# Five questions with Morrow Sodali's new corporate governance director

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Oliver Parry joins firm from investor communications role at FTSE 250 company Paysafe Group
Morrow Sodali's latest hire comes in the form of Oliver Parry, who brings more than 10 years' experience in strategic communications, corporate governance and company law. Prior to joining the firm's London office, Parry advised some of the UK's largest financial institutions, served as head of corporate governance at the Institute of Directors and as secretary and adviser to the Global Network of Director Institutes. He joins Morrow Sodali from online payments firm Paysafe Group, where he served as head of investor communications.

**How have you seen investor attitudes to corporate governance change over the past 10 years? What has been the main driver of these changes?**

Attitudes to corporate governance issues have changed significantly over the last decade. In the aftermath of the financial crisis, perpetuated by the collapse of major banks, regulators sought to create a more robust regulatory regime for the financial markets.

For listed companies, regulators placed more emphasis on high standards of corporate governance. In the UK, for instance, the UK Corporate Governance Code was amended in 2010 and 2012. A code of governance for investors, the UK Stewardship Code, was also launched in February 2012. As a consequence, both boards and investors had to focus on high standards of governance.

But investors have taken it upon themselves to promote and uphold high standards of governance at our largest companies. We have witnessed significant investment in ESG functions and I expect to see this continue over the course of the next five years. Investors are clearly primed to scrutinize remuneration issues but other ESG issues, such as diversity and succession planning, are also being more closely monitored.

**Equally, how has company engagement around these issues evolved? Are companies doing enough to talk about governance?**

This is the BIG question that occupies the minds of regulators and policy makers alike. I personally believe more can always be done and firms such as Morrow Sodali can definitely facilitate this dialogue. The major shift in the last few years has been the volume of meetings held by asset managers with companies. Investors are holding more and more meetings, which is in itself a very good thing – but the industry is by its very nature results-driven and a lot still rides on how resolutions ahead of AGMs and EGMs are crafted and ultimately voted on.

Investors do a lot more but this isn’t always communicated to the market or, frustratingly, to journalists. It is always a resource issue. Even the largest asset managers have relatively small investor engagement teams compared with the number of companies they invest in. I’ve always believed, however, that constructive dialogue can be achieved only if the corporates themselves are prepared to reach out to investors to discuss corporate governance matters, especially on difficult, complex or contentious matters.

More and more FTSE 100 companies, for instance, are holding dedicated governance days ahead of AGMs. This is a great innovation and I know a lot of investors welcome it. The industry will continue to innovate and evolve but it is a two-way street: both boards and investors need to regularly communicate with one another.

**What do you think the top three corporate governance issues will be in the next proxy season?**

Without doubt, remuneration will again be the number one issue during the next proxy season. Investors are more engaged on this topic and boards are more alive to it, too. Moreover, the UK media are obsessed with high pay, which means the expectation placed on both companies and investors to explain the rationale behind pay policies is increasing.

In addition to pay, I imagine diversity and board composition will continue to be big issues.

**Are there any smaller issues you think could become larger trends in the coming years?**

I expect investors to focus more on what companies are doing in the field of broader stakeholder engagement. Many companies (around 67 percent, according to Black Sun) currently report on this but I expect the importance attached to this topic will increase over the next few years. Investors will want to see boards communicating how their engagement plan is helping the company in the long term and how it is aligned with the company's strategic goals. An apparent lack of trust in big businesses, the UK government's recent reappraisal of governance and a focus on Section 172 of the Companies Act (which requires all companies to promote the success of the company on behalf of a range of stakeholders) make this an urgent need.

**Finally, how should companies – and IR professionals specifically – go about addressing these issues and engaging with investors on governance?**

This is a difficult question. Not all IR professionals are asked about corporate governance issues. These matters are sometimes the responsibility of the company secretariat teams. Where this is the case, IR teams have to collaborate more with the general counsel and company secretary. Clear and regular lines of communication need to be established. This isn’t always easy but it has to be done.

That said, and as interest in governance-related matters increases, IR teams should use this as an opportunity to discuss these matters with investors. This is one way of avoiding tricky or difficult situations down the line. If you open up a dialogue with investors about ESG issues and ensure it is part of your financial calendar, you can more easily avoid confrontation with investors down the line. This isn’t a panacea, obviously, but better direct engagement will certainly help.