decline in UK primary market issuance relative to the historic average.
3. £200bn due to dividend payments above a 3% yield.
4. £200bn due to UK pension funds investing assets internationally rather than maintaining a 33% UK equity exposure (cf early 2000's).

These structural drivers have fuelled relentless selling pressure over many years, driving the UK market into a downward spiral whereby low valuations deter new vibrant companies from listing.



Source: Ondra Partners October 2023

KEY ACTIVITIES

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

COLLECTIVE ENGAGEMENT - REPORT

The Collective Engagement Framework and the Forum's approach are recognised by investors as a valuable way 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.

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 – or where the company itself identifies the need to address a material issue.

By engaging collectively, investors can:

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

Demand for collective engagement activity was muted in 2023. Our Members paid less attention to the UK market, and instead resources were consumed by issues such as actioning their net zero commitments, implementing recently strengthened voting policies, grappling with new regulatory reporting requirements, and evaluating the impact of the 'ESG culture war' in the US. On a number of occassions we were unable to secure a critical mass of interest on strategic issues that we felt might have benefited from collective input from long-term institutional shareholders.

We completed three collective engagements in the year:

- The engagement with **Hyve plc** was closed following the shareholder approval of the takeover proposal. Following a late stage increase in the offer price, participants were happy to vote in favour. This engagement during an active bid situation was done in a safe and compliant way, and registered investor concerns with the company through a constructive but challenging engagement with the Chair and CEO.
- The engagement with **Ubisoft Entertainment SA** focused on a routine governance situation where international shareholders wanted to express their desire for greater independence on the board, following a difficult time for the company. We had three calls with the French company and were able to emphasise Member concerns.
- The engagement with **Vistry Group plc** came about due to controversies around the remuneration policy, and evolved to cover wider governance issues around Board succession.

One engagement is on-going at year end.

One company approached us for assistance in navigating a remuneration vote which it knew to be controversial. Clear positions had already been established, and views well-communicated on both sides. We helped the company assess the issues and complemented their engagement process to ensure that the situation did not deteriorate further.

Case Study	Material Issue	Engagement Focus	Outcome
Hyve	Transaction Outcome	Board oversight	Enhanced bid price
Ubisoft	Corporate Governance	Appointment of independent directors	Evolution in board composition
Vistry	Board Effectiveness	Remuneration and succession planning	Strategic reset and board refreshment

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 2023. 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.

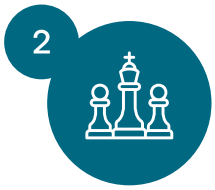
The disclosures that follow add to our record of transparent reporting since we began to engage in 2015. A full list of companies that we have facilitated a collective engagement with since inception can be found above. This public track record of collective engagement is unique, and provides tangible evidence of the stewardship capabilities of our members, and particularly the option that the Investor Forum provides to escalate concerns. 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

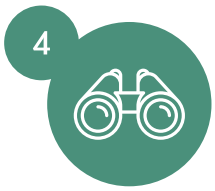
- Consult with Members
- Develop a strategy
- Draft a letter to company
- Target constructive, tangible outcomes

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.

Company: HYVE 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: Mar 23 – May 23 **Index:** FTSE Small Cap **Number in Engagement:** 6 **Combined Shareholding:** N/A

Basis of Selection

Why did the Forum engage?

- Following the announcement of a recommended bid by Providence Equity Partners for Hyve Group, a Member raised concerns about the bid price not fully reflecting the long term value given a period of weak share price performance following Covid 19 and Russia's invasion of Ukraine.

Objectives

What did the Forum engage on?

- The Investor Forum was asked to initiate an engagement to ensure that the Board had a clear understanding of the magnitude of investor concerns and to gain greater clarity on the process leading to the Board's recommendation.
- The objective was to highlight investor concerns, seek clarification to enable investors to make informed voting decisions and to provide formal written evidence to the Hyve board to empower its negotiating position.

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 followed - we did not collect data on Members' shareholdings to avoid any possibility of creating price sensitive information about the level of opposition to the bid, and we did not seek insights into individual investor voting intentions (investors retain their independent voting decision-making capabilities throughout an engagement).
- We agreed with the company that the letter could be shared with the bidders Providence Equity Partners and Searchlight Capital.

Outcomes

What did the engagement achieve?

- During the takeover period the shares had persistently traded above the offer price, indicating the market felt a higher bid was likely. A week before the deal was due to close, the offer price was increased by 12%. The deal was eventually approved by shareholders with 87% support.

Lessons Learned

What has wider applicability?

- This engagement provided another example of how the collective engagement framework allows shareholders to escalate their concerns effectively in active transaction situations. This approach contributes towards delivering better outcomes for beneficiaries whilst actively managing risks associated with non-public information, group formation or acting in concert.
- Whilst some shareholders may feel that the final takeover price still failed to reflect the potential value that patient Hyve shareholders could have eventually realised, this case again illustrates that Recommended bids are no longer a "done deal". Target Boards are prepared to recommend a bid and pass the final decision onto their shareholders.
- In these instances, there is value in shareholders engaging actively to make their views known and to empower the Board's negotiating position. Codes and regulations are such that effective engagements in the form of bilateral conversations, public statements and collective engagement are all permitted.
- In this case an Investor Forum collective engagement provided an effective means for several shareholders to signal to the target Board concerns with the recommendation. The share price trading above the initial offer price indicated a meaningful risk that the bid might not receive the crucial 75% support, and eventually caused the bidder to increase its offer.
- We would expect that interest in collective engagements in active transactions could become more common if shareholders continue to take a more proactive approach during takeovers. Our approach of quiet diplomacy informed by our Collective Engagement Framework represents a safe and effective mechanism for investors to escalate concerns. Of vital importance in such situations is a clear exposition of views to equip the company in question to make informed decisions.

Company: UBISOFT ENTERTAINMENT SA	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: Apr 23 – Oct 23 **Index:** CAC 40 **Number in Engagement:** 8 **Combined Shareholding:** ~17%

Basis of Selection

Why did the Forum engage?

- A Member contacted us to raise concerns about governance at the company. The recent issues around corporate culture, operating performance and the Tencent deal had raised concerns about the company's governance and its ability to create value for all shareholders.
- We consulted IF Members who were large shareholders in the company to confirm that there was a critical mass of support for a collective engagement. We also spoke to a non-Member who was actively engaging with the company.
- As Ubisoft is a French company, listed on Euronext Paris, we considered whether the engagement could be conducted under the Collective Engagement Framework in a safe and secure manner. We concluded that it was appropriate to proceed, framing the engagement as constructive encouragement from international investors to enhance governance practice and board oversight.

Objectives

What did the Forum engage on?

- The objectives of the engagement were to articulate on behalf of international investors the need for the Board to improve its effectiveness, by appointing a majority of independent directors and by ensuring that Directors had relevant experience and diversity of background to challenge management.
- Shareholders in the engagement wished to see a new Lead Independent Director with relevant experience, who would be truly independent of the founding family and the large corporate shareholder.

Engagement Methods

How did the Forum engage?

- We wrote to the company setting out the concerns and encouraged the company to be proactive in its communication about the Board's evolution, and stressed the value of providing regular updates on progress. In due course, we were informed that the Board's Nomination, Compensation and Governance Committee were undertaking a search for new Directors. We noted that the planned recruitment timeline would cause a delay to the AGM which could be a cause of concern for investors.
- We had two further calls with the CFO, General Counsel and the IR team to discuss intended governance changes and resolutions for the AGM. The company was open to shareholder dialogue and were keen to provide clarity on the Tencent licensing agreement and the shareholder agreement.
- Following the AGM, investors concluded that there was little need for further engagement in the short term, but asked us to reiterate their interest in meeting with the NEDs, and particularly the new Directors, as part of future governance roadshows. As such, the collective engagement was closed.

Outcomes

What did the engagement achieve?

- The engagement met its objective of sending a clear message to the company and ensuring that the views of the long-term international minority shareholder had been heard. It helped to demonstrate the strength of concern, and to escalate the individual messages that had been sent.
- Some signs have emerged that external confidence is improving with the increased transparency. A key sell side analyst removed the 'ESG discount' on the stock in the run up to the AGM given greater comfort with the context of the Tencent deal, and the positive developments around Board composition.
- The voting outcome at the September 2023 AGM evidenced the continued concern with the Tencent transaction. There is little, in practice, that can be done about this at this point, and shareholders will have to reconcile themselves to the implications of this on-going dynamic.

Lessons Learned

What has wider applicability?

- This engagement demonstrated that the Investor Forum's collective engagement model can effectively be deployed in other markets to add strength to the international investor voice.

