



2024 Annual Report



THE INVESTOR
FORUM

21st January 2025

www.investorforum.org.uk

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 the 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 strategically help to bridge the gaps that arise within the market, uniting companies and investors, to 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 and listen to investor concerns and present these to boards in a comprehensive and consistent manner, fostering nuanced and informed dialogue.

What ARE THE OUTCOMES?

The outcomes of our activity 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

21st January 2025

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Our Members

abrdn

EGON
Asset Management

Allianz
Global Investors

ARTEMIS
The Profit Hunter

AVIVA
INVESTORS

BAILLIE GIFFORD

UNIVERSITY OF CAMBRIDGE
Cambridge University
Endowment Fund

CAPITAL GROUP®



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

OP
Oldfield Partners

OU endowment management

OWNERSHIP CAPITAL
Long-Horizon Investing

PIC

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.Rowe Price
INVEST WITH CONFIDENCE

The Health Foundation

TRIUM CAPITAL

TROY
ASSET MANAGEMENT

USS

W
wellcome

WESLEYAN
we are all about you

Key Messages

WE PROVIDE AN ESSENTIAL STEWARDSHIP CAPABILITY

through tailored company meetings and a commitment to engaging in constructive dialogue. Our ten-year track record, across an evolving stewardship landscape, demonstrates the value and adaptability of our approach. 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.

- *To read more about the importance of engagement and stewardship, see the Collective Engagement Report.*
- *To explore the impact that we bring to the market, refer to the CEO's Review*

WE DELIVER SOLUTIONS FOCUSED OUTCOMES

and bring investors together, forming expert working groups to address thematic issues or to tackle market challenges through our Stewardship 360 projects. We provide a forum for investors and corporates to resolve 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.*

WE WILL HARNESS THE POWER OF MARKET PRACTITIONERS TO ENHANCE THE EFFECTIVENESS OF UK MARKETS

through our work as Secretariat to the Investor & Issuer Forum. This new initiative has clear focus on sustainable value creation, building strong and productive relationships to reduce friction across the investment chain.

- *To learn about the I&IF, read pages 26 and 27*

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

supported by over 50 institutional investors, and staffed by experienced practitioners. We are focussed on long-term sustainable value creation as being 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.*

Chair's Introduction

Michael McIntock

Chair

21st January 2025



2024 was a significant year in the Investor Forum's development.

Andy Griffiths left the forum in August after 10 years. I paid tribute to Andy in last year's review, but I would again like to record here the Board's gratitude for the outstanding job Andy did as Executive Director. He is much missed as a colleague.

In September we welcomed Chris Kinder as Andy's successor. With his background as a UK equity fund manager with a network of contacts across the London market, Chris has hit the ground running. In a short period of time, he has met with the large majority of the Forum's members, exchanging ideas and listening to views. High on Chris's list of priorities is the development of new income streams to bolster the Investor Forum's revenue base.

In last year's review both Andy and I wrote of the malaise surrounding the UK equity market and of the possible metamorphosis of the Investor Forum into the Investor & Issuer Forum, the aim being to bring together senior representatives from the investment and corporate worlds to work together to try and reduce points of friction in the London equity market.

This plan altered through the year. The Investor Forum has retained its identity as a dedicated stewardship and engagement vehicle owned by the fund management industry, and a separate entity, the Investor & Issuer Forum, now exists with the wider objective of bringing together the corporate and investment worlds as described

above. The Investor & Issuer Forum has been formed as an initiative within the Investor Forum, supported in its work by some members of the Investor Forum executive. It has its own independent governance structure from a cross-industry Steering Committee and receives a contribution towards its expenses from the London Stock Exchange.

The Investor Forum continues in its critical work of enabling collective engagement with specific companies. Whilst formal activity in this respect appears low in 2024, there has been an increase in the number of company group meetings which allow investors to 'engage for insight' and provide an efficient platform for boards to speak with shareholders from across their register.

We have had the objective of orientating the Investor Forum Board more closely towards its membership, and it is with pleasure that I can report the appointment of Elena Bignami, Matt Brazier, Rupert Krefting, Kim Lewis, Valeria Piani, John Teahan and Justin Thompson representing respectively Man Group, Invesco, M&G, Schroders, Phoenix Group, Redwheel and T Rowe Price. These appointments took effect from December and I look forward to the contribution of each of these individuals. The new Directors have shared some thoughts throughout this report.

Luba Nikulina and Chantal Waight, have each asked to step down from the Board; they have been interesting and thoughtful colleagues who have given good service to the Forum, and they leave with our thanks and best wishes.

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 page 30)

- Operating the Forum's Collective Engagement Framework to escalate material issues with the Boards of UK companies; and
- convening meetings to increase shareholder insight and understanding of company issues.

Stewardship 360

(Read more on page 44)

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

Facilitate Dialogue

(Read more on page 42)

- Bringing together parties from across the investment chain
- Create opportunities for Members to gain practical insights from experts on key issues

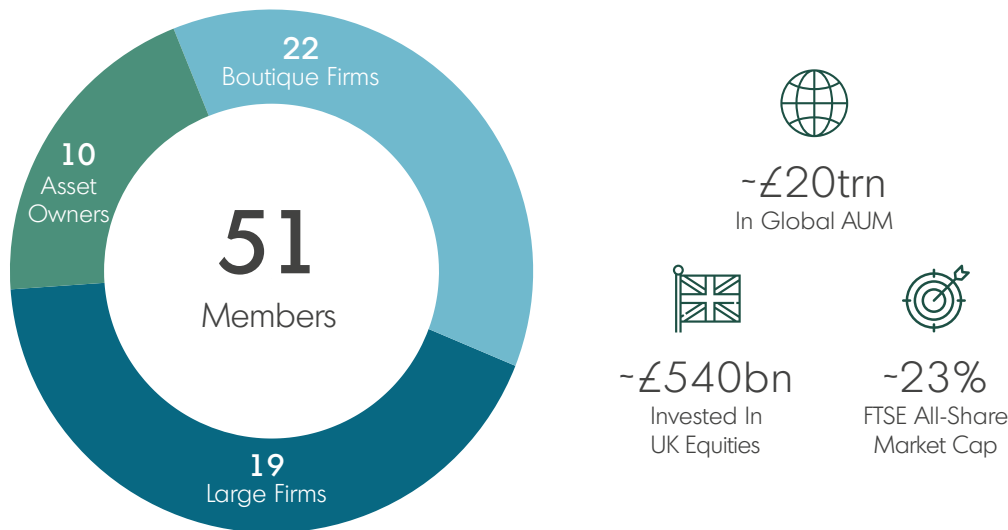
Secretariat to the Investor & Issuer Forum

(Read more on page 26)

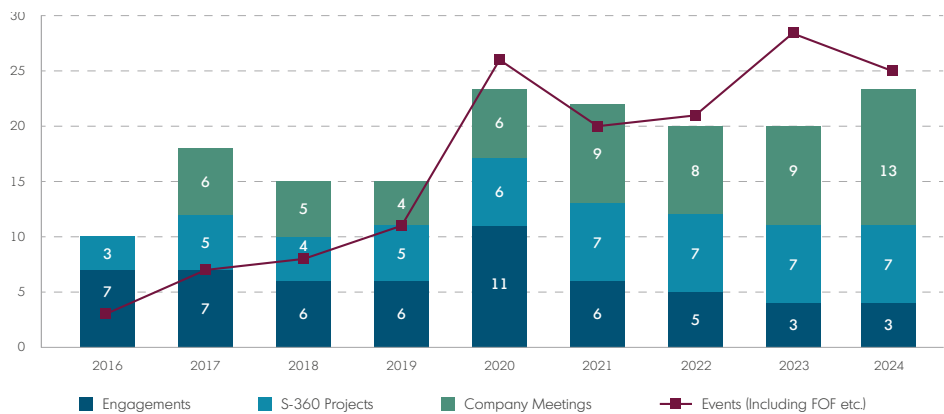
- Enhance the effectiveness of the UK equity markets by enabling constructive dialogue and delivering practical steps that lead to market improvements

Forum Snapshot

MEMBERSHIP



ACTIVITY SINCE INCEPTION

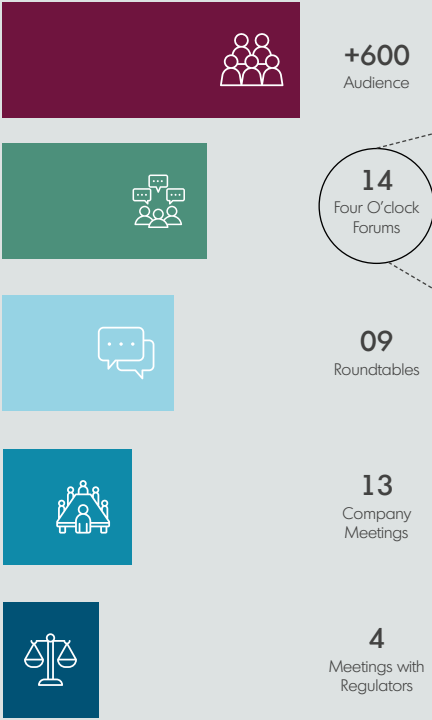


2024 COLLECTIVE ENGAGEMENT DASHBOARD

	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
Hargreaves Lansdown	Transaction Oversight					✓			
Hipgnosis	Strategic Direction	✓				✓			
Vistry (Phase 2)	Board Effectiveness		✓		✓				

Activity Snapshot

EVENTS 2024



FOUR O'CLOCK FORUMS 2024



MAJOR S-360 PROJECT



» [Read more](#)

LAUNCHED



CEO Review

Chris Kinder

CEO

21st January 2025



As a 20-year veteran of the UK stock market, I was delighted when asked to take on the role of CEO of the Investor Forum following Andy's departure. I have always felt that the Investor Forum occupies a unique position at the heart of institutional investor stewardship activities, and it is a real honour for me to be able to work alongside our Members in the shared pursuit of long term value creation.

Reflecting on my first few months I am happy to report that my initial impressions have been confirmed and I know I have joined a systemically important institution at a fascinating point in the evolution of the UK Equity Market.

A TIME OF CHANGE

My overwhelming sense is that now is a time of significant change. The UK has a new government with a narrative in support of growth, the regulatory regime is evolving, there is an agenda for change within the UK pension fund industry and many feel that our stock market is full of opportunity. Whilst there are issues to address with all of the above, my personal perception is that we are on the path to developing a new, more constructive environment in support of the UK investment ecosystem. At the micro level, we also have a real opportunity to reset and improve relationships throughout the investment chain.

Over the last few years, the Investor Forum has consistently made the case that effective stewardship needs to evolve – it seems clear that there has been too much focus on evidencing how investors hold companies to account and too

little focus on the more constructive elements of engagement. In 2024, we published our “Shaping Tomorrow’s Dialogues” paper in an attempt to encourage improved relationships between companies and investors – the details of which are presented on pages 20-25.

IMPROVING RELATIONSHIPS

This need to improve relationships throughout the investment chain is at the heart of the development of the Investor & Issuer Forum. We, and many others, believe that there is a requirement for an independent intermediary to work alongside market participants to address areas of friction in the market and deliver clear insights into how stakeholders can work together more effectively to improve outcomes for all. The history of the Investor Forum - as an independent organisation that enhances market effectiveness through improved dialogue - uniquely enables us to fulfil the role of Secretariat to the I&IF. More details on the development of the Investor & Issuer Forum are available on pages 26-27.

THE WORK OF THE INVESTOR FORUM

It is important to emphasise the point that our work in support of the I&IF in no way distracts the Investor Forum from its role as a trusted venue for collective engagement between companies and their shareholders. The key message that I have been communicating to our Members is that our position as part of their engagement toolkit remains as important as ever and we remain uncompromised in our ability to work on their behalf. I have been encouraged by the respect in which the team at

the Forum is held and it is clear to me that both the quality and integrity of our work is hugely valued and that the Collective Engagement Framework ensures that our work can be conducted in a discreet and secure way. My aim is for us to be as easy to work with as possible, to be alert to Member needs and to be trusted to support high-quality engagements in response to any situation. I am in no doubt as to the willingness to engage within our Membership and the number of companies who want and need a richer dialogue with their shareholders – we are here to assist in that process and my key message is that we stand ready to help whenever we are called upon.

We will also continue to deliver our Stewardship 360 projects - where our work on the challenges within the water sector has proved to be timely and insightful - and we will continue to act as a crucial link between the investment community and the authorities as the regulation of the stewardship ecosystem continues to evolve. Our IF Development Program is also greatly valued by Members, and we are delighted to continue to support its ethnic minority participants as they develop their careers in the investment industry.

In 2025 we will look to support our Members and the corporate community in new ways.

In response to the insights from our [Shaping Tomorrow's Dialogues](#) initiative we are planning to host a series of "Investor Showcases", in collaboration with the Investor Relations Society, to improve transparency and communication between investors and companies. We understand that companies can sometimes find institutional decision-making opaque and confusing, so these sessions will be designed to give investors the opportunity to set out the roles of the investment, research, voting and stewardship functions, clarify their use of proxy research and ESG ratings, and share insights into differing client demands. This will help companies understand the investor perspective and better appreciate the need for high quality reporting and targeted communication, which in turn should lead to higher quality dialogue in the future.

We will also launch our 'Board Dialogue Service' which will offer the opportunities for Board members to interact with the full breadth of our membership on matters of strategy, execution and governance.

OPTIMISM REGARDING THE UK MARKET

As part of my member engagement meetings, there has been one overarching message from the UK active management community that has emerged: one of optimism about future portfolio returns from UK equities. This optimism is not necessarily tied to a favourable view of the new UK government, although many hope for greater stability and clarity. Nor is it based on overly positive economic forecasts, significant changes in long-term interest rates, or reduced geopolitical volatility—though these factors are perhaps within the range of outcomes. Instead, this optimism stems from a deep confidence in the intrinsic value they see in their portfolio companies. Contrary to some commentators, I do not sense that the UK market is 'broken'. There are numerous high quality domestic and global companies available at reasonable prices and many deep value opportunities in less popular market segments.

So, what fuels this hope and conviction on the part of UK investors? The answer lies in the sheer volume of external, non-traditional capital flowing into the UK market, paying significant premiums over prevailing market prices. Fund managers are questioning what private equity, sovereign wealth funds, global pension funds, high net worth individuals, and a broad range of global corporates can see that traditional domestic investors can not. It is also noteworthy that the investor community is increasingly confident in rejecting opportunistic bids where the premium is deemed insufficient to capture the long-term potential of the underlying investment—the failed bid for Rightmove being a prime example.