Company: VISTRY 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: Jun 23 – Oct 23 **Index:** FTSE 250 **Number in Engagement:** 8 **Combined Shareholding:** 13%

Basis of Selection

Why did the Forum engage?

- Following the acquisition of Countryside plc at the end of 2022, the Vistry shareholder register changed to include a group of US activist investors and hedge funds who sought board representation.
- By April 2023, three NEDs had resigned from the board, and the May AGM saw a 47% vote against the remuneration report which had become a particular source of contention.

Objectives

What did the Forum engage on?

- The objective of this phase of the engagement was to ensure a broad based debate on management incentives, and to convey to the Board views from across the shareholder base about capital distribution and long-term value creation.

Engagement Methods

How did the Forum engage?

- We wrote to the Chair to outline the range of investor perspectives to help inform the Board's next steps and to highlight that the collective engagement process offered an efficient way for the Board to consult with its shareholders following the AGM outcome.
- The Chair responded to our letter, and a copy of this letter was shared with participants. We also met with the Chair to discuss the issues raised, providing input into the company's extensive engagement to inform revisions to the remuneration approach and the company's distribution policy.
- Following the General Meeting voting outcomes and the results announcements in September, we wrote another letter to the Chair to provide further feedback. We noted that participants supported the new strategy and were keen to see concerns over-board composition and appointments to key roles comprehensively addressed before Chair succession was pursued. We communicated support for the Chair's continued appointment beyond nine years, if required, as long as there is a clearly articulated, time-bound plan for Chair succession.

Outcomes

What did the engagement achieve?

- This phase of engagement was closed in October. The objectives of sending a clear message and facilitating a debate to ensure that the views of the long-term institutional shareholder had been heard were met. The collective engagement helped to demonstrate the strength of concern, amplifying individual messages that had been sent.
- Due to the specifics of the share register and the strong views on appropriate incentive structures, it is inevitable that remuneration will remain a controversial issue for the company for some time. We believe that the engagement helped ensure that all perspectives were considered by the Board, and that they understood the messages being sent in the voting results.
- The company consulted widely with shareholders to understand perspectives on capital allocation, and the clarity provided in the Strategic Review announcement was welcomed by the market.
- Board governance issues came increasingly into focus as the engagement proceeded and the implications of the various changes became apparent. Participants felt it was important to send a clear message of support for the Chair to focus on ensuring an orderly succession process.

Lessons Learned

What has wider applicability?

- Collective engagement offers an efficient and effective mechanism to ensure a full range of investor views are represented to, and can be addressed by, the Board.
- Investors can be pragmatic and flexible, and do not require strict compliance with the Corporate Governance Code where the need to deviate is explained and is in the best interests of the company.

FACILITATE DIALOGUE: COMPANY MEETINGS

The Forum has a long 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;
- Offer a time- and resource-efficient way for non-executives to reach a wide cross section of the shareholder base which complements exiting roadshow initiatives by offering an opportunity for investors to reflect on the issues of key importance to them;
- Have a bespoke agenda, curated and facilitated by the Investor Forum, to create the opportunity for a focused and constructive discussion, even if challenging issues need to be discussed.

These meetings can 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.

During the year we organized nine investor meetings with companies, each with a bespoke agenda:

- In late 2022, a Member requested the Forum's assistance in organising a meeting with the Chair of **easyJet plc**. We were able to host a meeting with the Chair in March to discuss the Board's oversight and effectiveness and its strategy around capital allocation. Following the outcome of the AGM, we also discussed their response to votes on remuneration and share issuance, and the application of the disenfranchisement rules.
- We facilitated a meeting with the Chair and Senior Independent Director of **Drax Group plc**, focusing on how the company is navigating the complexity of the UK's net zero ambitions. The agenda also covered sustainable procurement and building a resilient supply chain, as well as how the Board is planning for Chair succession.
- Two group meetings were hosted with **HSBC Group plc** – one with the Chief Sustainability Officer to discuss progress on delivering the climate transition action plan and one with the Chair and CEO in advance of the company's AGM to discuss, amongst other things, strategy and shareholder resolutions.
- A meeting was hosted with **Rio Tinto plc** at which the new Chair shared his thoughts on the company's strategic priorities, Board evolution, remuneration, and the ambitions around climate change and biodiversity. Shareholders were also interested to discuss Rio's culture and the new 'Communities & Social Performance' commitments.
- We facilitated company meetings with the Chairs of **Pennon plc**, **United Utilities plc** and **Severn Trent plc** as part of the S360 Water Project (see page 34).
- A meeting with **Ocado plc** was arranged as part of our commitment to follow up with companies who received more than a 20% vote against at their 2023 AGM (see page 40 for more on this project). We held a constructive meeting with the Chair in November to discuss strategic priorities, key issues for the company, and the Chair's takeaways from the AGM. Investors were also keen to discuss board composition, cash generation, remuneration and talent management

FACILITATE DIALOGUE: EVENTS

In addition to company meetings we organised a record number of bespoke events in 2023, such as our Four O'clock Forum series, Member roundtables and Legal Masterclasses.

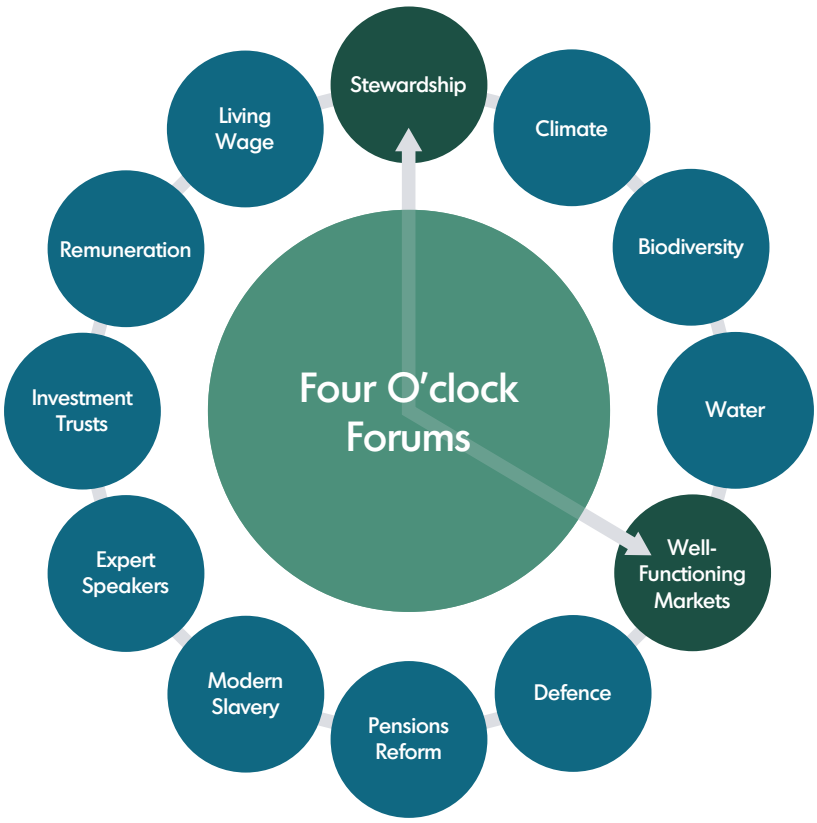
Four O'clock Forums

Our Four O'clock Forum series of virtual events provide opportunities to engage with expert speakers on important ESG issues, to expand knowledge and build expertise which can in turn inform stewardship activity. **Over 2023, we arranged 16 Four O'clock Forums, with over 700 registered participants.**

Discussions covered various environmental, social and governance issues, in each case stemming from an area of widespread concern or responding to Member calls for greater understanding. These included:

- **Environmental:** on climate 'tipping points', gas flaring, biodiversity and natural capital risks (TNFD), the UK water industry, climate lobbying, and with the UK's Climate Change Commission.
- **Social:** on modern slavery, the UK defence industry, and with the Living Wage Foundation.
- **Governance:** pension system reform, remuneration, workforce directors, and with the Association of Investment Companies on investment trust governance.

As the series has become more established, the Four O'clock Forums have taken on an additional function in laying the groundwork for wider stewardship projects or to disseminate key information beyond the project Working Groups. Each of the Defence, Investment Trusts, Modern Slavery and Water S-360 projects made use of this function, ensuring that valuable information reached a wider audience.



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, explore issues raised in academic papers, and discuss S-360-project issues in greater depth.

Highlights of the year included:

- "The ESG Culture Wars" with Professor Bob Eccles
- "Review of the 2023 AGM season", co-hosted with Georgeson, as part of our AGM Tracker project (see page 40)
- The role of ESG in Defence investing, with Rupert Soames, as part of our S-360 project on Defence
- "Modern Slavery in the DRC – an invitation to collaborate" with the UN Global Compact, as part of our S-360 focus on Modern Slavery (see page 36)

In addition, the Best Practice Dialogue project involved four roundtables attended by 35 people from Member firms, representatives from 28 UK issuers, and representatives from our partner organisations. Read more about this project on page 28.