ALLOCATING TO THE UK

It is clear, however, that this bottom-up optimism is not – as yet – widely shared from the top-down perspective. Despite the robust arguments made in favour of the UK market around attractive valuations, diversification and low levels of correlation, the market remains plagued by consistent outflows from UK focused funds. We have now witnessed an extraordinary period of consecutive outflows, which, coupled with relentless buybacks and the persistent M&A noted above, is causing an accelerated shrinkage of the pool of listed UK equities. These outflows are also having the secondary effect of creating the need for portfolio managers to remain relatively liquid. Inevitably, this constrains the ability to invest down the market cap scale into mid and small

companies and also reduces the duration of the risks that the managers are able to take. It is against this backdrop that the debate around encouraging domestic pension fund allocations back into their home market is taking place.

All evidence suggests that allocations to domestic markets remain abnormally low compared to history and developed market peers. Although the case for mandation by central government is unconvincing, it is important to make sure that the relative risks and rewards of investing into the UK are regularly reconsidered by those with capital to deploy and de minimis existing exposure. An enhanced flow of capital into the UK market economy is of utmost importance to the domestic growth agenda which the new government has put at the heart of its vision for the country. There is much debate as to whether the UK investment community is excessively risk averse, but it does appear that the amount of capital allocated to extremely low risk/low return assets is inconsistent with the aim of stimulating growth in the economy. There are significant pools of assets which could be mobilised in support of this laudable aim, and it is vital that bold investment decisions are made at this pivotal point in time – but, of course, only if they can be justified in the context of an appropriate appraisal of risk versus reward.

SUPPORTING A POSITIVE UK LISTING ENVIRONMENT

Market participants must also consider the allegation that it has simply become 'too difficult' to be listed in the UK. At the moment there is a relatively small number of companies who have changed their primary listing to other geographies and these companies' experiences are mixed. It is important, therefore, that we continue to make the case for the UK as a credible home for companies to be listed. It is generally accepted that we have a world leading stewardship and governance regime - we have some of the best access to companies, transparent information flows and a series of investor protections that have proved their worth over decades. There are many companies currently in the process of considering their future capital requirements and ownership structures and, where appropriate, we should not miss the opportunity to welcome them onto public markets and allow a wider range of participants to benefit from their future development.

Whilst we recognise the ongoing evolution of the investment landscape around us, our role at the Investor Forum remains unchanged. We aim to support and enhance the engagement between our Members and the companies in which they invest with a clear, unambiguous focus on long-term value creation, and to support broad market effectiveness through constructive dialogue; hence the formation of the Investor & Issuer Forum.

CONCLUSION

As we celebrate our ten-year anniversary, I see a fantastic opportunity to continue to prosper and grow by putting stewardship at the heart of investment decision making and by continuing to support all stakeholders in this rapidly evolving market environment.

My personal ambition for my first year at the head of the Forum is clear. We will work to increase the amount of activity we perform on behalf of our Members by being trusted and responsive to their needs. Importantly, we will also look to grow the membership base – this will bring the obvious benefit of more engagement opportunities and the greater the size of the support, the greater influence each engagement can have. Finally, we will look to further diversify our revenue base. As a not-for-profit organisation, this growth will allow us to invest more in the resources of the Forum thereby increasing our ability to further support our members. A truly virtuous circle.

The three key priorities for the early days of my tenure were:

- To better understand the views of our Members, their usage of and ways of interacting with the Forum and how we can help complement their stewardship priorities;
- To build awareness and provide clarity around the development of the Investor & Issuer Forum - an important market-wide initiative to which we are fulfilling the role of Secretariat; and
- To meet with as many of the wider stakeholder group as possible - including regulators, HMT, representatives of issuers and the many trade bodies operating in and around the UK equity market.

The Stewardship Landscape

The commentary from the last few years has been that the environment for investment and stewardship has become incrementally more complicated year on year. This year there was a shift in focus with important regulatory reviews and updates in the UK and significant divergence in stewardship views and approaches between the US and Europe.

RECENT PROGRESS

From a simple appraisal of the stock market, it would appear that very little has changed in 2024 – domestic outflows have continued, broad market performance has been underwhelming and the number of listed companies continues to fall as takeovers outnumber new listings. Valuations remain stubbornly at the bottom of the pack of Global Equity markets and there has been no shift in allocations to the UK amongst major domestic investors, although the debate has continued and, perhaps, intensified.

On closer inspection, however, there has been a great deal of progress on a number of fronts. Last year we identified remuneration as a consistent point of contention – it is therefore with some surprise that we note the reduced number of controversies in 2024 voting outcomes, with a number of high-profile changes to remuneration policies being broadly supported by shareholders. (See page 51). The recent update by the Investment Association of the Principles of Remuneration provides further context and refinement to the prior regime and offers guidance as to the importance of simplicity, flexibility and the clear alignment between remuneration and value creation and protection. Whilst early days, this does seem encouraging and could be taken as an initial sign of a thawing in the relationships between investors and issuers on this point.

Three major components of the Stewardship landscape have begun to evolve – the Listing Rules, the Corporate Governance Code and the Stewardship Code - and we address each one of these in turn, below.

There also seems to be a change of emphasis and tone within the broader debate on the role of sustainable investing and ESG in investment decision-making and fund distribution. We include a thought-provoking article by our Non-Executive Director Alex Edmans on how ESG is maturing as a theme.

LISTING RULES CHANGES

In July, the Financial Conduct Authority (FCA) set out a simplified listings regime with a single category and streamlined eligibility for those companies seeking to list their shares in the UK.

The overhaul of listing rules aimed to better align the UK's regime with international market standards and encourage a wider range of companies to choose to list, raise capital, and grow in the UK.

The new rules remove the need for votes on significant or related party transactions and offer flexibility around enhanced voting rights. Shareholder approval for key events, like reverse takeovers and decisions to take the company's shares off an exchange, is still required. The FCA has been clear that the new rules involve allowing greater risk, but believes the changes set out will "better reflect the risk appetite the economy needs to achieve growth".

The FCA recognised that not all parts of the market agreed with certain features of the final rules, and the feedback on the consultation highlighted a range of areas where investors had strongly diverge

In the feedback document, the FCA said:

"We believe institutional investors have the ability and heft to steer the companies they co-own. ...Our changes may lead to more direct engagement between investors and companies at the point of investment and around annual general meetings (AGMs), with an increased focus on company strategy and director appointments in lieu of votes on specific transactions. We encourage market practice to develop and want to see investors making use of the mechanisms that exist in the regulatory system as a whole."

Continued overleaf »

We believe that the Investor Forum offers an effective mechanism for the new type of engagement that might be required under the revised rules and encourage both investors and companies to consider using our capabilities to ensure an alignment of interests.

STEWARDSHIP CODE REVIEW

Last year there was a concern that the conscious shift of the Stewardship Code from a focus on policies to outcomes had resulted in an increase in the quantity of stewardship activity rather than the quality of stewardship. This was felt to have had negative implications for the effectiveness of engagement in particular.

As the FRC has recognised, articulating a clarity of purpose for the Code, and constructing a solid foundation of shared definitions will prove valuable to both signatories and the end users of the Code Reports. We share the belief that managers that can demonstrate a consistent, authentic and impactful approach to stewardship, using all the tools available to them, are more likely to positively differentiate themselves and attract clients that are aligned with their values.

There was widespread appreciation across the marketplace for the comprehensive consultation exercise which the FRC undertook to inform its proposals for the review of the UK Stewardship Code. We were asked by Members to help in the pre-consultation discussions around affirming the foundational principals of stewardship and to clearly articulate what is seen as the purpose of the Code. Further information on this is given on page 47. At the time of writing, the final outcome of the review is unknown.

However the FRC decide to proceed, we believe that action is required to align the aims of regulators and supervisors across the regulatory landscape when it comes to stewardship, so that pension schemes, fund distributors, and the investment industry can align around a common understanding.

We believe collaboration is a critical tool of stewardship, amplifying the individual voice and presenting a united front. We believe further action may be required to permission and reinforce acceptance of collective engagement within the UK market, given global developments.

THE CORPORATE GOVERNANCE CODE UPDATE

The revised 2024 UK Corporate Governance Code once again emphasises the flexibility offered through ‘comply or explain’ reporting. Explanations “should be a positive opportunity to communicate, not an onerous obligation”, and investors are encouraged engage constructively on these matters and pay due regard to a company’s individual circumstances. In our experience, investors are willing to support companies if they can understand why it is in their best interests to do so, and few blindly follow ‘tick box’ compliance with the Code or their proxy advisers recommendation without additional review.

There have been accusations that the UK’s governance regime has contributed to the demise of the UK equity market and the broader economy. We have reviewed several papers on this topic and debated this theme with a number of key stakeholders. Ultimately, our conclusion is that the UK regime – whilst certainly complex and challenging - is not obviously more demanding than other jurisdictions, nor is it a competitive disadvantage.

CONTINUED RELEVANCE OF SUSTAINABLE INVESTING

Asset owner clients – be they pension funds, sovereign wealth funds, endowments or individual investors - increasingly have sustainability objectives as part of their mandate. Last year the FCA estimated that global assets under management in ESG-orientated funds would increase to \$34trillion by 2026.

Regulators are stepping up to protect all customers from green-washing with new disclosure rules.

In the UK, the new Sustainable Disclosure Requirement (SDR) fund labels have recently come in to effect, and investors have been working hard to comply with the requirements. In the Chancellor’s November letter to the FCA, she stressed that she was keen to ensure that UK financial services firms are supported “to play a significant role in supporting the Net Zero transition globally”. We believe there is an opportunity for companies to better understand the motivations of their shareholders and the pressures that they are under. Given the large pool of capital, companies should want to be eligible for inclusion in those funds / mandates and will need to make the case and provide suitable reporting to help investors evidence their compliance with the standards.

There are, of course, diverging paths between the US and Europe in this regard. In the US, investors are being sued by 11 Republican-led states for using their shares to 'restrict the coal market and harm consumers', and Exxon sued its own shareholders because they filed a resolution demanding the oil major do more to cut greenhouse gas emissions. At least 46 US investment firms have left Climate Action 100+ since June 2023.

By contrast in the EU, investors are being sued because they hold fossil fuel companies in funds labelled as 'sustainable'. Funds that "promote Environmental or Social characteristics" (Article 8 funds under SFDR) or which "have a sustainability objective" (Article 9 funds), had €6trn in assets, comprising 60% of EU market, according to Morningstar data, and saw €36bn positive fund flows in Q3 2024 alone. Firms continue to join collaborative initiatives to demonstrate to clients that they understand their 'systemic stewardship' responsibilities.

RELATIONSHIPS WITHIN THE VALUE CHAIN

Last year, our closing point was a reflection on the tensions we saw building in the relationships between Asset Owners and Asset Managers, and between Companies and Asset Managers. We noted that this was causing a fracturing of the investment chain and a loss of focus on the common goal of creating long term sustainable value. Our argument then was that this necessitated the creation of the Investor & Issuer Forum and we are delighted to provide an update on page 26 on the significant progress we have made in the formation and launch of this initiative.

One of the challenges that the system is facing is an evolution of the voting chain. The emergence of pass-through voting – where the voting decision is retained by the end client, but the investment decision is delegated to the investment manager – has the potential to disrupt the established relationships. Companies are going to have to have a plan to communicate with the voting decision-maker on significant issues and understand different motivations and reliance on advisory policies. This will be one of many issues that the I&IF will explore in its first programme of work.

CONCLUSION

The stewardship landscape continues to evolve, offering opportunities for the Investor Forum to provide even greater value to our Members through both our core offerings and new, complementary work streams.

Constructive dialogue between investors and issuers, to establish a mutual understanding of the challenges and opportunities, is critical. Through the I&IF, we are working to re-affirm constructive relationships throughout the investment chain, to help deliver the shared goal of long term sustainable value creation. Whatever form the revised Stewardship Code takes, it is clear that investors must continue to use the most effective stewardship tools available to them - to vote, engage, collaborate and escalate where necessary – to support their investee companies in meeting their expectations, and to meet the expectations of their own clients.

¹ S24/6: Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules

Making the Case for Being Listed

The commentary around the UK market by external commentators, and the reasons put forward for it not being competitive, include assertions such as:

- UK investors are only interested in dividends or share buybacks, and don't support growth/loss making companies in the same way that the US market does.
- It's often not possible to pay executives a salary which is competitive with US peers in the UK because of the refusal by some shareholders to tolerate high remuneration packages for delivering stretch performance.
- Compliance with the Corporate Governance Code places a burden on companies to conform and organise their board and structure in a way that is not optimal for their unique circumstances.

We believe that it is time for investors in UK equities to push back on these assertions and make the case that UK markets offer a world-leading platform to support and finance companies in all stages of their development, that there is appetite for innovation, and a culture that can enable shareholders and companies to achieve mutually beneficial governance and transparency without relying on formulaic restrictions.

The UK market has experienced a prolonged period of de-equitisation, which began around 35 years ago with tax and regulatory changes. More recently this trend has been exacerbated by the move to global benchmarks and the accelerating rate at which listed companies are being taken over via purchases by private equity firms and foreign buyers as well as the persistent share buyback programs being executed by many UK listed companies.

The market for 'take privates' is extensive and has become very sophisticated. Now that debt markets have re-opened and the cost of debt has stabilized, we are again seeing an increase in the number of bids for UK companies.

At the point news of an offer emerges, it is often clear that there have been extensive discussions

and multiple approaches in advance of an offer being tabled and, likely, recommended to shareholders. Companies give a variety of reasons for recommending an offer to their shareholders – access to capital for growth, strategic consolidation, the feeling that their shares are mispriced by public markets etc. In a number of cases, the first recommended price is increased by the time the deal is finalised.

When asked to vote on an offer, we often hear fund managers:

- express frustration at a perceived 'fait accompli' deal;
- state support for the company remaining listed given the growth opportunity and price upside;
- agonise over whether to accept the short-term share price premium or fight for the long-term intrinsic value; and
- lament the fact that the UK listed equity investment universe is being deprived of many of its most attractive, and fastest growing, companies.

As we witness another wave of bids we believe that it is important that shareholders form clear views of the long-term value of investments in their portfolios and proactively articulate their views to the boards of investee companies to enable the Directors to take better informed opinions, in the event that a takeover approach emerges.

In our conversations with Investor Relations professionals during our 'Shaping Tomorrow's Dialogues' project, we heard comments that investors rarely proactively make their views known on specific issues relevant to the investment thesis, and few have time for Board-level conversations unless an issue of concern has arisen.

In contrast, private equity firms and activists seeking to effect a change of control undertake intense and effective lobbying of company boards. If boards don't feel appropriately valued by listed equity investors, it is little surprise that they recommend alternative ownership structures. At a time when the relative valuation of many UK listed companies appears low relative to private valuations, and indeed international peers, we believe it is essential that institutional investors engage in active discussion with companies on these issues rather than simply wait for an offer.