Events Key Takeaways: Climate

Members maintain a particular interest in climate-related issues, with nature and biodiversity also rising on investor agendas. In 2023 we sought to offer a diverse output of climate-related Four O'clock Forums, and have monitored opportunities to provide further value-added projects.

Methane Emissions – potential future work

In February, we hosted a Four O'clock Forum with EnergyCC, a Singapore-based initiative working to reduce wasted gas emissions through routine gas flaring by oil and gas operations. Members saw potential value in the transparency provided by EnergyCC's efforts to create a Global Top 200 methane super-emitters list, and we explored whether it was possible to support a practical solution to the issue of data collection around methane emissions.

Over the past year EnergyCC has undertaken work on 'super-emitters' for Nigerian Regulators, during which they engaged with three European listed Oil & Gas majors. We are exploring future opportunities for investors to engage with these companies on the basis of EnergyCC's analysis of the use of routine gas-flaring, and examine the approaches to specific super-emitting assets.

Capital Markets Reform Series

The health and attractiveness of the UK equity market are the subject of much debate. The Forum worked with both Ondra Partners and CMIT members throughout the year on aspects of this debate and we also hosted three events to help provide various perspectives to inform our Members:

- Michael Tory from Ondra Partners discussed how the UK can fix the broken pensions system and supercharge innovation, setting out a three-step plan to create a savings system of half a dozen global-scale savings vehicles in the order of £300 billion to £500 billion.
- A roundtable with UK Finance covered the current landscape of the UK equity market and provided an opportunity for frank discussion on the issues it faces.
- Alvarez & Marsal discussed their report 'The 'Big Tent' Discussion', focusing on how changes to the Executive Pay structure within the UK might support market competitiveness and growth.

FACILITATE DIALOGUE: EVENTS

Legal Panel Masterclasses

Following the launch of the third update to the Collective Framework in January 2023, we arranged for the Forum's Legal Panel to hold two masterclasses with Members to build understanding of the function of the Framework, the key regulatory developments over previous three years and their implications for collective engagement.

These were:

- "Antitrust law, ESG initiatives and recent U.S. regulatory changes: Best practice for collective engagement in a rapidly evolving legal landscape" with Davis Polk & Wardwell
- "Investor engagement around active transactions: update on key legal and regulatory considerations" led by Skadden Arps and Gibson Dunn

Across the two masterclasses we discussed developments in regulation on ESG engagement, competition, US Securities Law, and investor engagement around active transactions, and provided an update on key legal and regulatory considerations.

Content from these two sessions has been used to create three 'Practical Guides' which are available in the Member's area of our website to provide insights and reassurance to Members on the conditions needed for effective collective engagement.

Investment Trust Governance

A number of investment trusts faced company-specific issues in 2023, and we discussed potential collective engagements with Members. It is a sector that is well-owned by the wealth management platforms, and certain funds allow exposure to niche areas (eg music royalties), or a positive ESG theme (eg social housing). We were asked to consider governance practices in the Investment Trust sector as investors considered whether wider lessons might be learnt from the individual case studies. We invited the Association of Investment Companies to present to Members on the nuances of the AIC Corporate Governance Code, and Quilter Cheviot shared their expectation of Investment Trust Boards in the general discussion.

BEST PRACTICE DIALOGUES

Building bridges through dialogue

The UK market is changing rapidly. Asset managers and companies are caught in the middle of this changing market, pulled between the demands of asset owners, wider stakeholders and the ambitions of regulators and policy makers. We believe that much of the current debate is focused on articulating problems rather than creating solutions.

Now is an important time to take stock of what is working well and what is working less well. The Investor Forum can draw on its long-term record of delivering practical outcomes and play a pivotal role in facilitating effective collaboration between investors and companies to unite the investment chain to focus on long-term sustainable value creation.

Our Solution

To further enhance connectivity between investors and issuers, in the fourth quarter of 2023, we launched our Best Practice Dialogues series - a concentrated initiative aimed at analysing various conversations between investors and their corporate counterparts to assess the overall health of these relationships, the quality of dialogue, and the effectiveness of information exchange.

Our aim was to create a common understanding of roles and responsibilities, identify best practices, highlight issues that need attention and if possible, identify practical actions and insights to inform and enable effective communication.

We believe that by addressing these concerns and achieving clarity, companies and investors can reduce friction, enabling boards and CEOs to focus both their efforts and their interactions with shareholders on the issue of long-term value creation.

What was our overall approach?

We prioritised four pivotal conversations with key stakeholders and identified a strategic partner to represent the corporate voice.

We interviewed investors and company representatives in each of the workstreams and then, in late November and early December, organised roundtable discussions with each of the four partner organisations. Each roundtable was chaired and facilitated by the Investor Forum with five to eight experienced corporate representatives and five to eight of their investor counterparts. The investors encompassed analysts, portfolio managers, ESG specialists and stewardship experts who came together to see how they could help enhance the quality of dialogue.

We also formed an Advisory Panel of experts from our membership with significant experience and knowledge of both the UK and global markets. This group provided direction at the beginning of the project, sharing their thoughts, insights and experiences of the market which helped to formulate our approach to each of the four dialogues. Many of the Advisory Panel also participated in individual work streams and this group will oversee the project's final output.

In total over 60 individuals participated in the dialogues – representing 25 Member organisations and 28 FTSE350 companies.

How did we approach each individual dialogue?

Our belief is that dialogue is critical to building trust. Trust forms the bedrock of any successful investor-company relationship, underpinning the confidence that investors place in a company's ability to deliver sustained value. From the

Dialogue Focus	Corporate Stakeholder	Strategic Partner
Information	Investor Relations	Investor Relations Society
Accountability	Company Secretariat	Executive committee members of the GC100[7]
Assurance	Audit Committee Chairs	Audit Committee Chairs Independent Forum (ACCIF)
Impact	Chief Sustainability Officers	Accounting for Sustainability (A4S)

[7] The association for the general counsel and company secretaries in the UK FTSE 100

BEST PRACTICE DIALOGUES

investor's perspective, trust is multifaceted, built up from a range of disclosures and questions that must be answered to establish a solid foundation of understanding and awareness.

For each of the Best Practice Dialogues, we openly discussed individual and shared challenges, identified priorities and solutions and showcased best practices in order to support and encourage an alignment between the goals of the company's leadership and the expectations of investors.

For each dialogue we sought to create:

- A common understanding of roles and responsibilities and how that dialogue fits into the broader landscape; and
- Insights to inform and enable effective communications.

Participants have consistently demonstrated a deep passion for their work coupled with a pragmatic approach to addressing challenges. The depth of insights, richness of discussions, and shared commitment to finding solutions was clearly evident.

In the roundtables we explored the issues faced by companies and investors, with the focus on generating actionable solutions, and leveraging the collective expertise and perspectives present.

The overarching goal is to build a future where corporations and investors collaborate seamlessly. Equipped with a deeper understanding of each other's perspectives, we will work with our partners and participants to develop practical tools and principles to improve dialogue.

We will undertake a further round of engagement with participants to review the initial insights that have emerged from the dialogue. Our intention is to create a comprehensive framework, that can enhance trust between investors and corporates by encouraging and enabling informed, consistent, transparent, and collaborative interactions.

In the first quarter of 2024, we plan to share the key findings from each dialogue. These insights will be consolidated into a white paper which will be presented at an event which will bring together corporates and investors. The primary goal is to establish a foundation for enhancing value creation between Chairs/Boards and Investors.

BEST PRACTICE DIALOGUES

Information Dialogue with Investor Relations with the Investor Relations Society

Establishing Confidence in the Investment Proposition

Current state:
Companies need to craft a compelling equity thesis that resonates with investors. This narrative revolves around a well-defined strategy and business model that outlines the company's objectives, competitive advantage, and growth prospects. By effectively communicating these strategic elements, companies can build investor trust and encourage long-term commitment.

Our question:
How can we create a seamless information ecosystem that caters to the needs of both investors and corporates, promoting transparency, trust, and informed decision-making?

Our findings:

- **Expertise** plays a pivotal role in this Dialogue. Companies must demonstrate a high level of expertise in communicating strategic elements to build investor trust and encourage long-term commitment. Integrating expertise into the dialogue shifts the focus towards a more knowledgeable and proficient exchange, further enhancing investor confidence.
- **Strategic Engagement Reimagined:** Balancing engagements focused on value creation with engagements for information is crucial for both corporates and investors. Establishing the right people to speak to and the purpose of each engagement—whether addressing concerns or meeting reporting needs—ensures a more targeted and efficient interaction.
- **Navigating Regulatory Complexities:** Both corporates and investors are grappling with the immense challenge of keeping up with a myriad of regulatory requirements. Establishing a transparent and compelling company narrative becomes paramount to ensure alignment between compliance and communication goals.
- **Holistic integration of sustainability considerations into strategy:** The evolving sustainability landscape demands a more synchronised approach from both corporates and investors. From navigating frameworks and initiatives to addressing long-term risks, a joint commitment to holistic narratives and integrated strategies is essential for creating lasting value and mitigating challenges.

Accountability Dialogue with Company Secretaries from the GC100

The Role of Shareholder Voting in Stewardship

Current state:
Issues frequently arise with the mechanics of voting, the role of proxy agents and the interpretation of voting signals. There is a need for greater clarity around the roles of investors and directors and a reduction in friction in the process to enable an effective exchange of views.

Our question:
How can we refine the framework to ensure timely, accurate, and transparent corporate information, fostering investor and corporate confidence?

Our findings:

- **Consistency** emerges as a crucial theme in this dialogue. Both investors and companies seek to establish consistency in the voting process, emphasising the need for more uniformity in interpretation, execution and feedback.
- **Positive Dialogue:** Investors generally expressed positive sentiments about the dialogue with corporates in the UK market. They recognised value in transparency and governance practices, distinguishing the UK from other markets. However,

BEST PRACTICE DIALOGUES

there was acknowledgment that improvements can be made to enhance the dialogue, as corporate experiences with investors were less positive. The increasing impact of the evolving relationship of asset managers with their clients – asset owners – would need to be considered.

- **Remuneration-Simplification:** Unsurprisingly, investors advocated for a simplification of remuneration packages, with a unanimous message underscoring the necessity for clarity in this domain. Their emphasis was not solely on the reduction of complexity but also on aligning compensation structures with performance metrics and strategic execution. There was a broad concern within the investment community about the complexity and efficacy of executive pay structures, urging reforms that better serve the interests of both investors and companies alike.

- **Strategic Engagement for Tangible Outcomes:** It was agreed by all that efforts should prioritise the purpose of engagement, moving beyond engagement for its own sake. The emphasis should be on enhancing value and tangible outcomes. Increased effectiveness in engagement may involve a wider range of approaches by companies and perhaps even a reduction in the frequency of interactions, allowing a shift towards more profound discussions on topics such as social and environmental issues, where a deeper understanding from both parties will be essential to achieve meaningful results.

Assurance Dialogue with Audit Committee Chairs: with Audit Committee Chairs' Independent Forum ("ACCIF")

Ensuring Robust and Assured Information for All Stakeholders

Current state:
Investors seek robust safeguards to ensure the accuracy and transparency of a company's corporate information. Although much of the FRC's proposed revisions to the UK Corporate Governance Code on audit have been retracted, there is still a need to develop an effective corporate/investor dialogue on audit and assurance.

Our question:
How can we establish a robust framework that instils confidence in the reliability and accuracy of corporate information, benefiting both investors and corporates alike?

Our findings:

- **Integrity** emerged as the linchpin of this Dialogue, underscoring its fundamental role in the audit and assurance processes amid uncertainty. The discussion centred on increasing confidence in the robustness of corporate information through a better understanding of assurance and transparent high-quality dialogues to develop enduring trust for the benefit of investors and corporates.

- **Educating Investors:** The roundtable emphasised the necessity to proactively provide investors with deeper insights into the responsibilities undertaken by Audit Committees and their Chairs. This educational initiative would help to enrich investors' existing knowledge and address key investor issues to foster a more nuanced and comprehensive understanding of these critical functions.

- **Building Investor Confidence:** It was felt that success in illuminating the roles and functions of Audit Committees will set the stage for heightened investor confidence. If actions can be taken to create trust through a transparent and comprehensive understanding, investors will be better equipped to assess the value and reliability of audit and assurance processes now and in the future, establishing a solid foundation for meaningful conversations.

- **Promoting Quality Dialogues:** The desired outcome is not just informed investors but the initiation of high-quality conversations. Audit Committee Chairs (ACCs) are open to being readily available to be held to account. The focus should be to ensure that subsequent dialogues are substantive, meaningful, necessary and relevant, not routine.

BEST PRACTICE DIALOGUES

Impact Dialogue with Accounting for Sustainability (A4S)

Aligning Investor Influence with Corporate Sustainability

Current state:
In the contemporary landscape, companies are expected to demonstrate their commitment to broader sustainability issues and responsible corporate citizenship. This requires the incorporation of sustainability considerations into the investment proposition.

Our question:
How can we better measure, communicate, and align the impact of investments with corporate strategy efforts, benefitting both investors and corporates in pursuing sustainable goals?

Our findings:

- **Accepting the complexity** resulting from rapidly changing regulations, diverse stakeholder expectations, and emerging technical issues is crucial when communicating, analysing and aligning the impact of investments with corporate sustainability efforts. This nuanced approach not only enhances mutual understanding but also supports improved decision-making, contributing to the overall benefit of both investors and corporates in their shared pursuit of sustainable goals.

- **The shift from Aspiration to Action:** Both corporates and investors recognised the need for a practical and action-oriented approach to sustainability. The common thread is the urgency to move beyond philosophical discussions to translate ambitions into tangible actions and impactful outcomes, despite the tsunami of regulation and legislation surrounding sustainability and impacting both corporates and investors alike.

- **The value of Investor influence:** Investors were seen to possess a significant power to drive change, yet there may be an underestimation of their influence. Corporates expressed a desire for investors to be more assertive in their expectations from senior management and boards. The insightful questions posed by investors, especially to leadership figures such as Chairs, CEOs, and CFOs, serve not only to keep sustainability atop the agenda but also act as a litmus test, signaling the importance of sustainability to them.

- **Acknowledging Shared Vulnerability:** Both corporates and investors shared a vulnerability in their pursuit of sustainability, distinguishing it from conventional decision-making. The inherent uncertainty in data quality, the rapid pace of change, capital investment required and the extended time horizons make this pursuit challenging. This acknowledgment creates a different dialogue, necessitating a unique conversation style that enables a deeper understanding and connection between corporates and investors.

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.

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 Forum develops insights gained from engagement activities and seeks to address broader themes which are important to Members. Projects also include efforts to promote well-functioning markets, and wider stakeholder issues.

In 2023 we undertook several 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.

Below we set out the process of our S-360 projects. The approach provides flexibility to address issues in differing degrees of depth, depending on the outcome being sought, while maintaining focus and the clarity of objective.

EDUCATE

New topics regularly emerge where we believe our Four O'clock Forum platform and access to expert speakers can provide value to Members as they seek to learn more and discuss with their peers.

Projects include:

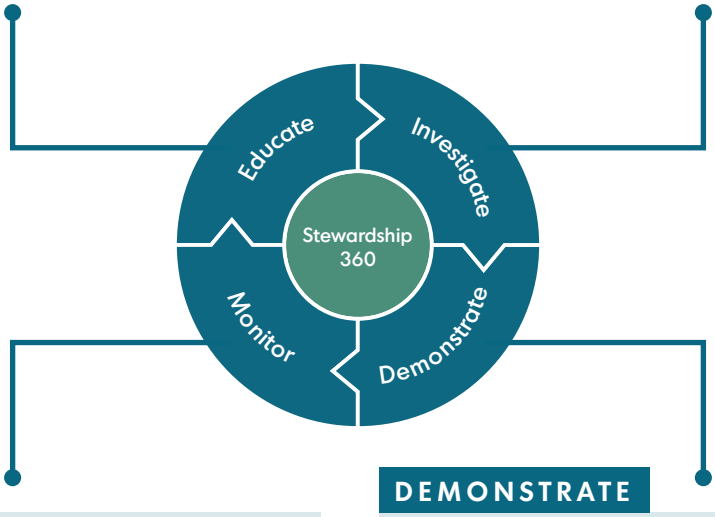
- Climate
- Investment Trust Governance

INVESTIGATE

In these projects, we undertake a series of stakeholder meetings to highlight concerns, inquire into current practice and seek a solution.

Projects include:

- Active Transactions
- Best Practice Dialogues



MONITOR

As the S-360 programme has matured there are several areas where the Forum's developed domain expertise can continue to offer value to Members and the broader market. While we no longer have active objectives related to these projects, we continue to monitor the issues, inform Members and provide expert insight where appropriate.

Projects include:

- Defence
- Plastic Pellets
- Shareblocking
- Working Practices - Modern Slavery

DEMONSTRATE

These projects have produced a tangible output this year, allowing Members to showcase to companies, clients, and regulators how investors are incorporating specific factors into investment decisions.