Collective engagement offers an effective way to do this.

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The UK equity market is facing numerous challenges. A key issue is low valuations that raise the cost of equity for UK public companies, making it more difficult to invest for the long-term, thus reducing growth and, in a self-fulfilling cycle, entrenching those low valuations. This backdrop makes it less appealing for new companies to IPO here. A high cost of equity also makes share buybacks a lower risk strategy. In effect, the UK market is consuming itself through share buybacks and lack of IPOs.

It is difficult to break this negative cycle, especially in such a challenging geopolitical and economic environment. It takes fresh thinking and some pragmatism. At the same time, there is a danger of a misdiagnosis of the causes of low valuations and therefore of the appropriate solutions. There is a danger that high governance standards, for which the UK is known, are sacrificed to no effect.

But, in our view, if we fail to break the cycle, we will see the UK equity market shrink further, through lack of new listings, a shift in existing listings, or through companies being acquired. This will have an impact on UK economic growth, on the health of the corporate world and on the success of financial services.

The Investor Forum is an incredibly important platform to facilitate constructive discussions between investors and corporates, helping to resolve problems, reduce miscommunication and create long-term solutions. The role helps to break the negative cycle of low valuations by unlocking value, and in turn, supports a healthier UK equity market and an environment for broader economic growth.

John Teahan

Portfolio manager, Redwheel
Investor Forum Director, December 2024



The Purpose of Stewardship

Guest Article



BY ALEX EDMANS

Professor of Finance, London Business School
Director, Investor Forum

Investors are often viewed as inadequate stewards. The 2009 Walker Review partly attributed the financial crisis to “acquiescence” by shareholders rather than active monitoring of risky behaviour.

The following year, the UK Stewardship Code was launched to prevent similar catastrophes, and there are now 20 such codes around the world. But failures still happen, and when they do, investors are blamed. Several have been hauled before government inquiries into company collapses and grilled on why they didn't prevent them.

Why are investors reportedly failing to take care of companies that they own?

Critics point to three reasons. First, investors don't really own companies because their stakes are so small. They have too little skin-in-the-game to make stewardship worthwhile. Second, their alleged focus is short-term performance to attract fund flows. They won't engage with companies on long-term issues whose payoffs will take years to manifest. Third, they're evaluated relative to benchmarks. Even if stewardship increases the returns of a company, it also boosts the index.

But the same three forces mean that, today, the problem is sometimes too much stewardship rather than too little – a focus on activity over effectiveness, quantity over quality, and getting

credit rather than creating value. Small stakes mean that investors lose little if stewardship destroys value – through micromanaging the company, overweighting quantitative factors over qualitative ones, or tackling immaterial issues. Short-term focus means that investors may pressure companies to tackle symptoms rather than underlying causes.

A company can increase diversity in senior management by hiring minorities from outside rather than addressing the issues that hinder their development from within; it can reduce its carbon footprint by selling polluting plants rather than improving their efficiency. And benchmarking can lead to funds, particularly those with low active shares and thus ability to outperform, instead competing on superficial stewardship statistics. Yet the most visible stewardship activities are rarely the most effective. Voting against management may see you top the league tables, but some shareholder proposals are irrelevant or overly prescriptive; a vote for management may be the culmination of a successful engagement. Forcing companies to disclose a plethora of metrics is often chalked up as engagement success – even if it's not clear what investors will do with the information and even if companies have to reallocate resources to disclosure away from actual activity.

“Stewardship is for existing clients – not to attract new clients”

ESG stewardship gets the most brownie points and many ESG factors indeed enhance long-term returns. But not all do, and many non-ESG factors (such as strategy and culture) can be even more important. As I wrote in *The End of ESG*, “ESG is extremely important and nothing special”, but many clients, investment consultants, and the public put it on a pedestal.

So what should asset managers do?

The solution is not to throw the baby out with the bathwater – great stewardship can create significant financial and social returns. It's instead to go back to basics and remind ourselves what stewardship is for. In April 2019, the Investor Forum defined it as “preserving and enhancing the value

Continued overleaf »

of assets with which one has been entrusted on behalf of others”; the current Stewardship Code consultation views it as “the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries.” Stewardship is for existing clients – not to attract new clients, get a PR boost, or be a tool for public policy initiatives that are best solved by the government.

One question I encourage asset managers to ask themselves, when contemplating stewardship, is: “if you couldn’t tell anyone you were doing it, would you still do it?” This helps to ensure it is undertaken to create value rather than to get credit. Similarly, society should have realistic expectations of investors: they should not be called on to take actions that are not in their clients’ interest. But the commercial reality is that reputations matter, metrics matter, and fund flows matter. Thus, an essential part of modern-day stewardship is clear communication of one’s stewardship approach, and client education on why an asset manager may prefer engagement to divestment or voting against, may target “net benefit” rather than “net zero”, and may not have signed up to the latest investor-led collaboration. Client education does

not mean sage asset managers talking down to unsophisticated asset owners, but simply being transparent about their approach and having the conviction to stick to it, rather than being “people pleasers” who respond to every client demand.

There is no one best strategy, and an effective market for stewardship, which the Stewardship Code seeks to promote, involves a diversity of methods. Being clear about what an asset manager’s approach is and delivering on it provides maximum choice to clients – those who stewardship seeks to serve.

BY ALEX EDMANS

Professor of Finance, London Business School
Director, Investor Forum

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At T Rowe Price good governance and stewardship have always been an integral part of our investment process. This includes understanding the local nuances of governance and regulations around the world. In the UK as elsewhere, good governance and sound investment returns go hand-in-glove.

Justin Thomson

Head of International Equity, T Rowe Price
Investor Forum Director, December 2024



Shaping Tomorrow's Dialogues:

Bridging the Gaps between Companies and Investors

Over the past year, the Investor Forum has continued to build on the foundation laid by our Best Practice Dialogues, which highlighted opportunities for stronger collaboration and more effective communication between companies and investors. Through this initiative, we openly addressed shared challenges, identified actionable solutions, and showcased examples of best practices to better align corporate leadership goals with investor expectations.

Spanning four critical areas—**Investor Relations, Sustainability, Voting & Governance, and Audit & Assurance**—these insights were captured in our white paper, Shaping Tomorrow's Dialogues: Bridging the Gaps between Companies and Investors. We believe that by addressing the identified 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.

This comprehensive study of interactions between UK companies and investors was instrumental in shaping the creation of the Investor & Issuer Forum (I&IF) (see page 26). The findings provided a strong foundation for the I&IF's work, emphasising the importance of building a shared understanding between investors and companies while addressing misconceptions and misunderstandings that can hinder effective collaboration.

PROJECT SUMMARY

Dialogues	Investor Relations	Sustainability	Voting & Governance	Audit & Assurance
Strategic Partner			Representatives from GC100	
Company representatives involved	Investor Relations Professionals	Sustainability Professionals or those with responsibility	Company Secretariat	Audit Committee Chairs
Investor representatives involved	Analysts Stewardship Teams	ESG Teams	Governance Specialists	Portfolio Managers Governance Specialists
Maturity	High	Low	High	Low
Intensity	High	High	Low	Low
What we discovered	Expertise is vital in this dialogue. It requires a high level of skill to identify and communicate key strategic elements to build investor trust, along with a detailed knowledge of how to engage with a wide range of investor	Complexity is a key theme of this dialogue due to rapidly changing regulations and expectations. There are a wide variety of views, which means a nuanced approach is needed to enhance mutual understanding and support improved decision-making	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.	Integrity emerged as the linchpin of this dialogue. The discussion centred on how to ensure confidence in the reliability of corporate information through a better understanding of assurance and transparent high-quality dialogues.

Building a Common Understanding

CHARACTERISTICS OF THE RELATIONSHIP

1. **Robust Foundations** - Despite noise and occasional market friction, investor-company relationships are built on a shared goal of value creation, which unifies the investment chain.
2. **Unique Identities** - Companies and investors differ in purpose, values, objectives and approaches. Tailored interactions by both companies and investors are crucial for efficient communication.
3. **Relationships Underpin Quality Dialogue** - Meaningful dialogue extends beyond data sharing to offer insights that disclosures alone cannot. Strong pre-existing relationships can help facilitate better conversations.
4. **Language Matters** - Clear, consistent language is vital to ensure mutual understanding and dialogue and actions.

CHANGES IMPACTING THE LANDSCAPE

5. **Reporting as a Continuous Process** - Both companies and investors face escalating reporting demands. A collaborative approach and an informed exchange of information can deliver significant benefits.
6. **Balancing Stakeholder Expectations** - Companies navigate diverse and sometimes conflicting stakeholder priorities. Effective management requires transparent communication of trade-offs and decisions to investors.
7. **Rapid Technological and Sustainability Evolution** - There is a dramatically accelerating pace of change. As emerging issues, like AI, biodiversity and nature, gain prominence, a mutual benefit arises from sharing knowledge and expertise.

ACTIONS TO IMPROVE DIALOGUE

8. **Incremental Improvements** - Small, continuous refinements in communication and processes can significantly enhance understanding and reduce friction.
9. **Adoption of Best Practices** - While each investor and company have unique processes, best practice initiatives can help improve efficiency, innovation, and relationship quality.
10. **Purpose-Driven Dialogue** - Understanding the purpose of investor engagement—whether for information gathering, strategic discussions, raising concerns, or thematic engagement—can ensure meaningful and productive interactions.

By being transparent, building strong relationships, and sharing knowledge, investors and companies can work better together and strengthen the foundation for successful interaction.

The following pages outline key findings from each of the four dialogues, providing insights and best practices that aim to support long-term, sustainable value creation through enhanced communication and collaboration.

Over the past year, we have prioritised socialising these insights by hosting events, publishing articles, amplifying content through social media, and engaging with diverse stakeholder groups across the four focus areas. These efforts have refined and enriched our initial findings, strengthened relationships, and enhanced ongoing dialogue.



INVESTOR RELATIONS DIALOGUE:

Building on Strong Foundations

Through our investor relations dialogue, we have worked to enhance the understanding between investors and corporates, improving alignment on communication, transparency, and value creation. Building on the strong foundations of existing investor relations practices, we aim to address the challenges, bust myths, and seize opportunities to refine these interactions for long-term success.

Companies

CONTINUING THE WORK: KEY RECOMMENDATIONS

- » Tailor engagement strategies to investor needs, focusing on material issues and clear communication.
- » Clearly define the purpose of each meeting, set agendas with attendee roles, and reserve 5-10 minutes for investor feedback.
- » Simplify reporting to provide concise, relevant insights that align with strategic objectives.
- » Be proactive in crafting a bold, authentic narrative and align sustainability practices with broader business goals.

Investors

- » Clarify key priorities and share insights on reporting standards and metrics.
- » Promote internal collaboration between fund managers and governance teams.
- » Streamline interactions and reinforce the acceptance of prioritising core issues.
- » Enhance transparency by providing information on objectives, voting policies and fund structures.

CLARIFYING MISCONCEPTIONS IN INVESTOR RELATIONSHIPS

Myth: All Engagement Is Good Engagement
Reality: Not all engagements are equal. Strategic engagement with clear objectives and feedback mechanisms is essential for impactful dialogue, whether for information exchange or driving change.

Myth: A Consistent Approach Guarantees Success
Reality: Uniform methods fall short in dynamic markets. Success lies in establishing shared expectations and adapting to evolving needs, rather than rigid adherence to conventional practices.

Myth: All Companies and Investors Are the Same
Reality: Companies and investors differ vastly in size, strategy, governance, and objectives. Tailored approaches that acknowledge these differences is key to effective communication and collaboration.

TACKLING KEY CHALLENGES TOGETHER

Investor relations face significant hurdles in today's evolving landscape. Companies and investors grapple with regulatory complexities, with compliance often overshadowing strategic discussions. Smaller companies, in particular, face resource constraints, making it difficult to match the communication standards of larger firms. Simultaneously, the increase in index tracking mandates and declining investor resources for UK equities challenge meaningful engagement.

Timing remains a critical issue as investors navigate the flood of data and requests from numerous companies, striving to balance engaging with companies only when necessary while also meeting their expectations for interaction. The regulatory focus on ESG reporting adds to the strain, diverting attention from broader operational and strategic initiatives. Both sides recognise the need to streamline interactions by ensuring clarity and focus on their communications, while distinguishing between two critical needs: engagement for information and those focused on value creation.

OPPORTUNITIES FOR DRIVING CHANGE

Our findings highlight the importance of building stronger, more intentional relationships between investors and corporates. Companies can benefit from engaging not only with fund managers but also with stewardship teams to understand their processes and priorities better. Proactive initiatives, such as governance roadshows and off-season outreach, have proven effective in building deeper relationships.

Investors, on the other hand, are well-positioned to improve transparency by sharing their investment processes, priorities and expectations more openly. Encouraging collaboration across teams within investment firms and engaging companies in reverse roadshows are effective strategies for creating shared understanding and alignment.

SUSTAINABILITY DIALOGUE

Aligning Investor Influence with Corporate Sustainability

Through our sustainability dialogue, we have worked to improve the understanding between investors and corporates, encouraging greater alignment between investment impact and corporate sustainability strategies. By addressing key misconceptions, challenges, and opportunities, we have laid the foundation for more effective working relationship and are committed to building on these insights to drive meaningful change.

IMPROVING THE DIALOGUE KEY RECOMMENDATIONS

Companies

- » Prioritise material ESG issues that align with your strategy.
- » Simplify reporting with clear summaries and consistent data.
- » Be bold in owning and communicating your sustainability narrative.
- » Ensure communication is authentic and transparent to build trust.
- » Tailor your reporting strategies to meet the diverse needs of investors.

Investors

- » Encourage collaboration between ESG specialists and portfolio managers.
- » Dedicate time to understanding corporate sustainability efforts beyond metrics.
- » Promote consistency in demands by supporting shared standards.
- » Apply professional scepticism when using external ESG ratings.
- » Clearly articulate key issues and reporting preferences to companies.

CLARIFYING SUSTAINABILITY MYTHS FOR PRODUCTIVE DIALOGUE

Myth: ESG considerations are only relevant to certain industries and sectors.

Reality: Environmental, social, and governance factors affect all businesses, although in different ways and with varying levels of materiality. With the UK's commitment to net-zero targets and growing societal and regulatory pressures, companies and investors must demonstrate their sustainability actions and plans.

Myth: ESG is exclusively a risk management tool for investors.

Reality: ESG encompasses both risks and opportunities. Effective ESG strategies not only mitigate risks but also drive innovation, market differentiation, and long-term growth. We found that clear communication from companies about these dual benefits helps investors to make informed decisions.

Myth: More data is the answer.

Reality: While data is essential for transparency, the real impact stems from strategic capital allocation and clear actions. Both companies and investors must prioritise long-term perspectives and investments that encourage meaningful action, rather than focusing solely on data collection and reporting.