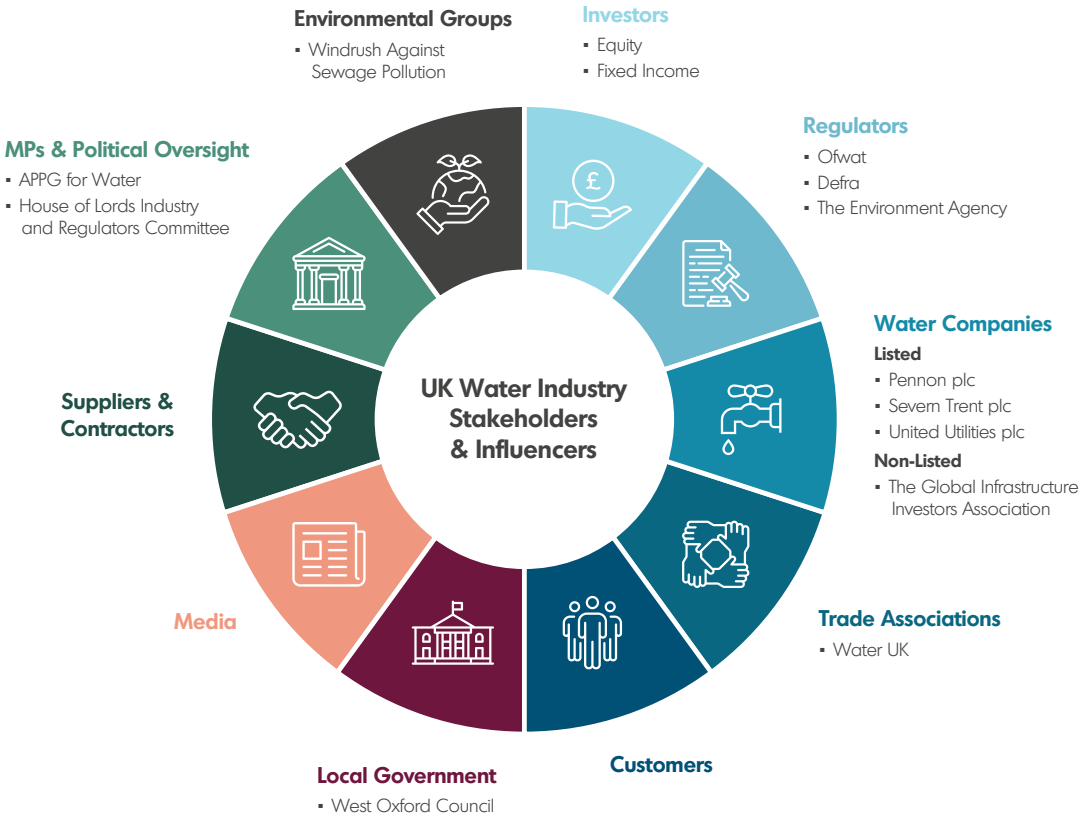
Projects include:

- FTSE 350 AGM Tracker
- Monitoring Proxy Advisors
- Water Usage & Waste

S-360: WATER USAGE AND WASTE

The UK water industry delivers a critical service. It provides essential water and sewerage services to millions of people across the country. It is imperative that the industry operates efficiently, effectively, and sustainably while ensuring financial stability and maintaining the ability to mobilise capital to invest in necessary infrastructure projects.

In 2023 the Investor Forum created a Working Group to focus on the UK Water industry given the complex array of challenges facing the industry. This project is an example of the benefits of combining company-specific and thematic engagement, incorporating the views of both equity and debt holders in listed and unlisted companies.



Background & Objectives

There is an urgent need to fix and upgrade the underlying infrastructure of the industry to effectively tackle the numerous issues the sector faces - pollution, wastage, scarcity and water quality. Despite widespread recognition of the issues and ambitious targets to resolve these, it remains unclear that all stakeholders recognise either the scale or full consequences of the current situation.

A primary challenge for the sector participants is the multifaceted and complex stakeholder landscape with multiple entities influencing decisions, company structures, governance and regulation. The stakeholder wheel above illustrates this and the multiple touchpoints the Working Group has made to build Member understanding and frame our ongoing work. Fixing performance, resilience and future supply is a huge task, and will necessarily require the active involvement of companies, Government and regulators. Given this complexity, the working group set three objectives:

1. Targeted engagement with the listed water companies to better understand the material effects of proposed license changes and the readiness of companies to address future challenges.

2. To work with companies to understand the competing expectations and ensure credible plans are being produced, which shareholders and debt financiers can assess them against.

3. To engage with regulators to demonstrate how investors assess company priorities as well as plans for delivery against their environmental and performance objectives and agreed commitments.

S-360: WATER USAGE AND WASTE

Ofwat's Price Review in October provided a firm date to provide concerns to regulators before issues were further entrenched into companies' forward plans.

Activity & Outcomes

Educate - Over the initial four months, we discussed a range of issues with Members and industry experts, such as Water UK, and sought to frame the key issues which needed to be addressed and the competing priorities of stakeholders and how these were manifested in company actions and outcomes.

Engage - We proceeded to arrange meetings with the Chairs of the three listed water companies to provide an opportunity for the Group to investigate the volume and scope of reported issues and, more importantly, the role that competing regulatory frameworks were playing in directing capital towards essential actions. The insights gained helped investors to better assess risks to the investment case and potential adverse impacts for consumers.

It was evident that the industry's significant and systemic challenges stem not only from companies failing to meet expected standards but also from a regulatory environment that has not established clear, and consistent, long-term objectives to inform and enable the required capital expenditure programs. A potential wave of challenges could permeate the sector, elevating risk premiums and affecting even the most robust companies.

Our interactions with sector participants provided us with valuable insights into the challenges and opportunities that the sector faces. We feel that the sector needs:

- A full appraisal of the scale of investment needed and the likely return required on the capital investment that is required;
- A unified and consistent approach by regulators, to give investors confidence in long-term plans and fair enforcement; and
- A robust reporting framework with consistent and comparable data to give investors and other stakeholders decision-useful information with which to assess performance.

UK water companies compete for capital globally, and there are a wide range of attractive infrastructure investment opportunities worldwide.

Global investors need confidence in the effectiveness and predictability of the regulatory framework in order to make an informed decision to allocate capital. The absence of long-term stability and predictability increases the risk premium that investors attach to the investment opportunities presented to them.

We wrote to the sector's three major regulators, and the All Party Parliamentary Group, to inform them of our concerns. We believe that investors would be well-served by a regulatory and enforcement environment that:

- Takes into account the needs of different stakeholders to achieve a considered, coherent and above all consistent framework; and
- Promotes transparency and seeks to ensure the efficient delivery of agreed services.

To ensure that UK water companies can make a competitive case for funding relative to other global infrastructure opportunities the issues which we have raised require urgent attention - regulators and policy makers can enable a reduction in the risk premium. If they do not, companies may well struggle to attract the finance necessary to deliver, as a sector, on the required investments given the scale of capital which will likely be required.

We believe that a more predictable future pathway needs to be established which will enable investors and the public to retain confidence in the performance assessments and data provided by both companies and the regulators. This would translate into a clear alignment of interests and a reduced risk premium over time.

The insights gained have helped investors to deepen their understanding of the challenges to the industry and a range of company responses. We will use these insights to expand our engagement as needed in 2024. This is a multi-year challenge and further engagement will be required to build confidence in the sector and enable the funding necessary to deliver a restoration of the UK's water infrastructure.

S-360 – Modern Slavery: New Project

Gathering decision-critical human rights data and metrics – addressing modern slavery in the DRC
The Home Office Modern Slavery Innovation Fund has given a grant to a project to understand the level of human rights due diligence possible in fragile contexts. The consortium leading the project asked the Investor Forum to facilitate a roundtable with a group of investors to explore how investors might incorporate data into their decision-making, in order to design in features that will have the most impact.

The Democratic Republic of Congo (DRC) is rich in the resources necessary for the green transition but is prone to modern slavery and other ESG-related risks. Over the next two years, a multi-disciplinary consortium has been formed to work with the DRC's largest business associations, DRC businesses, government, and UK businesses and investors to demonstrate that there is a strong business case for operating without forced labour. Changing these corporate social norms will provide a vital counter to the endemic drivers of forced labour in the DRC. The consortium comprises the UN Global Compact Network UK, Trilateral (a UK-based Ethical AI and research company), Marshalls plc[8], the DRC's Chamber of Commerce and the Provincial Division of Labour and Social Welfare.