TACKLING KEY CHALLENGES TOGETHER

The insights we have gathered highlight the complex sustainability landscape both investors and corporates face. Rapidly evolving regulations, diverse stakeholder expectations, and misaligned priorities create obstacles. Companies often struggle to balance sustainability goals with financial performance, while navigating inconsistent ESG data, a lack of standardised frameworks, and resource-intensive reporting demands.

Through our work, we've also identified shared vulnerabilities in decision-making. Both parties contend with uncertainties surrounding evolving metrics, extended time horizons, and external pressures, which complicate strategic planning.

OPPORTUNITIES FOR COLLABORATION AND CHANGE

Building on these findings, we see significant opportunities to improve dialogue on sustainability. Investors can leverage their influence to help shape corporate agendas by setting clear expectations and engaging meaningfully with leadership. At the same time, corporates can demonstrate how they are embedding ESG considerations into their core business practices, with linking sustainability goals to executive remuneration.

We have also seen the value of open, targeted dialogues between investors and corporates. These discussions help to align expectations, build trust, and create a shared vision for long-term priorities, paving the way for impactful and sustainable outcomes.

The Role of Shareholder Voting in Stewardship

Through our governance and voting dialogue we found both investors and companies seek to establish consistency in the voting process, emphasising the need for more uniformity in interpretation, execution and feedback. By addressing misconceptions, exploring shared challenges, and identifying opportunities, we are working to connect companies and investors, clarify issues, and improve dialogue before and after AGMs.

IMPROVING THE DIALOGUE KEY RECOMMENDATIONS

Companies

- » Build relationships with governance teams to understand voting processes.
- » Simplify remuneration structures, focusing on clear, long-term value alignment.
- » Tailor engagement strategies to address material issues and ensure effective use of time.
- » Provide concise updates following consultations to align expectations.
- » Establish accessible communication channels for seamless engagement.

Investors

- » Enhance transparency by sharing voting policies and engagement priorities.
- » Be transparent about the use of proxy advisors and the internal processes behind voting decisions.
- » Focus on material issues during consultations and minimise unnecessary interactions.
- » Collaborate with like-minded investors to amplify influence on systemic issues.
- » Reinforce the need for clarity and simplicity in company disclosures.

DISPELLING GOVERNANCE & VOTING MYTHS

Myth: Investors blindly follow proxy advisors' advice.

Reality: While proxy advisors provide valuable insights, most asset managers operate under bespoke voting policies and independently evaluate proxy recommendations to align decisions with their clients' objectives and strategies.

Myth: Voting against is a sign of good stewardship.

Reality: Effective stewardship goes beyond binary voting. It involves a multifaceted approach with meaningful dialogue, that considers the broader spectrum of actions aimed at ensuring the sustainable growth and success of the invested assets.

Myth: UK investors reject high executive pay.

Reality: UK investors value fair compensation aligned with long-term performance and strategic goals. Concerns focus on avoiding rewarding mediocrity and having excessive complexity in remuneration structures.

Myth: Extensive engagement on remuneration is essential.

Reality: Over-engagement often leads to diminishing returns, unclear messaging, and limited actionable insights. Prioritising targeted, purposeful interactions ensures remuneration discussions are focused, meaningful, and effective.

TACKLING CHALLENGES TOGETHER

The integration of ESG considerations into voting introduces complexity. Companies and investors face pressure to balance compliance with regulatory frameworks while maintaining a focus on materiality and long-term strategic objectives. The influence of proxy advisors, compounded by the constraints of engaging during a compressed AGM season, often limits the depth of discussions.

Another challenge can be the gap between governance professionals and investment teams. Companies can struggle to reconcile early consultations with final voting outcomes, which can erode trust and hinder effective collaboration. Additionally, the dynamic between asset managers and asset owners is evolving. Asset owners increasingly demand evidence of engagement outcomes, leading to a thematic, issue-driven approach rather than a company-specific focus. The rise of pass-through voting further complicates this landscape, shifting decision-making closer to asset owners."

OPPORTUNITIES FOR PROGRESS

Despite these challenges, the dialogue underscores opportunities for improvement. Companies can deepen relationships with stewardship teams, not just portfolio managers, to better understand voting processes and expectations. Investors, in turn,

can enhance transparency by clearly communicating voting policies, decision-making processes, and feedback.

Simplifying remuneration structures presents another opportunity. Streamlining policies and reporting while maintaining alignment with strategic execution can address investor concerns and reduce consultation fatigue.

The adoption of early and strategic engagement practices can help to encourage better alignment. Companies that engage investors well before AGM seasons and maintain concise communication help reduce misunderstandings and improve decision-making.

AUDIT & ASSURANCE DIALOGUE

Ensuring Robust & Reliable Information for All Stakeholders

Our audit and assurance dialogue explored ways to build confidence in the reliability of corporate information by deepening understanding of audit and assurance. By addressing key challenges, dispelling myths, and identifying actionable opportunities, we aim to build a framework that supports confidence, enhances trust and strengthens relationships.

IMPROVING THE DIALOGUE KEY RECOMMENDATIONS

Companies

- » Establish open communication channels with Audit Committee Chairs.
- » Clearly articulate actions taken beyond regulatory requirements to build investor confidence.
- » Consider sharing a yearly letter from the Audit Committee outlining significant changes and improvements.
- » Clearly define and communicate oversight structures for ESG reporting, ensuring alignment across all board committees.
- » Tailor engagement to address specific investor concerns, avoiding routine or unnecessary interactions.

Investors

- » Engage with Audit Committee Chairs to understand their responsibilities and challenges.
- » Ensure internal teams understand the importance of audit and Audit Committee reporting.
- » Proactively explore the significance of internal controls, ESG assurance, and other critical topics.
- » Carefully evaluate the appointment, skills, experience, and composition of Audit Committee Chairs.
- » Initiate discussions on key reporting issues or areas when and where further clarity is needed.

DISPELLING MYTHS ABOUT AUDIT AND ASSURANCE

Myth: Investors are indifferent to audit and assurance processes.

Reality: While investors often trust audit outcomes, they value open lines of communication and are ready to engage when necessary to address concerns or seek clarity.

Myth: Audit Committee Chairs are reluctant to engage with investors.

Reality: Audit Committee Chairs recognise the importance of investor engagement and are open to dialogue. Companies should proactively communicate their availability for discussion.

TACKLING CHALLENGES IN AUDIT AND ASSURANCE TOGETHER

Audit and assurance practices face significant challenges in an evolving landscape. The dialogue between Audit Committee Chairs and investors is less developed than other stakeholder dialogues, leaving room for misunderstandings and missed opportunities. Companies and investors must navigate increasingly complex reporting requirements while balancing resource constraints. Additionally, the integration of ESG considerations into audit processes adds layers of complexity, requiring alignment on materiality and assurance expectations.

The underdevelopment of investor-audit committee dialogue also limits understanding of key audit functions. Investors may focus on broader governance issues, assuming audit reliability unless specific concerns arise. However, gaps in engagement can lead to overlooked opportunities for meaningful insights.

OPPORTUNITIES FOR PROGRESS

Despite the challenges described above, there are significant opportunities to enhance collaboration.

Establishing stronger connections between investors and Audit Committee Chairs can improve transparency, build trust, and improve oversight.

By proactively educating investors about audit committee functions and the nuances of reporting, companies can create a foundation for high-quality conversations.

Clear communication of governance structures, particularly around sustainability reporting as regulation develops, ensures that all stakeholders understand their roles and responsibilities.

The Investor & Issuer Forum:



Enhancing the effectiveness of the UK equity markets with a clear focus on sustainable value creation.

The Investor & Issuer Forum (I&IF) was officially launched on 6th September 2024 as a key component of the broader reforms aimed at boosting the competitiveness of the UK's capital markets. Stemming from the recommendations of the Capital Markets Industry Taskforce (CMIT), it complements the Financial Reporting Council's (FRC) ongoing initiatives to enhance market stewardship and is backed by the London Stock Exchange (LSE).

At its core, the I&IF will provide a unique platform where market practitioners—companies and investors—can engage in meaningful, constructive dialogue, tackle complex challenges head-on, and identify practical solutions. By prioritising transparency, alignment, and accountability, the I&IF aspires to create an environment in which asset owners, asset managers, and listed companies work together toward the shared goal of sustainable value creation.

The I&IF builds upon the foundation of the Investor Forum, which underscored the importance of building trust and promoting long-term relationships in the investment chain.

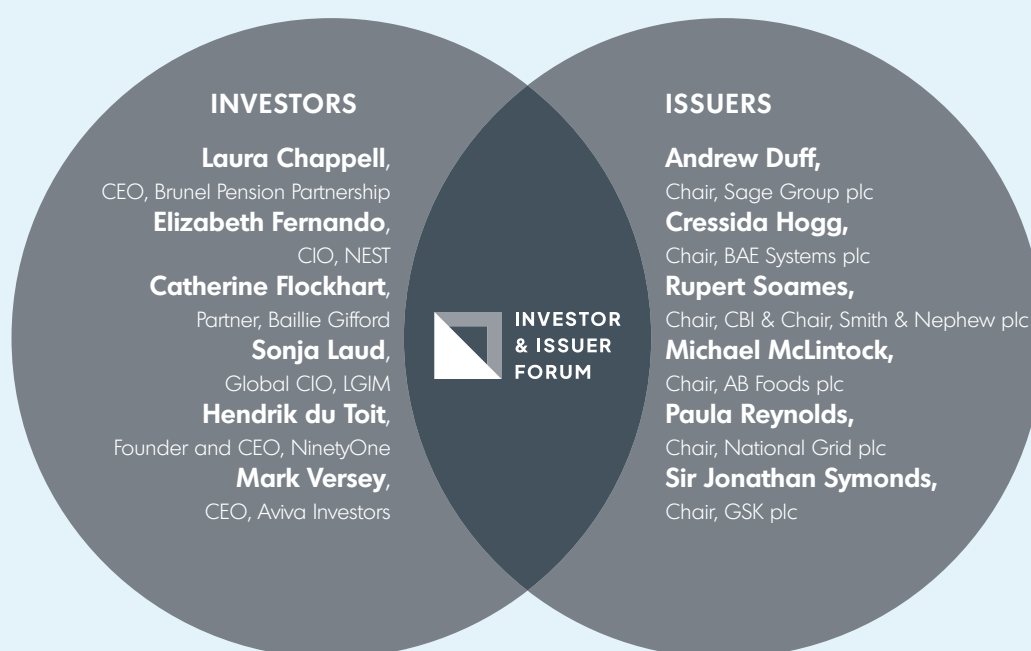
MISSION AND OBJECTIVES

The I&IF aims to strengthen relationships between issuers and investors by:

1. Identifying opportunities for improved understanding and alignment across the investment chain.
2. Commissioning research into critical areas and providing actionable insights.
3. Making recommendations to streamline market practices, reduce friction, and enhance the overall effectiveness of UK equity markets

» Read more: www.investorandissuerforum.org.uk

STEERING COMMITTEE:



OBSERVERS: FRC & LSE

LEADERSHIP AND STEERING COMMITTEE

Under the leadership of Michael McIntock, inaugural Chair of the I&IF and Chair of the Investor Forum, the Steering Committee comprises senior leaders who represent a diverse range of expertise across the investment chain. Together, they bring experience in corporate governance, asset management, stewardship, and capital markets. This group identify priorities, shape the agenda, and drive forward practical initiatives to address the key challenges facing the market.

STRATEGIC ENGAGEMENT AND MARKET RECEPTION

The I&IF has received overwhelmingly positive feedback from stakeholders, who view it as a timely and much-needed initiative. Its emphasis on listening over broadcasting has resonated strongly. Key government and regulatory bodies have expressed strong enthusiasm and support, with regular updates planned. Strategic partners, including the CBI, Investment Association (IA), Investor Relations Society (IR Society), GC100, 100 Group and Audit Committee Chairs Independent Forum (ACCIF) have welcomed the I&IF's approach and are committed to working closely moving forward.

OPERATIONAL OVERSIGHT AND SUPPORT

The Investor Forum will serve as the I&IF's Secretariat. The Investor Forum Board will maintain oversight of I&IF activities, while the Operational Oversight

Committee will review budgets and operational costs. To manage potential conflicts of interest, it has been made clear that Steering Committee participation does not preclude the company being the subject of collective engagement by the Investor Forum.

SHAPING THE AGENDA FOR 2025 AND BEYOND

The Steering Committee's first meeting established a clear direction for the I&IF's work, focusing on practical actions to resolve critical tensions and challenges within the market. Three projects are being considered for 2025, designed to address challenges and emerging trends in the investment chain:

1. Understanding Accountability in the Investment Chain: A foundational project to identify gaps in corporate-investor dialogue, build a shared understanding of motivations, and clarify accountability mechanisms. This initiative aims to enhance transparency and set the groundwork for future I&IF efforts.
2. Exploring the Implications of Passive Investing: Given the rise of passive investment strategies, this project will examine their impact on governance, stewardship, and investor engagement.
3. The Emergence of Pass-Through Voting: Pass-through voting is reshaping engagement dynamics. The I&IF will analyse its implications for corporate governance and ensure all voices in the investment chain are effectively represented.

NEXT STEPS

The I&IF Secretariat team will focus on the following priorities:

1. Advancing the 2025 Project Agenda: Finalising the 2025 projects, incorporating stakeholder input, and scoping detailed initiatives to support actionable outcomes.
2. Strengthening Stakeholder Engagement: Continuing dialogue with key government and regulatory bodies, deepening relationships with strategic stakeholders, and exploring outreach opportunities to ensure broad participation and support.
3. Building Market Awareness: Expanding the I&IF's profile through LinkedIn, website updates, newsletters, and speaking engagements, while maintaining a distinct and inclusive voice.
4. Funding and Sustainability: Developing a funding model that leverages sponsorship, secondments, and strategic partnerships to secure the I&IF's long-term viability.

As the I&IF looks ahead to 2025, its work will continue to bridge gaps, align interests, and to help ensure the UK market remains a global leader in corporate governance and stewardship.

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We believe that engagement should be a two-way interaction between the investor and investee companies, in relation to the corporate business and ESG strategies, with the goal of influencing issuers' practices when needed to unlock long term value for our beneficiaries. Understanding and researching companies' business models, providing feedback on information collected, sharing best practice by peers and defining engagement objectives are pivotal for effective stewardship. Collaborative engagements can also be an efficient strategy to channel investors' concerns to issuers in a timely, coordinated and focused way. This is why we support the role of the Investor Forum to foster effective dialogue with UK companies in the best interest of pensioners and savers.