The project involves using data science to generate currently unobtained insights on modern slavery in the DRC using a variety of sources. These insights will deliver greater transparency and be presented to stakeholders (businesses/investors) in a manner that enables them to conduct more rigorous due diligence and make better informed decisions around whom to partner with and where/how to invest.

We hosted a roundtable to bring the consortium together with investors and offer firms the opportunity to become involved as part of the investor working group.

The Investor Forum will also be an active part of the consortium's Working Group. We have committed to invite our Members to various events and presentations over the next 18 months to enable a sharing of views between the consortium and the investment community.

S-360 – Modern Slavery: Project Update

In January 2023 we published a toolkit (**Here**) with Themis to assist investors in their due diligence to understand the efforts taken by their investee companies to address Modern Slavery.

The Investor Forum sits on the advisory board of the CCLA Find it, Fix it, Prevent it initiative, which is now led by Dame Sara Thornton, previously the UK's Anti-Slavery Commissioner.

This year, we invited UK anti-slavery charity Unseen to speak to Members at a Four O'clock Forum about recommendations to strengthen the Modern Slavery Act, insights into the weak links in UK business models – particularly logistics and warehousing; and Unseen's 'business and financial hubs'.

We also invited researchers from the Bingham Centre for the Rule of Law and Finance Against Slavery and Trafficking (FAST) to present their report "Accelerating Change: the Potential of Capital Market Actors in Addressing Modern Slavery". The report offers insights, best practice examples, case studies, and five actionable recommendations that Capital Market Actors can adopt to address modern slavery within their value chains and is based on research commissioned by the UK Foreign, Commonwealth and Development Office (FCDO).

[8] Please Note: Marshalls plc does not source from the DRC. The company, a UNGC participant, is working as part of this initiative. Any learnings will be shared more broadly with the private sector and used to inform approaches in other high-risk geographies. Marshalls' engagement is part of its global efforts to develop new effective approaches to eliminate modern slavery. Learnings will also inform UK and international policy on modern slavery and human trafficking.

Project Update: S-360 – Plastic Pellets

In 2020, the Investor Forum facilitated an investor group in co-sponsoring a new standard to address the issue of plastic pellet loss into the environment. BSI PAS 510 was published in July 2021, and the investor group continue to engage to raise awareness and encourage up-take.

In May 2023, the Investor Forum joined Fauna & Flora International (FFI) and the Surfrider Foundation in Brussels to speak to EU Commissioners as they considered next steps in regards to tackling pellet pollution, to present on the investor support that has been mobilised for the creation of an auditable British Standard.

In October, the EU Commission announced that it is proposing measures to prevent microplastic pollution from the unintentional release of plastic pellets. The proposals aim to ensure that all operators handling pellets in the EU take the necessary precautionary measures and act in the following priority order: prevention to avoid any spills of pellets; containment of spilled pellets to make sure they do not pollute the environment; and, as a final option, clean up after a spill or loss event.

The proposal includes best handling practices for operators and mandatory certification and self-declarations. The proposals appear to build on the requirements of PAS 510, and it is possible that certification against PAS 510 will meet the EU requirements, offering a ready-made solution to compliance.

FFI continue to actively engage with regulators, and hope to see the regulations amended to more specifically cover all forms of pellets, provide for a Chain of Custody, and remove the loophole of providing an exemption to companies which sign up to the EU's Eco-Management and Audit Scheme from the certification/self-declaration obligations.

We will continue to monitor developments and act as a conduit between the experts and interested investors.

S-360 Irish Voting Project – Phase 2: Project Update

In 2021/22 the Investor Forum and a Working Group of investors engaged extensively with market participants to address the issue of shareblocking in the Irish market which had emerged following the change of Central Securities Depository.

In general, the 2023 Irish AGM season went well, with no unexpected issues arising around shareblocking. Where companies decided to go ahead with a 'Tuesday meeting', the consequences were understood. (For example, Bank of Ireland Group plc had their meeting on a Tuesday and as a result the shares were blocked – and the voting turnout at the 2023 meeting was 22% compared to 69% in 2022 when the meeting was not held on a Tuesday.)

That said, in 2023, it has emerged that settlement banks had stopped passing on beneficial owner information to issuers, even where it had been provided by investors. As a result, issuers saw a significant and concerning drop in transparency.

Euroclear asked the Investor Forum for investor support in engaging with relevant stakeholders to order to find a solution that is in the spirit of SRD II.

The Investor Forum has sent a letter to the Association for Financial Markets in Europe, inviting a discussion on what action can be taken to reinstate the transmission of true beneficial ownership information whist respecting the EU Member State law. We will continue to engage on this topic in 2024.

S-360 – Investing in the Defence Sector: Project Update

In 2022 we formed a Working Group to reflect on the complex issues surrounding the Defence sector and created a framework which each investor can use when evaluating their approach to investing in the defence sector. We used the Investor Forum/LBS Sustainable Shareholder Value Model to help identify and address the competing demands which stakeholders expect investors to prioritise in their stewardship activities, and the role of ESG in investment decisions around the aerospace and defence sector.

Geopolitical uncertainties remain at heightened levels in 2023, and the continued call for a strong deterrent capability in light of the conflict in Ukraine has made European governments re-evaluate their investment in their country's defence capabilities.

In the UK, the Ministry of Defence is investigating the impact of financial services on the robustness of the sector, after several defence companies claimed they were being penalised by financial service providers, expressing concerns which ranged from facing more expensive financing, to withdrawal of facilities, or being charged higher insurance rates. The Defence Procurement Minister is leading discussions with ADS Group, the trade body representing 1,200 companies in the aerospace, defence and security sectors, to understand better the extent to which banks' and investors' ESG rules "undermine" defence businesses, given fears this could jeopardise national security.

With an increased focus on investors and the impact of 'ESG', we arranged two events:

- **Rupert Soames**, in his role as former CEO of Serco plc, sought to address a number of the ESG issues embedded in the relationship between the defence and financial communities. He discussed the challenges for companies in navigating the different stakeholder needs when considering decisions for defence companies.
- **Kevin Craven**, the CEO of ADS Group, joined us for a discussion on the relationship between the defence sector and the financial services sector.

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 approach, 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 2023, we focused on the following issues:

- AGM resolutions tracker (page 40) – monitoring outcomes and offering an escalation option for unresolved issues;
- Engagement with a proxy adviser (page 41) – proving constructive, collective client feedback to reduce friction in the proxy advisory system
- Active transactions (page 42) – we have worked 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.

FRC Corporate Governance Code

The Forum responded to the FRC's public consultation on proposed revisions to the Corporate Governance Code. We suggested that the FRC should:

- Encourage best practice, rather reinforce the perception of 'comply or else';
- Ensure that the Code promotes well-functioning markets;
- Recognise the unintended consequence that can arise from 'outcomes'-focused reporting;
- Prioritise material and effective investor/issuer dialogue.

In addition to making a submission we engaged with FRC leadership to reinforce the importance of adopting a proportionate response. We welcomed the subsequent announcement that changes would be limited to those which streamline and reduce duplication associated with the Code, and those relating to internal controls.

S-360: VOTING IN PRACTICE

Voting is a fundamental shareholder right and an essential element in the stewardship toolkit. With an increasing focus on shareholder voting by asset owners and civil society as well as the frustrations raised by Chairs of UK companies in 2022, we closely monitored the 2023 UK AGM season for FTSE 350 companies (ex investment trusts), regularly publishing a 'Resolutions Tracker'.

The 2023 voting season was relatively subdued with fewer shareholder resolutions compared to 2022. For the first time in seven years, executive remuneration was not the most contentious issue, rather disapplication of pre-emption rights votes was the issue that attracted the most investor attention in 2023.

Investor support for UK companies was overwhelmingly positive with more than 80% of companies receiving strong support (i.e. no resolutions receiving 20%+ votes against):

- 106 resolutions at 54 companies, out of the more than 5,700 proposed, saw votes of more than 20% against.
- 90% of '20%+ votes against' related to issues of remuneration, capital raising powers and individual Director re-elections.

There is much frustration at companies and with investors about how the voting system works, but in aggregate the data suggests a good degree of alignment between investors and companies and an appropriate level of challenge and scrutiny. While the 20% threshold requires additional consultation under the Corporate Governance Code, we found that in the majority of such cases the companies were already well aware of the issues and there was little value from the additional round of shareholder meetings. In a very small number of cases meaningful follow-up engagement was required which did result in action to address the concerns which had led to significant votes against.

Throughout the season, the Investor Forum discussed voting trends and results with our members and we detected only limited appetite for further escalation. In September 2023, we reviewed voting outcomes for the main AGM season with Members and identified a small cohort of ten companies where there had been '20%+ votes against' where we felt further follow up might be useful. In 80% of cases no further action was needed and in two situations we worked with companies and investors to help ensure a clear understanding of the issues and to provide an opportunity to ensure clarity and address any outstanding concerns.