Valeria Piani

Head of Stewardship, Phoenix Group
Investor Forum Director, December 2024



Key Activities

- Company Specific Collective Engagement
- Promoting Well-functioning markets

Collective Engagement Report

REASONS WHY INVESTORS ENGAGE

Engaging For Change	Engaging For Insight	Engaging on a Theme
To escalate concerns and encourage the company to take action in order to protect or create value	To better understand the company in order to make an informed decision	To discuss specific issues aligning to the investor's thematic priorities

The Investor Forum has historically reported on collective engagements that were undertaken formally, under the auspices of our Collective Engagement Framework, with the objective of influencing the Board or driving change to create or protect long term value at the company level.

However, investors engage for many reasons, and engagement takes many forms. Engaging in a structured dialogue with a company to enhance understanding and build conviction in the investment thesis can create value for the underlying portfolio through better informed decision making, to the benefit of the beneficiaries who rely on the financial return. Our model works equally well in that situation, and a collective approach brings huge efficiencies to the system, and democratises access across the shareholder base.

This year, therefore, our Engagement report covers activities where we helped our Members engage for change as well as where we helped them engage for insight.

COLLECTIVE ENGAGEMENT IN PRACTICE

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.

We have also demonstrated our ability to have collective engagements with European companies, where Members have called for this and where there has been critical mass to undertake the engagement.

COLLECTIVE ENGAGEMENTS 2024*

Case Study	Material Issue	Engagement Focus	Outcome
Hargreaves Lansdown	Transaction Outcome	Corporate Transaction	Escalated concerns to the Board. Enhanced understanding of options
Hipgnosis	Transaction Outcome	Corporate Transaction	Escalated concerns to the Board
Vistry (Phase 2)	Corporate Governance	Remuneration and Succession planning	Support for Executive Chair

*Full case studies provide on pages 34 – 39

ENGAGING FOR INFLUENCE

Conversations with Members around a number of takeover situations revealed the extent of investor concern regarding collective engagement. To address the hesitancy amongst investors in engaging in such situations, we produced a Member Note, reviewed by the Investor Forum's Legal Panel, which aimed to provide comfort that our framework was robust and could add value in such situations. See page 40 for a summary.

We completed two collective engagements in the year where the objective was to escalate concerns regarding a proposed transaction:

- At Hipgnosis Song Fund Ltd, smaller investors asked us to put their collective perspective to the Board, to protect their interests and preserve value. There was a pro-longed process of strategic review before the Company completed its sale to Blackstone.
- The Hargreaves Lansdown plc engagement focused on investor views around the take-private transaction, escalating the perspectives to the Board for due consideration in its deliberations. We had a meeting with the Takeover Panel as part of this process, and shared learnings with participants.

ENGAGING FOR INFLUENCE - 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 existing roadshow initiatives by offering an opportunity for investors to reflect on the issues of key importance to them; and
- have a bespoke agenda, curated and facilitated by the Investor Forum, and create the opportunity for a focused and constructive discussion, even if challenging issues need to be discussed. We find these meetings to be particularly helpful in advance of Annual General Meetings to help clarify any outstanding issues which in turn equips investors with additional insights to make informed voting decisions.

ENGAGING FOR INSIGHT

We completed one collective engagement in the year where the objective was to help investors gain insight into a situation in order to make a better-informed decision:

- The second phase of engagement with Vistry Group plc centred around concerns with the appointment of an Executive Chairman, in contravention of best practice. We arranged a meeting with the Chair-elect to help investors form their voting views.

On the next few pages, we provide case studies of the three formal collective engagements which were closed during 2024. We have sought to balance the sometimes competing needs for discretion and transparency.

The disclosures that follow add to our record of transparent reporting since we began to engage in 2015. This public track record of collective engagement is unique, and provides tangible evidence of the stewardship capabilities of our members, and particularly the opportunity 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.

Engaging for Insight

COMPANY MEETINGS

During the year we organised fourteen group investor meetings with companies, each with a bespoke agenda.

- We hosted two group meetings with HSBC Holdings plc. At the first meeting, the Company shared a high-level update on its initial net zero transition plan. The Company engaged with the Investor Forum and other relevant stakeholders ahead of publication in order to share its approach and receive initial feedback. The agenda covered sector baselines and 2030 emissions targets for financed emissions, client progress towards setting coal transition plans and greenwashing. The second meeting was with the Chair of the Board, just prior to the Company's AGM, to talk about governance and Board composition, as well as strategic positioning.
- We had two companies – Home REIT plc and Darktrace plc – where a full engagement was not initiated, but where a small group of Members were closely monitoring the situations. We hosted group meetings with the Chairs of each company, with very focused agendas designed to cover the points of interest. All participants felt these meetings were valuable in recalibrating expectations.
- The new Chair of Reckitt Benckiser Group plc joined us one month after taking on the role to share his thoughts on the strategic priorities for the Board. The discussions covered topics such as the outlook on US litigation, company culture, the drivers of financial performance, and his corporate governance agenda. Having established a relationship, the shareholders in the meeting felt confident in their position to monitor developments and engage directly should the need arise.
- The Chair of Rio Tinto plc joined us for the third consecutive year as part of his pre-AGM investor outreach programme, having found these meetings offer an efficient way for the company to reach a wide range of interested shareholders. The constructive discussion covered issues such as culture, climate change and the Board's strategic priorities.
- BHP (now primary listed in Australia) asked us to host a shareholder meeting to discuss their Climate Transition Action Plan in advance of their AGM. Non-Investor Forum members were also invited to this meeting, including some asset owners who had retained the vote on this resolution and had not had the opportunity to hear directly from the company.
- We arranged a meeting with the Executive Chair-elect of Vistry Group plc to help shareholders form a view on his appointment prior to the Company's AGM. While this issue was the subject of a collective engagement, the meeting was opened to non-engagement participants.
- We spoke to a number of investors regarding their concerns about strategic execution at Burberry Group plc, and shared a Member note which consolidated feedback. Whilst there was no critical mass for a formal engagement, we arranged a meeting with the Chair to have a 'fireside chat' to discuss the issues that had been raised. Feedback on the meeting was positive, resetting the dialogue for investors. We continue to monitor developments.
- We were asked to assist in the Ryanair Holdings plc shareholder consultation on the changes under consideration to the restrictions that are imposed on its shareholders in order to ensure compliance with EU airline licensing laws. We liaised with the company to write a detailed technical note, and hosted a call where investors had the chance to interrogate the various options and input their individual views. This was valued by both the company and investors as a way to increase understanding.
- We facilitated company meetings with Pennon, United Utilities, Severn Trent and Costain as part of the S360 Water Project.

Collective Engagement Process



MEMBER PROPOSAL

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.



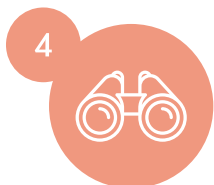
INITIATION

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 stewardship teams at Member firms.



ENGAGEMENT

Each engagement is bespoke. In the majority of cases, the Investor Forum will write to the Chair on behalf of the shareholders who opted in and support the objective. This letter sets 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, to provide further clarity and emphasis. Further letters may be sent, depending on the company response.



MONITORING

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

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.

CASE STUDY

Hargreaves Lansdown plc

OVERSIGHT (BY THE BOARD)	Strategy	
	Leadership & Succession	
	Capital Allocation	
	Corporate Governance	
	Corporate Action	●
EXECUTION (BY THE MANAGEMENT TEAM)	Operational Performance	
	Management Information	
	Reporting & Communication	



Timeframe
Jul 24 -
Sep 24



Index
FTSE 100



**Number in
Engagement**
13



**Combined
Shareholding**
N/A



Basis of Selection
Why did the Forum engage?

- In May 2024 the Company announced discussions with a bid consortium. In June 2024, the Board confirmed that it had received a non-binding proposal from the consortium to acquire the Company at a higher price, with an option for shareholders to elect for a rollover equity alternative in respect of some or all of their shares.
- A Member raised concerns about the level and structure of the bid. We reached out to large shareholders, including one non-Member of the Investor Forum, to establish whether there was a critical mass for engagement. Given the strength of feeling and breadth of support, we initiated a collective engagement, following the heightened procedures set out in our Collective Engagement Framework, given it was an active bid situation.
- Participants believed that the longer-term investment thesis for the Company remained attractive given the value of the platform, and the growth prospects. Many were willing to be patient and to support the company in the public markets. They remained to be convinced that the proposed transaction was in their best interests.



Objectives

What did the Forum engage on?

The objective of the engagement was to seek assurance that the Board would act in the best interests of all shareholders during this period of potential corporate activity. We raised additional concerns – around issues such as valuation assumptions, information asymmetry and process – along with a desire for further information to allow members to take an informed view on the investment risks and upsides, before deciding on any potential Board-recommended offer.



Engagement Methods

How did the Forum engage?

- Initially the letter was supported by eight Members. We deliberately did not collect the size of their shareholdings to avoid creating market sensitive information. As is often the case with collective engagements, some Members chose to leave, and others joined the engagement - over the course of this engagement thirteen investors participated.
- In July 2024 we sent the letter to the Chair, and the company secretary acknowledged receipt. We received a letter from the Chair thanking us for the feedback and raising the points with the Board. This letter was circulated to participants.
- Following a third Put Up or Shut Up (PUSU) deadline extension on 5th August 2024, several participants expressed frustration with the Board's acceptance of the continued delay. We wrote to the Chair, via the Company Secretary, expressing the need for a swift resolution.



Outcomes

What did the engagement achieve?

- The objective of the engagement was to encourage the company to make full disclosure to the market to allow shareholders to make an informed decision regarding their future holding in the company. We believe we helped the Board consider the views beyond the founders and highlighted concerns over the bid structure, but ultimately there was no change in the price achieved.
- We understand the frustrations of Members that, after nearly two months and three PUSU extensions the Board were unable to extract any increase from the 18th June 2024 level. We were also disappointed that, aside from one letter, we had no direct communication with the Chair or other NEDs, and that all communication was done via the Company Secretary.



Lessons Learned

What has wider applicability?

- The UK Takeover Code is a pro-shareholder regime which seeks to provide swift resolution by protecting target companies from speculative bids and prolonged siege tactics. The tight timetable puts the onus on the bidder to make a tangible offer, or risk being blocked from making a bid during the following 12 months.
- We highlighted the issue of the three PUSU extensions to the Takeover Panel, along with the extent of the disclosures provided under Rule 24.11. We shared the feedback from that discussion with engagement participants. The Takeover Panel are very open to conversations with shareholders, and encouraged anyone who has particular concerns to get in touch.



CASE STUDY

Hipgnosis Song Fund Ltd

OVERSIGHT (BY THE BOARD)	Strategy	
	Leadership & Succession	
	Capital Allocation	
	Corporate Governance	•
	Corporate Action	•
EXECUTION (BY THE MANAGEMENT TEAM)	Operational Performance	
	Management Information	
	Reporting & Communication	



Timeframe

Sep 23 - Jun 24



Index

FTSE 250



Number in Engagement

06



Combined Shareholding

N/A



Basis of Selection

Why did the Forum engage?

- A Member first raised concerns with the Company in September 2023, following the announcement of terms for a significant transaction and a period of unsatisfactory investor engagement.
- In October 2023, the company lost its continuation vote at the AGM. The Board then had a full refreshment, including the appointment of a new Chair with relevant experience, and undertook a strategic review.



Objectives

What did the Forum engage on?

- The objective of the engagement was to ensure the voice of all shareholders was heard, and that there was the opportunity to raise concerns ahead of the continuation decision.
- We wrote to the Senior Independent Director asking for assurances that the Board would act in the best interest of all its shareholders, both during the transaction process and on an on-going basis. The letter expressed concerns about the management of conflicts, corporate governance and scrutiny and oversight.



Engagement Methods

How did the Forum engage?

- We wrote to the SID in October 2023, prior to the AGM. Whilst the SID responded promptly, no further dialogue was deemed necessary by engagement participants pending the outcome of the AGM. Subsequent to our exchange, the SID stepped down before the AGM.
- We provided an update Note to participants in December 2023, seeking views. The consensus was to take a 'wait and see' approach to what the new Board would be able to deliver.
- In March 2024 we emailed the new Chair to establish contact. We communicated that the shareholders we had been speaking with appreciated the Board's regular updates of progress. As that process neared a conclusion, we suggested the Investor Forum facilitate a conversation between the Chair and our Members once proposals were published ahead of the expected General Meeting at the conclusion of the strategic review.
- The Company, through its broker, agreed to a meeting, but it was clear events were moving rapidly, and a bid emerged which led to a series of counter bids and further intense negotiations with Blackstone. The Board continued bilateral shareholder engagement through this process but, given developments, there was no need for a group meeting at that stage.



Outcomes

What did the engagement achieve?

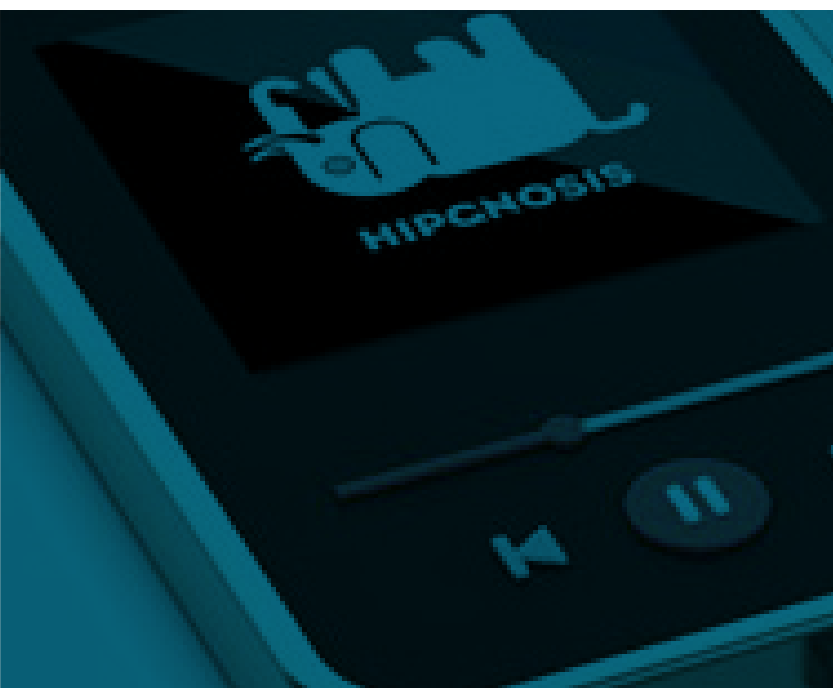
- Shareholders felt a good result had been achieved by the new Board. As a vote was being put to shareholders, we concluded that it was an appropriate time to close the engagement.
- The engagement letter placed much emphasis on the importance of getting the right Board in place to protect shareholder interests. One of the critical appointments was that of the Chair, who had relevant recent experience in a similar situation in the sector, and who came fresh to the situation. The new Board was engaged and active, communicated clearly with the market, and so were given support in working through the issues.
- Whilst contact with the company subsequent to the continuation vote was limited, Members who were smaller shareholders appreciated the opportunity to participate in the discussion around the Company through the collective engagement process.



Lessons Learned

What has wider applicability?

- The Investor Forum hosted the Association of Investment Companies in December 2023 to talk about the roles of the Board, relationship with investment advisers, corporate governance in the sector and management of conflicts, given the activity in Hipgnosis Song Fund and other investment trusts (such as Home REIT) that we were monitoring. As a sector, the powers and responsibilities are less well understood by general investors than traditional operating companies, and some discussion on investor expectations was found to be helpful.
- We remain interested in both the governance, and valuation, of the Investment Trust sector, especially in the light of increased corporate activity and activist interest.



CASE STUDY

Vistry Group plc

OVERSIGHT (BY THE BOARD)	Strategy	
	Leadership & Succession	●
	Capital Allocation	
	Corporate Governance	●
EXECUTION (BY THE MANAGEMENT TEAM)	Corporate Action	
	Operational Performance	
	Management Information	
	Reporting & Communication	



Timeframe
Feb 24 -
May 24



Index
FTSE 250



Number in
Engagement
07



Combined
Shareholding
6%



Basis of Selection

Why did the Forum engage?

- In 2023, the Investor Forum facilitated an engagement with Vistry to escalate shareholder concerns around remuneration and capital allocation and to ensure that the views of long-term institutional shareholders were given appropriate consideration by the Board. We sent a clear message of support for the then-Chair in his efforts to refresh the Board. The Board subsequently clarified its strategic objectives and capital distribution policy, received shareholder approval for a new remuneration policy and embarked on a comprehensive board refreshment process. We closed the engagement to give the company time to focus on execution.
- In January 2024, the Company announced that, after nine years of service, the Chair would step down, and the current CEO would become Executive Chair and CEO.
- A Member raised concerns about the resulting governance structure, and felt more explanation was required as to why this non-standard arrangement was in the best interests of the company.



Objectives

What did the Forum engage on?

- Investors support the principle of “Comply or Explain” in corporate governance, but need the explanations to be considered and comprehensive. In this case, the shareholders participating in the engagement felt they needed more information before making a voting decision on whether or not to support the appointment at the forthcoming AGM.



Outcomes

What did the engagement achieve?

- The engagement met its objective of encouraging a comprehensive explanation from the Company on the governance decisions that had been made in order to inform shareholder voting decisions.



Engagement Methods

How did the Forum engage?

- We wrote to the Executive Chair-elect expressing investors’ support for him as the CEO, but noting their surprise at the outcomes of the Board succession planning process. The letter requested more clarity on the rationale for, and implications of, appointing an Executive Chair; the sequencing and timeline for future Board changes; and the resulting Board composition, including tenure and shareholder representation.
- Following the letter, a group call with the Executive Chair-elect was organised to enable the Company to provide more detail on the rationale for the governance choices.
- We also circulated two letters from the Company to shareholders providing further details to support their voting decisions.



Lessons Learned

What has wider applicability?

- The Company has faced challenges in the past in reconciling the differing views within its shareholder base, and needs strong leadership to focus on delivery of the strategy and positioning the company for the future. The Board ultimately decided to put in place non-standard arrangements which were best suited to its individual needs, engaged extensively to explain its position and received shareholder support.
- While a number of shareholders continue to register concern by voting against, overall there was a significantly less contentious situation following the 2024 AGM than there was a year ago after the 2023 AGM.
- We believe this situation is a positive example of how the ‘comply or explain’ principle works, alongside extensive engagement by the company. Importantly, it also illustrates shareholders’ willingness to take individual circumstances into account when applying their voting policies and use discretion in a complex situation rather than simply follow the recommendations of the proxy advisers.



Engaging During Takeover Situations

During a UK takeover bid, engagement with other investors can be a powerful tool to leverage combined influence to ensure that material issues are addressed, to protect shareholder interests and to ensure that the target company Board does everything it can to ensure a favourable outcome. However, there are concerns about the extent to which investors can talk to each other in live bid situations given the risk of violating legal or regulatory requirements.

The Investor Forum was set up to address such concerns and to enable investors to make their case collectively as well as individually. We have over a decade of experience in organising collective engagement activity. Expert knowledge of the legal framework, professional resources, clear processes and experience to guide participants successfully through a collective engagement is critical. Ad hoc coalitions, particularly during heavily regulated takeover situations, can present risks.

The Investor Forum's Collective Engagement Framework (CEF) is a proven structure to enable investors engage with each other and with company Boards in a safe manner. The CEF was written in conjunction with the Investor Forum legal panel and has been reviewed by both the Takeover Panel and the FCA. The CEF was updated in 2022 to incorporate recent developments, and is structured to take into account key UK, US and EU regulatory concerns. The Investor Forum has used this approach to conduct several collective engagements during takeover situations, helping to ensure that target company boards take steps to address investor concerns in their negotiations.

Following engagement with the FCA by the Investor Forum and a Working Group of our Members, the FCA published Primary Market Bulletin 46 in December 2023. While there was little new insight provided in the Bulletin, it was a helpful reiteration of the implications of MAR together with a consolidated history of previous clarifications by the FCA and forerunner organisations. 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 can safely be pursued, notwithstanding the current sensitised background and related concerns which have been elevated.

We are confident that the Investor Forum can facilitate a 'safe' collective engagement with the target company, the bidder and/or other shareholders, during an active bid situation. The tool of collaboration can be employed by investors alongside public statements and bilateral engagement to increase effectiveness, without introducing unmanageable risks.

We encourage investors to consider utilising the Investor Forum in such situations.

“We are confident that the Investor Forum can facilitate a ‘safe’ collective engagement with the target company, the bidder and/or other shareholders, during an active bid situation.”

Promoting Well-Functioning Markets

As well as company-specific activity, the Investor Forum undertakes a range of activities that focus on the wider market environment, including facilitating dialogue through events and undertaking thematic projects.

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.

Our input into the FRC's Stewardship Code consultation is discussed on page 47.



Our active ownership approach ensures that our clients' investments are underpinned by strong governance principles that drive long-term performance.

Many of our clients share our perspective; recognising the potential costs, risks and opportunities associated with ESG factors, and how they are too material to ignore. Our role is to help the businesses in which we invest to adapt and embrace opportunities as well as take accountability on issues such as climate change.

"Constructive dialogue between companies and investors is vital to address issues that can significantly impact business resilience and success. Through our engagement efforts, we strive to influence positive change and ensure that the companies we invest in uphold strong governance structures that enhance business performance and deliver sustainable value for our clients.

Kimberley Lewis

Head of Active Ownership, Schroders
Investor Forum Director, December 2024

HOW THE INVESTOR FORUM PROMOTES WELL-FUNCTIONING MARKETS:

FACILITATE DIALOGUE

(Read more on page 42)

- Convene parties from across the investment chain at our Four O'clock Forums and Roundtables
- Create opportunities for Members to gain practical insights from experts on key issues

STEWARDSHIP 360 PROJECTS

(Read more on page 44)

- 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

SECRETARIAT TO THE INVESTOR & ISSUER FORUM

(Read more on page 26)



Facilitating Dialogue: Events

We organise bespoke events, such as our Four O'clock Forum series and Member roundtables, based on Member interest.

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 2024, we arranged 14 Four O'clock Forums, with over 350 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:** the just transition, carbon capture and storage, routine gas flaring, carbon accounting, and the UK water industry.
- **Social:** AI safety, ESG ratings in the tobacco sector, the UK defence industry, and with the regulator of social housing.
- **Governance:** audit reporting, sustainability assurance, and a review of remuneration policy changes.

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. The Water S-360 project made use of this function, ensuring that valuable investor information reached a wider audience, and work on social housing and ESG ratings also culminated in a FOF event.

TOPICS COVERED 2024



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 international issues with experts, explore issues raised in academic papers, and consider S-360-project issues in greater depth.

In addition, the Shaping Tomorrow's Dialogues project involved various roundtables and events attended by people from Member firms, UK issuers, and representatives from our partner organisations. Read more about this project on page 20.

Recordings are available on our website for our Members to watch on demand.

HIGHLIGHTS OF THE YEAR INCLUDED:

- "Insights into Corporate Governance trends in Asia" with ACGA
- "Developments in the Italian market" with Assogestioni
- "Review of the 2024 AGM season", co-hosted with Georgeson, as part of our AGM Tracker project (see page 51)
- "Financial resilience and the regulatory environment for the UK water sector" with OFWAT, and "Ensuring an effective regulatory framework for the UK water sector" with the Environment Agency, both as part of our S-360 project on the UK Water Sector.

“

I am honoured to join the Board of the Investor Forum, an organisation that M&G proudly helped to found. With nearly nine years as Head of Stewardship at M&G Investments and two decades of experience in investment banking advising companies, I look forward to supporting the Forum in its next phase of development.

The UK has long been recognised as a global leader in corporate governance and stewardship. As the number of listed companies declines in global markets, our dual mandate becomes increasingly clear: providing access to capital while maintaining robust engagement with listed companies.

At M&G, active stewardship is a cornerstone of our investment process. As both an equity and fixed income investor, we engage bilaterally and collaboratively with investee companies to address challenges and unlock value. The Investor Forum has been instrumental in resolving complex issues for M&G and other members while also providing valuable guidance to investee companies. I am excited to contribute to the Forum's vital work in fostering effective, long-term stewardship.

Rupert Krefting

Head of Corporate Finance and Stewardship, M&G Investments
Investor Forum Director, December 2024



Stewardship 360 (S-360) Projects

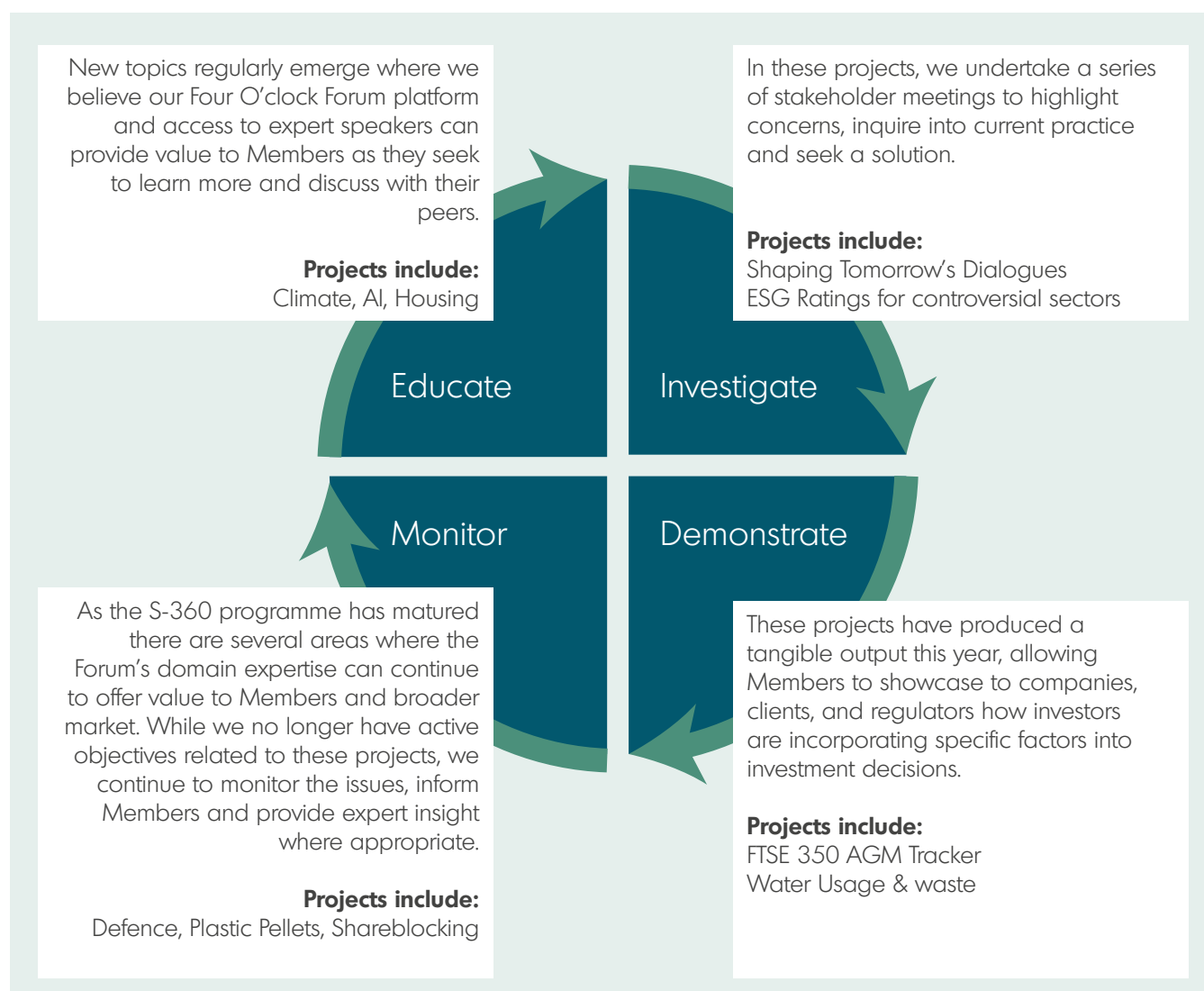
The Stewardship 360 (S-360) programme brings investors together to consider wider material issues that impact companies, industries and the environment in which they operate.

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.

In 2024 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.

S-360: Process



S360: ESG and Defence Industry

In 2022, the Investor Forum facilitated a Working Group to consider the issues of investing in the defence sector given ESG pressures. We created a framework, using the Investor Forum/LBS Sustainable Shareholder Value Model, for investors to use when evaluating their approach.

This report informed a number of discussions with industry experts and during 2024 this helped investors consider the issues around investing in areas of conflict like the Middle East. It underscored the importance of maintaining a clarity of mandate as an investor on behalf of clients. As many of our Members come under increased scrutiny from their various stakeholders, it has been a helpful resource in setting policy and explaining the decisions taken.

We welcomed back the CEO of ADS Group, the UK trade association for aerospace, defence, security and space, to provide an update on the relationship between the defence and the financial sectors, given a new government and a changed geopolitical environment.

S360: ESG Ratings in the Tobacco Sector

The Investor Forum was asked to facilitate a conversation to provide collective feedback from Members to MSCI's ESG ratings teams on areas of concerns relating to their ratings framework for companies within the tobacco sector.