Given the concerns over how the voting system works, at both companies and investors, we included this issue within our Best Practice Dialogue Series, bringing Governance Professionals and Company Secretaries together to discuss practical steps that could be taken to enhance understanding improve outcomes.

	CUMULATIVE FTSE 350 AGM VOTES (1/1/23 - 31/12/23)			
VOTES AGAINST	10-20% Potential Emerging issues	20-50% Public Register	50%+ Failed Votes	TOTAL
Capital Related	98	31	5	134
Director Votes	97	26	1	124
Remuneration	60	33	2	95
Meeting Technicalities	15	4		19
Shareholder Resolution	3	4		7
TOTAL	273	98	8	379

S-360: ENGAGEMENT WITH PROXY ADVISER

Proxy advisory firms provide an important service within the investor stewardship ecosystem. It is vital that proxy research is accurate and of high quality, that recommendations are consistent, independent and based on transparent, objective policy positions and that the research is delivered to clients in a timely manner.

In 2023, the Investor Forum was asked to collate views from investors who were clients of one of the proxy advisory firms and engage with the firm's senior management. We were cognisant that the role and impact of proxy advisors are under intense scrutiny in a number of jurisdictions. However, the intention of this initiative was to enable a group of investors to provide constructive feedback in the context of the customer/service provider relationship in order to enhance the value of the inputs into their stewardship activities and reduce the day-to-day friction that investors experience when using the proxy research service.

We formed a Working Group of 23 institutional investors, including two non-Investor Forum members.

The investors in the Working Group used the proxy firm's services in a range of ways – from exclusive use of the benchmark policy, to off-the-shelf additional modules, to fully customised policies. While the participants use proxy agents to inform voting decisions, all of the Working Group members maintained full discretion on the votes cast. No investor we spoke to automatically followed all their proxy advisor recommendations without further review.

This project led to a constructive engagement with the proxy adviser and provided participants with an effective tool to monitor their service provider, as required under Principle 8 of the Stewardship Code.

It has been suggested that we make this an annual exercise to enhance accountability and provide a mechanism to escalate concerns.

5 Key Issues:

1. **Consistency -** The investors generally wanted to apply policies consistently across stocks held in global portfolios. While accepting differing market norms on some issues, it was felt that proxy advisors should work towards having more consistent positions - within sectors, across countries, and within individual countries.

2. **Company engagement -** Companies often complain to investors about their lack of engagement with the proxy advisers, and the approach that is taken in expressing their recommendations. Investors, while aware of the limited timescales involved, welcomed seeing a company response to issues raised, and expressed a view that a more constructive relationship between proxy agents and the corporate community would be beneficial for the market.

3. **Innovation -** Many felt that proxy agents need to do more to evolve with market views – especially around the approach to climate. There is a desire from many investors to partner with their service providers to drive positive change at companies and establish certain minimum standards on a global basis. Navigating the conflicting expectations within the client base presents a clear challenge for proxy advisers.

4. **Support for a Net Zero-aligned policy –** Many investors expressed a desire for research to assist in the move to align stewardship to commitments to a net zero pathway, either through increased integration of climate considerations into the benchmark policy or for proxy firms to initiate a specialty Net Zero-aligned policy, informed by expert research.

5. **Impact of 'voting choice' -** Some investors were concerned that 'pass through voting' would mean that asset owner clients would pick an 'off-the-shelf' proxy agent policy and instruct the investment manager to follow this blindly, with no oversight or discretion. This would ultimately give proxy agents more power and amplify the consequence of errors. This trend could risk giving the proxy agents the actual influence that some observers accuse them of having currently – i.e. defining the outcome of voting through their recommendations.

S-360: FCA ENGAGEMENT ON MARKET ABUSE REGULATION

Investor Forum Engagement with FCA on Market Abuse Regime

Since 2022, the Forum has been working with our Legal Panel on the Market Abuse Regime (MAR) and investor engagement in Active Transactions. We have had an open dialogue with the FCA, including in a meeting with Working Group members and Legal Panel experts and through correspondence.

Objectives
The primary purpose was to ensure the FCA was aware of Member concerns regarding communications in the context of bid situations, and also broader strategic engagement, due to a perception of issues around the scope and application of the Market Abuse Regulation, which some members believe may impede them in fulfilling their stewardship obligations. The conversations fundamentally centred around two questions:

1. Can further clarity be provided regarding the application of UK MAR to discussions among investors regarding specific issuers, and if so, in what form?

2. If investors were to generate inside information in discussions regarding an issuer, could they publicly disclose that information, including outside of a takeover situation?

Outcomes
In December 2023, the FCA published Primary Market Bulletin 46 'Article 10 UK MAR and ESG stewardship' which provided an update on MAR-related issues and which addressed some of the areas where we had sought clarification.

While there is little new news in the Bulletin, there is a helpful reiteration of the implications of MAR together with a consolidated history of previous clarifications by the FCA and forerunner organisations.

In particular, the Bulletin states:

'Our regulatory requirements should also not prevent collective engagement by institutional shareholders designed to raise legitimate concerns on particular corporate issues, events or matters of governance with the management of investee companies. This includes matters related to ESG considerations.

In support of this, we would also draw attention to Recital 19 to UK MAR which states that: 'This Regulation is not intended to prohibit discussions of a general nature regarding the business and market developments between shareholders and management concerning an issuer. Such relationships are essential for the efficient functioning of markets and should not be prohibited by this Regulation.'

Conclusion
We believe this reiteration underpins the work that the Investor Forum has done to create an effective Collective Engagement Framework and should give comfort to Members that collective engagement is a legitimate activity, notwithstanding the current range of concerns.

Indeed with the FCA's proposed revisions to listing rules, and the likely impact on investor rights, the value of collective engagement will likely be significantly increased.

GOVERNANCE AND OPERATIONAL REVIEW

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

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 Forum wishes to promote a Board which has:

- Broad range of industry perspectives
- An appropriate balance of views, skills, knowledge and experience and tenure; and
- Diversity of gender and ethnicity.

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. Due to changes in individual Director's professional circumstances, there are currently fewer Member Directors than in previous years. The Board remains confident that the Member perspective is heard and considered, including through individual meetings that the Chair and Executive Director have held with senior leaders at Member firms.

During 2023, 1 new Director was appointed, and 4 Directors stepped down from the Board. Figure 1 on page 47 highlights the range of skills that directors bring to the Board and profiles for each director.

2023 was a year of strategic transition for the Investor Forum as the Board considered the evolving landscape and the opportunity to create the Investor and Issuer Forum (see page 11). As such, further Board appointments are expected in 2024 to support the organisation should it seek to expand its role following consultation with Members and industry leaders from the issuer community.

During 2023, 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 monitors the outside directorships and broader commitments of the Non-Executive Directors. The Committee formally met twice during 2023. The NARC has been active in preparing for the succession of the Executive Director, and appointed an executive search firm and agreed the candidate profile during the year.
- 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 2023.
- From October 1st 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.

INTERNAL RESOURCES

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 Senior Advisor joined the team to develop the Best Practice Dialogues between Companies and Investors.

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, five are investment professionals, each with over 20 years' industry experience, and 50% of the team are female.

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).

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. Remuneration details for the paid Directors are detailed in the Investor Forum CIC Report and Accounts for the year ended September 2023.

Variable compensation across the team represented 1% of gross salaries in FY 2023.

The topic of stewardship and effective engagement is arguably more important today than it has ever been. At the heart of good engagement is a clear understanding of the most material drivers of medium and long-term value, the link between strategy and the impact on financial returns. As the investment management industry continues its focus on sustainability and in general, the scope of what is asked of investee companies increases, we need to ensure we maintain the focus on the role and benefits of quality engagement. Dedicated, active managers such as Artemis can play a key role, as our focussed teams anchor their investment processes around a constructive relationship with companies, in many cases owning them through periods of leadership change and strategic evolution. From a sustainability perspective, we believe that engagement is a key channel through which investors can contribute to real-world positive outcomes and this is often through well-structured, collective efforts, an area which the Investor Forum excels.

Paras Anand
Chief Investment Officer, Artemis
Director since December 2023

THE BOARD

Michael McLintock[1] | 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, a member of the Takeover Appeal Board and a Member of the MCC Committee. He was a Director of Close Brothers Group from 2001-2008.