The transition to reduced-risk products (RRPs) has played a very small role in the way that MSCI assess tobacco companies. MSCI had already been debating whether to incorporate RRP into a separate categorisation within the framework. The discussion between the MSCI ratings team and Members focused on methodology changes and the challenges rating agencies face in analysing controversial sectors like tobacco, including whether ratings should be expressed on an absolute or a relative level. Investors observed that the most material ESG consideration in the tobacco sector is the impact of products on consumer health. In terms of chemical safety and risk management, investors appreciated that MSCI had started to incorporate a different categorisation for RRP into the risk management section of 'chemical safety', but felt that it might remain too small relative to the materiality of the issue.

We plan to have a further discussion with MSCI on ESG ratings and the defence sector.

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 October 2023, the European Commission presented a proposal for a regulation to reduce environmental pollution caused by the unintentional release of plastic pellets. The aim is to prevent, contain and address spills and losses of plastic pellets caused by current handling practices, as part of the EU commitment to reduce microplastic releases into the environment by 30% by 2030.

The proposals appear to build on the requirements of PAS 510, and it is possible that PAS 510 will be incorporated some way into a new European standard (CEN).

In parallel, there are ongoing discussions around the development of an international standard (ISO) to address pellet loss. There are some concerns that, due to the influence of the plastics industry, this might be based on the existing – and in our view, less robust – voluntary framework rather than protocol established in PAS 510.

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

S-360: Addressing share- blocking

The ability to exercise shareholder rights is of utmost importance to our Members. Due to the technical complexity of the voting chain, there can be various barriers which can restrict the ability to do this. In the past, the Investor Forum has investigated the rights attaching to ADRs – which were in the issuing company's power to change – as well as engaging with market participants to address the issue of share-blocking in the Irish market that had emerged following the change of Central Securities Depository.

We continue to provide a forum where shareholders can share their frustrations and experiences around share-blocking practices, and will engage with regulators and service providers where necessary. We were pleased to see that, in 2024, Norway removed barriers for international investors wishing to exercise their voting and filing rights by implementing the EU Shareholder Rights Directive (SRD II). Less pleasing were the changes imposed by a large custodian in the Swiss market which resulted in share blocking effectively being imposed on clients. This particular case was successfully resolved thanks to coordinated interventions by various parties, but, as some custodians do not automatically de-register shares, many institutional investors still regard the Swiss market as a blocking market. We continue to use our network and influence to address issues where possible.

Stewardship Code

Consultation Response

There was widespread appreciation across the marketplace for the comprehensive consultation exercise which the FRC undertook to inform its proposals for the review of the UK Stewardship Code. We were asked by Members to help in the pre-consultation discussions around affirming the foundational principles of stewardship and to clearly articulate what is seen as the purpose of the Code.

The Investor Forum consulted its Members through a range of channels including a survey, two roundtables and multiple individual calls. We spoke to both asset owners and asset managers of varying sizes, and signatories and non-signatories, and hosted two meetings for our Members with the FRC CEO.

Investors that we spoke to were largely supportive of the Code and its aims. There was a broad consensus that the Code has raised standards and brought greater focus and professionalism to the Stewardship industry. This, and the global adoption of the Code from 2012 onwards, was an acknowledgment of its value and the scale of the FRC's achievement in establishing the Code as a world-leading standard of good stewardship. However, there was also a clear recognition of unintended consequences resulting from the revisions introduced in 2020.

We stressed that it is important that the FRC considers any updates to the Code in the wider context of the perceived dilution of shareholder rights in the UK, driven by the FCA's changes to the listing rules, and the concerns that many participants – particularly asset owners – have expressed.

The primary issue for Code signatories had been that Code submissions require an annual resource commitment that was not felt to be commensurate with the benefits it provided. We believe much of this burden has been reduced by the announced updates to the annual application process, through the allowance of cross-referencing and removing the requirements on annual Activity and Outcome reporting for certain Principles.

We fully support the desire to retain high quality disclosures and believe that Stewardship Code Reports provide valuable transparency for asset owners and retail investors. For any update to succeed, these reports must remain useful for the end users. We would not want to see a reduction in one reporting burden lead to another emerging in its place with consultants and others requesting information in alternative forms.

“There was a broad consensus that the Code has raised standards and brought greater focus and professionalism to the Stewardship industry.”

In terms of engagement, we believe it is important to maintain a focus on collaboration as a principle: action may be required to permission and reinforce acceptance of collective engagement within the UK market, given global developments.

We will consult further with our Members, with a particular focus on the change in emphasis by the FRC on engagement and how they have incorporated collaboration and escalation into one principle. We will be submitting a formal response to the consultation ahead of the February 2025 deadline.

S-360: Water Usage and Waste Management

The UK water industry plays a vital role in providing essential services to millions, but it faces significant challenges that require urgent attention and substantial investment. Key issues include the need for infrastructure upgrades to tackle pollution, leaks, scarcity, and water quality.

The Investor Forum continued to engage with the UK water industry in 2024. This project provides an example of the benefits of combining company-specific and thematic engagement. This is all the more important in a sector characterised by a multifaceted stakeholder landscape, where various entities influence decision-making, governance, and regulation. The stakeholder wheel below illustrates this, while the timeline provides the sequence of the touchpoints punctuated by key sector events.

WATER SECTOR NEWSFLOW

SUMMER 2023

Meetings are held with the Chairs of the three listed UK water companies. Agendas covered both company-specific and industry-wide issues.

SPRING 2023

The chief executive of Thames Water abruptly leaves the business as it struggles with a £14bn debt pile. Government ministers gather to discuss contingency plans for Thames and the sector more widely.

MARCH 2023

Ofwat announces their intention to make amendments to Water Companies' license conditions, limiting their ability to pay dividends.

JANUARY 2023

The Working Group begins a fact-finding mission holding a roundtable with industry body Water UK, meeting with local government and environmental campaigners, and speaking to Members who are invested in the sector.

DECEMBER 2022

Investor Forum Water Working Group is established following persistent media focus on the actions and regulation of the UK Water Sector.

NOVEMBER 2023

Ahead of a pivotal period for the sector, the Investor Forum wrote to the sector's three major regulators, and the All Party Parliamentary Group, to inform them of our concerns.

SPRING 2024

Kemble, the parent company of Thames Water, defaults on some of its debt, sparking wide focus on the financial plight of the sector's largest company. The largest shareholder in Kemble issues a full writedown of their stake.

SUMMER 2024

A UK General Election takes place, bringing in a new Labour Government. Ofwat publishes their Draft Determinations for the upcoming AMP.

The Working Group holds meetings with the Chairs of the three listed UK water companies. These cover responses to the Draft Determinations, the changing regulatory landscape, and both company-specific and industry-wide issues.

AUTUMN 2024

The Government announces an Independent Commission to review the water sector. The Investor Forum writes on behalf of the Working Group to the new Environment Minister. The letter details the work done by the group so far and the Group's wish to be included in the Commission's review.

As the situation at Thames becomes increasingly critical, the Group includes the Chief Secretary to the Treasury, warning of the contagion risk to the sector and the potential for an industry-wide credit crisis.

WATER 2024 REVIEW & ACTIVITY

The Working Group's conclusions in 2023 highlighted a potential wave of challenges that could permeate the sector, elevating risk premiums and affecting even the most robust companies. These concerns quickly materialised as Thames Water, the sector's largest company, was written off by its equity investors. Further, it was placed in special measures by Ofwat, and had its debt downgraded to junk status within the first six months of the year. This highlighted long-term, wide-reaching issues facing both the company and the broader UK water sector.

Despite the scale of the challenge, the second half of the year offered an opportunity to alleviate uncertainty and enable capital flow into the sector. A new government and Ofwat's Final Determinations could potentially provide investors with clarity on expectations, proposed expenditure, and allowed returns for the next five-year regulatory period.

Before the release of the Draft Determinations, the Working Group met with Ofwat and the Environment Agency, to articulate investor perspectives and concerns about the industry's structure. The Group aimed to ensure both regulators were aligned in their understanding of the investment community's need for stability and accountability, which is critical for UK companies' competitiveness in the global infrastructure market.

Ofwat's Draft Determinations were released in July, following a delay due to a UK General Election that brought in a new government. Our Working Group met with the chairs of the three listed water companies to investigate the likely impact of the new government and, importantly, how allowed expenditure and investment returns might impact the sector and its ability to fund necessary long-term investments.

Continued overleaf »

DECEMBER 2024:

Ofwat publishes their Final Determinations for PR24. While still falling short of the bill rises that companies operating in the sector had been seeking, compared to their draft determinations published in July, Ofwat has significantly raised the allowed returns for companies across the board. It remains to be seen how companies respond to these final determinations, but it initially looks likely to have quelled sector-wide appeals.



Project Summary

In 2023, the Investor Forum established a Working Group to focus on the UK water industry given the complex array of challenges facing the sector. Fixing performance, resilience and future supply is a huge task, and requires 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, against which shareholders and debt financiers can make assessments; and
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.

Through discussions with industry experts and meetings with the chairs of major water companies, the Working Group identified critical needs for the sector. These include a comprehensive assessment of the scale of investment required and expected returns, a unified regulatory approach that instils investor confidence, and a robust reporting framework that provides consistent and comparable data.

We wrote to the sector's three major regulators, and the All Party Parliamentary Group, to inform them of our concerns. We emphasised 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.

It remains evident that the industry's significant challenges stem not only from companies failing to meet standards but also from the regulatory environment lacking clear, consistent long-term objectives to inform and enable required capital expenditure programs. This looks set to continue under the current outlook, with a number of companies expected to challenge Ofwat's PR24 Final Determinations, believing they wouldn't provide necessary funding to resolve long-term issues.

While the sector's material issues haven't changed, they have been exacerbated by Thames Water's ongoing situation, raising risk premiums and uncertainty across the sector. This increased urgency led the group to escalate our concerns to ministerial level, writing to the Secretary of State for Environment, Food and Rural Affairs and to the Chief Secretary to the Treasury.

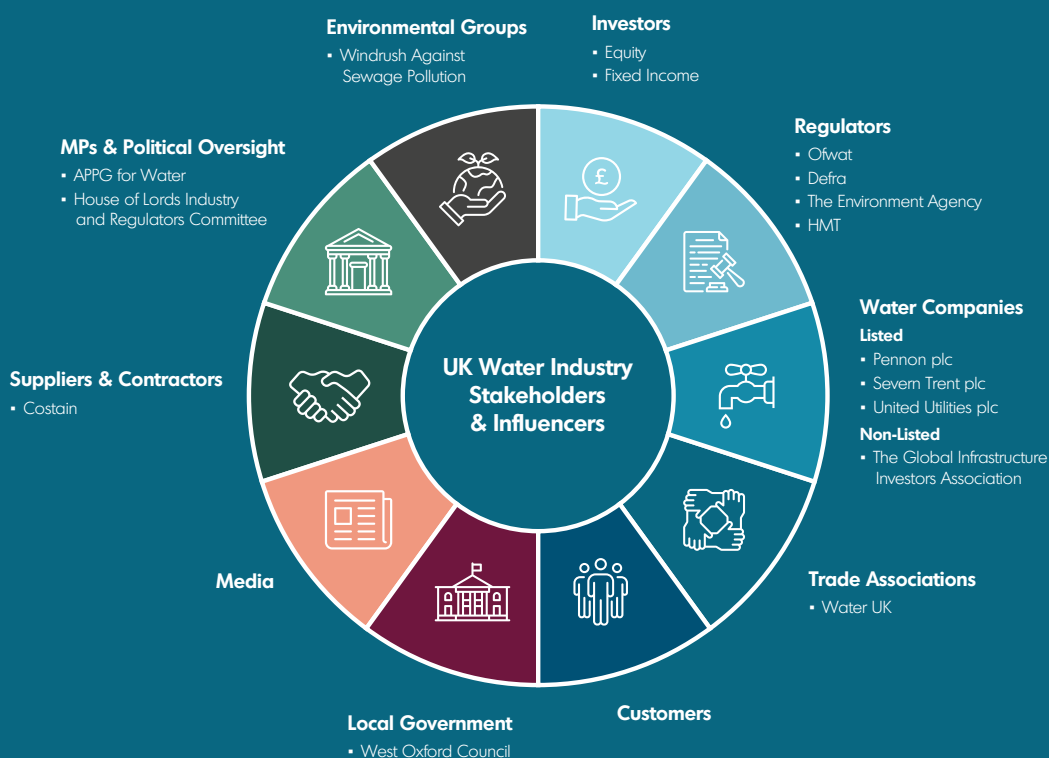
The letter highlighted two key areas:

1. A recommendation for stronger coordination between primary departments impacting the UK water system, emphasising the need for greater Ministerial ownership, appropriate HM Treasury funding, and a formal understanding between industry and regulators to enhance accountability.
2. The near-term risk of contagion from weaker companies elevating risk premiums and affecting even robust companies without stabilisation via an appropriate regulatory settlement.

Given the size and urgency of funding required, capital markets will play a significant role in improving the sector's prospects. The Working Group will continue to voice institutional investors' concerns to the government, Ofwat and water companies in 2025. The launch of the Independent Commission on the Water Sector Regulatory System demonstrates the Government's commitment to remedying long-standing issues.

The Working Group has offered to serve as a key stakeholder for consultation, which the Government have welcomed.

UK WATER INDUSTRY STAKEHOLDER WHEEL - PROJECT TOUCHPOINTS



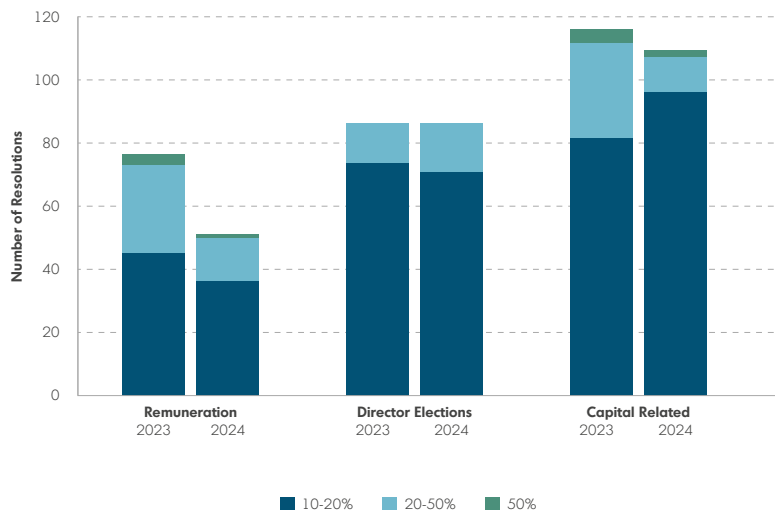
S-360: Voting in Practice

Over the year the Investor Forum once again monitored the contentious voting outcomes at UK company AGMs, uncovering several key trends that highlight the evolving nature of corporate governance and shareholder relations.