Andy Griffiths | Sep 2014

Andy has 30 years of international investment experience as a top-rated investment professional at Capital Group and M&G. He was also an Operating Partner with Corsair Capital. Throughout his career, Andy has been responsible for financial sector investments and has consistently ranked among the leading equity investors in Europe. Andy is a Visiting Professor in Practice at the Grantham Research Institute (LSE), a former Fullbright Commissioner and a trustee of the MOE Foundation.

Paras Anand | Dec 2023

Paras is Chief Investment Officer at Artemis Investment Management. Before joining Artemis in 2022, Paras was CIO for all asset classes and functions across the Asia-Pacific region at Fidelity, based in Singapore, where he led the group's strategy on sustainability and was global sponsor for cultural diversity. Prior to that he held a number of senior fund management roles in London and New York including Head of European Equities at F&C Investments.

Ruth Beechey | Mar 2022

Until September 2023, Ruth was Chief of Staff at UBS Global Asset Management UK. As a qualified lawyer, her previous roles include being Legal Counsel at UBS and Morgan Grenfell. She has over 25 years in the financial services industry, working at Birmingham Midshires Building Society before moving to the investment industry. Ruth was a company-nominated Trustee Director of the UBS Pension and Life Assurance Scheme.

Alex Edmans | May 2022

Alex is Professor of Finance at London Business School, focusing on corporate governance, responsible business and behavioural finance. Alex is a Director of the American Finance Association and Financial Management Association, and a member of Royal London Asset Management's Responsible Investment Advisory Committee. He is the author of "Grow the Pie: How Great Companies Deliver Both Purpose and Profit" and "Principles of Corporate Finance" with Brealey, Myers, and Allen.

Sir Peter Gershon[2] | 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.

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

**Appointment date*

THE BOARD

Andrew Millington | Dec 2020

Andrew is Global Head of Equity Research and Investment Process at abrdn. Andrew was previously Head of UK Equities at ASI, after starting his career at Baillie Gifford. He is a Trustee of Cattanach, a Scottish grant making charity, and 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 Senior Adviser at Citi and 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/Citi and was on the board of both British Land Company plc and 3i Group plc.

Chantal Waight[3] | Dec 2020

Chantal is Managing Director, Group Risk at Athora. 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.

Figure 1: Director Attributes

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

**Appointment date*

INTERNAL RESOURCES AND POLICIES

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 eighth 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 2023, membership revenues (from 55 members) were £1,105k and the company recorded a surplus of £33k 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.

The Forum seeks to accumulate a reserve to help manage the natural variability of income and expenditure or any significant one-off costs, which should not exceed a maximum of 50% of annual operating costs. At year end, the Forum has accumulated reserves equivalent to 4.7 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;
- 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 2023 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 OOC reviewed and approved an updated Compliance Handbook for Employees and Associates. The OOC also reviewed the Operating Reserves Policy and the Conflicts of Interest Policy and recommended to the Board that no changes were required.

PARTNERSHIPS AND LEGAL PANEL

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.

The Investor Forum supports a range of activities promoted by ICGN and is a member of the Global Network of Investor Associations (GNIA). The executive team took part in the ICGN 2023 Proxy Season Review. During 2023 the Forum liaised with the ICGN team to address the issue of share blocking in the Norwegian market.

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.

In 2023, the Legal Panel hosted two legal masterclasses for Members, and kept the executive team updated on significant developments in regulation and legislation affecting stewardship.

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

Davis Polk MACFARLANES Skadden Hogan Lovells GIBSON DUNN

INVESTOR FORUM DEVELOPMENT PROGRAMME

The Forum launched the 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 propose individuals from their firms to participate in the programme which aims to support and inspire individuals to 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.

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

The fourth programme was made up of 10 individuals who worked in two teams to research their selected topics, on ESG data and nature risks, over the nine week course.

Fourth Cohort with IFDP ambassador Lindsey Stewart

We would like to thank the Expert Speakers:

- Habib Annous - former Capital International portfolio manager; Hammerson plc NED
- Arabella Ellis – Chief Commercial Officer, Jyre
- Lindsey Stewart, Director of Investment Stewardship Research, Morningstar UK
- Saima Yarrow – Head of LNG MiQ, Envision Board member

We were delighted to welcome Paras Anand, the CIO of Artemis, to speak at our first IFDP alumni event in September where he met with members of previous cohorts and spoke about various defining moments in his career and how he navigated challenges.

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.

COLLECTIVE ENGAGEMENT FRAMEWORK

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

The Framework has been specifically designed to take into account:

- The need to safeguard against dissemination and creation of inside information, inadvertently or otherwise;
- The creation of concert parties under the City Code or triggering group filing requirements under Section 13 of the U.S. Securities Exchange Act;
- The creation of concert parties or acquisition of control of, including by exercising a controlling influence over, any Company under the U.S. Bank Holding Company Act of 1956; and
- Competition law, 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 31st December 2023 there were 55 full Members and a list is given on page 2.

In 2023 we were pleased to welcome 4 new Full Members. 3 firms ceased to be a Members.

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.

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

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 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 were 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.

The second winner of the award was Michael Marshall, Head of Sustainable Ownership at Railpen. Michael has been instrumental in driving the Sustainable Ownership team at Railpen, integrating effective stewardship into the investment processes. He focuses on areas where there is the opportunity to create systemic change, working cross-industry. His team value his supportive leadership approach, and the judging panel felt his style of providing both the freedom for creativity and innovation, as well as guidance and direction, was very much in line with the spirit of the Award.

The judging panel also 'highly commended' Kimon Demetriades, ESG Analyst at Allianz Global Investors. Kimon has made significant contributions to a number of Investor Forum Working Groups, including on Plastic pellets, Active transactions, and Irish Voting, and is generous in sharing his insights and feedback to promote better outcomes. The panel recognised the energy that Kimon brings to his stewardship work, and the respect he has from various teams within his firm.

The winner will be announced at our Annual Review event in January 2024.

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)
P1. Purpose, strategy and culture Becoming a Member of the Investor Forum, and participating in Forum engagements and S-360 activities, provides evidence of actions to enable effective stewardship. Membership of the Forum demonstrates commitment to, and 'implementation of a policy to undertake', collective engagement as part of stewardship activity.	Purpose, Objectives and Key Activities; Activities Review	5, 18 - 42
P2. Governance, resources and incentives Forum membership demonstrates a commitment to contribute to the investment industry's collective resource for stewardship activities. The Forum's Collective Engagement Framework provides a structure and process to conducting engagements in an efficient and effective way.	Governance and Operations Review	44 - 49
P3. Conflicts of interest The Forum's structures and membership requirements allow Members to manage actual and potential conflicts of interest relating to engagement activity. The Forum's own Conflicts of Interests Policy documents how conflicts are managed with respect to the Directors, Employees and Associates, the Legal Panel and in collective engagement activity.	Managing Conflicts; Membership	48, 52
P4. Promoting well-functioning markets The Forum is a 'relevant industry initiative' in which Members participate. Members opt into Collective Engagements, projects and other activities which are Member-initiated. The Forum has enabled Members to join a multi-stakeholder approach to explore issues such as working practices engaging around active transactions and proxy advisers.	Promoting Well-Functioning Markets;	39 - 42
P5. Review and assurance Members receive annual statements evidencing their participation in all Forum activities.	Membership	52
P6. Client and Beneficiary needs	N/A	N/A
P7. Stewardship, investment and ESG integration Forum engagements and S-360 projects typically involve integration of investment considerations and stewardship, including material ESG issues. Insights on material issues gained from the Forum's collective engagement activity, company meetings and S-360 projects can be used by Members to inform investment decisions.	Key Activities Review	18 - 42
P8. Monitoring managers and service providers The Forum enabled Members to engage with a proxy agent in a S-360 project this year, to give collective feedback on investor concerns and priorities.	S-360	41
P9. Engagement Forum membership demonstrates a commitment to engagement. The Forum reports on completed Engagements, including the basis of selection, engagement objectives, methods; outcomes and lessons learned.	Collective Engagement Report	18 - 23
P10. Collaboration Forum membership allows Members to participate in collaborative engagement to influence issuers. Participation in Forum engagements and S-360 projects provide evidence of engagement activity and outcomes on both company specific issues and thematic issues. The Forum reports on completed Engagements, including outcomes, to assist Members' in their own reporting and to demonstrate to other stakeholders the scale of investor engagement.	Key Activities Review	18 - 42
P11. Escalation Initiation of, and active participation in, Forum engagements and S-360 projects provides evidence of escalation by Members. Our reporting on Engagement and S-360 activities provides evidence of outcomes.	Key Activities Review	18 - 42
P12. Exercising rights and responsibilities The Forum's project on Voting at Irish Companies and Engaging in Bid Situations helped members ensure the effective exercise of their voting rights.		40 - 42

INVESTOR FORUM TEAM

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

THE INVESTOR FORUM

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