OVERVIEW OF THE 2024 AGM SEASON

During 2024, 328 individual resolutions at FTSE 350 companies (excluding investment trusts) faced opposition of 10% or more votes against management recommendations. No management-backed proposals were rejected in the FTSE 100, and the number of rejected votes across the FTSE 350 decreased from 8 to 6 compared to the previous year.

The data indicates a continued high level of shareholder scrutiny, particularly on issues that directly impact shareholder rights and corporate governance issues such as capital raising. However, most notable is the unexpected drop in the level of dissent on remuneration reports and policy. This departure from the expectations leading up to the season is a signal of the positive engagement between shareholders, companies and their broader stakeholders.



KEY AREAS OF CONTENTION

Capital Raising

Capital raising remained the most contentious issue for the second consecutive year. This trend follows the Pre-Emption Group's 2022 update to its Statement of Principles, which allowed companies to raise capital with increased flexibility ('10%+10%' power). Despite proxy support for this change, a significant minority of investors continued to oppose such resolutions. FTSE 100 companies were less likely than their FTSE 250 counterparts to seek these relaxed powers, possibly reflecting an understanding of shareholder concerns about potential dilution.

Director Elections

The escalation of shareholder concerns into votes against directors persisted in 2024. Chairs were particularly targeted, with 25 receiving votes against ranging from 10-20%, and six facing opposition between 20-50%. These votes often reflected complex issues such as over-boarding and board composition. Votes against remuneration committee chairs also remained common.

Remuneration Votes

Contrary to expectations of heightened conflict, the level of dissent on remuneration reports and policies declined. This improved landscape was marked by fewer high-profile disputes, with notable exceptions at companies like Smith & Nephew (44% opposition), AstraZeneca (35%), and Pearson (30%).

“

I have been at Invesco for 11 years. In that time I have worked with fund managers to ensure the best possible client outcomes. One of the key areas to provide value is to ensure that the companies we invest in adhere to the right standards of corporate governance and we use our vote to ensure this occurs. We exercise our vote on all governance matters. Some are standard AGM tabled resolutions, such as remuneration votes and director re-election. However, there are also instances where material board room governance issues arise that require shareholder engagement and shareholder action. These processes are time consuming and can be very volatile but can also result in very positive client outcomes. In such instances, we engage directly with the company but also engage collaboratively/collectively with other shareholders. We often initiate this engagement through the Investor Forum who has the experience to provide the process and structure for such engagement.

Active shareholder engagement can result in very positive and measurable outcomes for investors. Investors have different needs and objectives that could be financial, non-financial or a combination of both. As stewards of our clients' capital we have a responsibility to protect our clients from risks associated with corporate governance shortfalls. Where client objectives include specific environmental, social, or governance related targets, investment teams need to define and implement processes that are aligned with achieving those outcomes and vote accordingly.

Matt Brazier

Head of Investment Advisory Invesco
Investor Forum Director, December 2024



Governance and Operational Review

- Governance & Resources
- Membership
- Legal Panel

Governance Review

From the outset the Forum has aspired to adopt standards that are consistent with the 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. During the year, this aspect underwent a comprehensive refreshment, and we were delighted to appoint 7 new Member Directors.

Three Directors stepped down. Robert Swannell did not stand for re-election at the 2024 AGM, having served on the Board since inception. Chantal Waight and Luba Nikulina left in December 2024. Chantal had chaired the OOC for three years, as well as serving on the NARC, and we are particularly grateful for her support and contribution.

Figure 1 overleaf highlights the range of skills that directors bring to the Board and short profiles for each director can be found overleaf.

2024 was a year of change for the Investor Forum. The Board oversaw the leadership transition,

with the appointment of a new CEO, and the establishment of a new initiative in the Investor and Issuer Forum (see page 26 and 27).

During the year, 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 met numerous times, formally and informally, as it interviewed CEO candidates and the new NEDs.
- 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 2024.
- From October 1st 2021, the Chair role has been remunerated; no other Non-Executive Director receives any remuneration.

The CEO 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.

EXECUTIVE TEAM

The Investor Forum team aim to be both responsive to Member interests, and proactive with ideas, fostering a culture of intellectual curiosity. 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 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 CEO, are

FIG 1



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).

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 ninth 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. For the year ending 30 September 2024, membership revenues (from 51 members) were £1,065k and the company recorded a deficit of £108k for the financial year after taxes.

The financial sustainability of the Investor Forum is a high priority for the Board and the CEO. As fee pressure on all membership organisations increases, the Forum is exploring ways to diversify its income sources and ensure it can continue to offer its Members valuable insights and opportunities.

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, which should not exceed a maximum of 50% of annual operating costs, to help manage the natural variability of income and expenditure or any significant one-off costs. A portion of this reserve was designated to cover succession costs, and this reserve was spent during the year on the appointment of a headhunter to assist in the recruitment of a new CEO. At year end, the Forum has accumulated reserves equivalent to 3 months of operating expenses.

MANAGEMENT OF CONFLICTS OF INTEREST

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

- 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.

In designing the governance structure for the Investor & Issuer Forum, particular attention was paid to any real or perceived conflict from having company Chairs serving on the Steering Committee. The Investor Forum has been clear with all parties that participation in any way with the I&IF does not preclude engagement by the IF on behalf of its Members.

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.

The Board

MICHAEL MCLINTOCK¹

October 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. Previously he held roles in investment management at Morgan Grenfell and in corporate finance at Morgan Grenfell and Barings. He is also a Trustee of the Grosvenor Estate, Chair of Grosvenor Group Limited, and a member of the Takeover Appeal Board.

CHRIS KINDER

September 2024

With over 20 years of experience as a UK-focused equity fund manager, Chris has managed a range of different fund types – including investment trusts and institutional and retail mandates. Most recently, he was a senior fund manager at Columbia Threadneedle Investments. Chris brings a wealth of experience and insight and extensive connections across the UK equity market. Chris qualified as a chartered accountant with PwC, and until recently he was an independent advisor to BBC Children in Need.

ANDREW MILLINGTON³

December 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.

RUTH BEECHEY

March 2022

Ruth was Chief of Staff at UBS Global Asset Management UK, where she worked for 22 years until 2023. As a qualified lawyer, her previous roles include being Legal Counsel at UBS and Morgan Grenfell. She is currently an NED at Legal and General Assurance (Pensions Management) Ltd and Brown Advisory US Small Companies PLC.

ELENA BIGNAMI

December 2024

Elena is Stewardship Manager at Man Group. In her role, she is responsible for developing Man Group's investment stewardship strategy through effective advocacy, stakeholder management, engagement and proxy voting. Previously, Elena worked in the Sustainable & Responsible Investment arm of Mirabaud Asset Management and held various roles in the Governance and ESG businesses of Institutional Shareholder Services (ISS).

MATTHEW BRAZIER

December 2024

Matt is Head of Investment Advisory at Invesco where he works closely with the Henley equities teams on corporate governance, corporate engagement and company voting. He liaises with the fund managers on corporate governance, including voting and consultation. Matt started his career in 2001 as a lawyer in Sydney, before working as a corporate lawyer in London for 15 years.

JOHN TEAHAN

December 2024

John is a portfolio manager at Redwheel. He joined Redwheel in 2010 as a Partner within the Redwheel Value & Income team. He has a particular focus on engagement, including with carbon intensive companies and is involved in a number of ClimateAction 100+ collaborations. He currently hosts the CFA UK Climate Change Podcast Series. Prior to joining Redwheel, John worked as a Fund Manager at Schroders and started his career in 2000 at Bank of Ireland Asset Management.

PARAS ANAND

December 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. Paras chairs the IA Stewardship Committee.

ALEX EDMANS**May 2022**

Alex is Professor of Finance at London Business School, where he focuses on corporate governance, responsible business and behavioural finance. Alex is a Director of the American Finance Association and Financial Management Association, and serves on Royal London Asset Management's Responsible Investment Advisory Committee, the Morgan Stanley Institute for Sustainable Investing Advisory Board, and Novo Nordisk's Sustainability Advisory Council. He is the author of "Grow the Pie", "May Contain Lies", and "Principles of Corporate Finance". Alex has a PhD from MIT as a Fulbright Scholar, and was previously a tenured professor at Wharton and an investment banker at Morgan Stanley.

SIR PETER GERSHON²**January 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 three independent reviews for the UK Government. He is currently chairman of the Dreadnought Alliance and enfinium Limited.

RUPERT KREFTING**December 2024**

Rupert is Head of Corporate Finance and Stewardship at M&G Investments. Rupert qualified as a chartered accountant (ACA) with Coopers & Lybrand (now PwC) then worked in investment banking for more than two decades, before joining M&G in 2016. Rupert is a Member of the Investment Association's Stewardship Committee and Chairs the Corporate Reporting and Audit Group. At the IIGCC, he sits on the Corporate Programme Advisory Group, and is co-lead on a number of Climate Action 100+ engagements. He is a Member of the Pre-emption Group and serves on the UK Endorsement Board's Investor Advisory Group.

KIMBERLEY LEWIS**December 2024**

Kim is Head of Active Ownership at Schroders. She has over 25 years experience in sustainability, law and public policy. Prior to joining Schroders, she served as the Director of North America Engagement for Federated Hermes EOS, International. Before joining EOS, Kimberley was the Senior Director of Global Corporate Responsibility at Pfizer Inc, where she was responsible for driving Pfizer's strategy for global public health and patient impact in underserved communities. Prior to that, she was the Director of Public Policy and Issues Management at AstraZeneca. She was also a senior advisor to Cherie Blair, where she played a key role in establishing the Cherie Blair Foundation for Women.

VALERIA PIANI**December 2024**

Valeria is Head of Stewardship at Phoenix Group. Valeria joined in September 2021 to lead the in-house stewardship team and collaborate with Phoenix's Asset Management partners to influence ESG performance by investee companies. She has over 17 years of experience in the industry and has held a number of senior positions at different firms. Valeria worked for UBS Asset Management in stewardship and ESG integration, and at the UNPRI coordinating investor collaborative engagement activities. In addition to being a member of the CA100+ Global Steering Committee, Valeria is also a member of the IIGCC Advisory Group of Corporate Programme, the PRI Advisory Committee of Advance and the NZAOA Engagement Track.

JUSTIN THOMSON**December 2024**

Justin is the head of International Equity and a co-head of Global Equity at T Rowe Price. Justin is a member of the Management Committee, the chairman of the International Equity Steering Committee, and a member of the Asset Allocation and Environmental, Social, and Governance Committees. He also is the chief investment officer for International Equities. Justin is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price International Ltd. From 1998 to 2020, he was the lead portfolio manager for the International Small-Cap Strategy. In 2008, he incepted the European Small-Cap Strategy and ran that until 2016. Prior to joining the firm, Justin was employed by G.T. Capital/LGT/Invesco as a portfolio manager.

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

*Appointment date

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.

The IF team and the external expert speakers volunteer their time, and the programme is offered at no cost to individuals at Member firms.

The fifth programme was made up of 8 individuals who worked in two teams to research their selected topics – on AI governance and whether Shein should be listed in the UK - over the six week course.

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



Participants in the Fifth Cohort of the IFDP

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.

KEY FEATURES OF THE COLLECTIVE ENGAGEMENT FRAMEWORK:

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.

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.

COMPLEMENTARY TO MEMBERS’ DIRECT ENGAGEMENT –

Members are actively encouraged to continue their direct interaction with companies outside the Forum’s auspices.

HUB & SPOKE MODEL –

A bilateral model is the usual method of communication between the Executive and Members involved in Engagements.

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.

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.

HEIGHTENED PROCEDURES –

At various points in an Engagement, heightened procedures may be deemed necessary, including seeking specialist advice.

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.

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 2024, the founding Chair of our Legal Panel, Jonathan Baird, Partner at Hogan Lovells, retired from the role. He has been a constant source of wisdom and advice since the Forum was first conceived, and we are truly grateful for his support. Michelle Kirschner, Partner at Gibson Dunn, was appointed as the new Chair and will help coordinate future reviews of the Collective Engagement Framework.

Macfarlanes rotated off the Legal Panel, having been valued participants since its inception, and we thank them for their contribution over the last nine years.

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

Davis Polk

GIBSON DUNN

**Hogan
Lovells**

Skadden

“

The increased attention placed on E&S issues and stewardship in recent years has led to thematic engagement practices extending beyond corporate governance. Looking ahead to 2025, themes such as climate transition, human rights and diversity, equity & inclusion (DEI) will likely remain on investors' agendas.

I believe growing client interest in making their own voting choices will also compel investment managers to enhance their voting infrastructures in pooled funds, to ensure that the breadth of client preferences is reflected in their voting frameworks. Solutions like pass-through voting have been discussed more regularly and can empower clients to align their voting approach to their ESG stances.

I am looking forward to contributing to the Board of the Investor Forum. The organisation provides a helpful platform to facilitate dialogue between investors and UK-listed companies on financially material ESG issues. I believe that, through its mission, the Investor Forum can help build a more effective marketplace.

Elena Bignami

Stewardship Manager Man Group
Investor Forum Director, December 2024



Investor Forum Membership

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

As of 31 December 2024 there were 51 full Members and a list is given on page 2.

In 2024 we were pleased to welcome 1 new Full Member. 5 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.

In January 2024, the judging panel agreed that there were two stand out candidates, and hence there were joint winners of the third award.



As Head of Active Ownership at Schroders, Kimberley Lewis is responsible for driving forward Schroders' stewardship strategy. The Investor Forum has welcomed Kimberley's continued commitment to making the case for effective stewardship, engagement and escalation, and her input as a member of the advisory group on the Best Practice dialogues project and as an expert speaker on our IFDP programme. We are delighted that, from December 2024, she has joined our Board.

Helene Winch is Head of Responsible Investing at Premier Miton Investments. Helene is an active contributor to many Investor Forum projects, events and company engagements, and we value her insights.

The judging panel also 'highly commended' David Patt, Responsible Investment VP at Columbia Threadneedle. In 2023, David was active in proposing UK companies for collective engagements, and made significant contributions to a number of Investor Forum Working Groups, including on Best Practice Dialogues and Proxy Voting provider feedback. The Investor Forum team value the energy and insights he brings to all our conversations.

The winner of the 2024 Award will be announced at our Annual Review event in January 2025.

Investor Forum Team

CHIEF EXECUTIVE OFFICER

Chris Kinder

MANAGING DIRECTOR, IF

Victoria Sant (Company Secretary)

MANAGING DIRECTOR, I&IF

Sallie Pilot

SENIOR ADVISERS

Fiona Ellard, Tim Shanagher, Guy Walker

STEWARDSHIP DIRECTOR

Saul Chambers

FINANCE & OPERATIONS MANAGER

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