



Who cares what individual investors think?



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The lobby to balance shareholder interests with broader stakeholder interests is now a familiar and firmly embedded element of the narrative around business. From The Better Business Act via the alphabet spaghetti of reporting standards - TCFD, CSRD, SASB, TFND - we are all very familiar with the idea that business should be held to account for its wider impact.

Reframing society and nature as stakeholders in how we operate our biggest companies has boosted engagement from major investors. ESG factors are hugely important, with investors increasingly applying these non-financial factors to their investment decisions, as part of their analysis process to identify material risks and growth opportunities. Indeed, at AGMs, the number of Say on Climate resolutions are increasing, as are social impact questions, with law firms even anticipating a new revenue stream from ESG litigation.

But in this expansive wave of inclusion and corporate activism, one group has been left behind. As counter intuitive as it seems, individual investors haven't seen their opportunities for engagement increase. This is all the more surprising as the demographics tell us they are likely to be climate- and society-smart sensitive Gen Zs and Millennials.

While most companies run some sort of engagement programme with their institutional investors, the cost and bandwidth for companies to engage with individuals can be prohibitive when considering the return on effort. But this could all change at a stroke with the application of some smart technology and a willingness to disrupt the status quo in the interests of wider shareholder and stakeholder inclusivity.

But is it a good idea? Who benefits? Proxy advisors help companies understand and engage with their major shareholders' concerns to enable a useful dialogue. If disgruntled major shareholders divest, it's bad news for the company, but who cares if a few individuals have an axe to grind?

Viewed from the other end of the telescope, a few individuals quickly add up to a potentially powerful lobby if it could be usefully organised and represented. Finder.com approximates 20 million UK individuals as owning shares, representing an aggregate 13.5% of all shares in public companies.

The Engagement Appeal

Enter The Engagement Appeal, a new social venture set up to help bridge the gap between companies and retail shareholders 'towards mutually improved engagement via the wide use of tech and constructivism'. The founders contend that individuals represent the views of, and what is important to, society. Ignoring retail investors is no longer an option as this goes against the principles of diversity, equality and inclusion, levelling up and directors' duty to treat all shareholders fairly.

They have a point. Not only is it an ethical thing to do, it can also make good business sense. Enabling people to be heard on issues they care about provides the company with a useful litmus test for situations that may become a reputational time bomb if left unchecked. Individual investors are also more likely to want to hold shares in companies where they feel they can make a difference and are passionate about the brand. Executed well, this is an innovative differentiator and a proof point for companies that position themselves as 'responsible'.

Morrow Sodali agreed to be the inaugural supporter of The Engagement Appeal as it develops the framework for inclusive investor engagement and campaigns to initially attract 1 million individual signatures of support from investors. It is a subject we care about and comes up time and again in the work we conduct with listed companies on ensuring fair representation in support of AGM voting activity and corporate action events. This echoes the mission of The Engagement Appeal who is also working on securing participation from all of the companies listed on the LSE.

Another key activity is in assessing which technologies are available to facilitate participation by all investors in corporate events, such as proxy voting and AGMs where hybrid participation - in-person and live-stream - should always be available. This would enable a climate 'reboot' of annual reporting and the running of AGMs within the rules and corporate articles to make these more suitable for mass consumption in a carbon neutral and cost-effective way.

Having established the practical framework for both companies and individuals for equitable engagement, The Engagement Appeal is working with more than 20 leading industry practitioners, and their white paper has set out their mission. Alongside my fellow Morrow Sodali panellist Charles Nelson, we are excited to serve as one of a number of industry representatives on the think tank that has been assembled to help founding directors Sheryl Cuisia and Danny Wallace cover the available ground as they juggle their other commitments.

In the weeks post launch, activity has been focused on consultations with chairs and key board members of PLCs, brokers, platforms and intermediaries to build a solid groundswell of support. Around 150 conversations fuelled the White Paper, including among them large and small cap companies, corporate advisers, institutional investors, sustainable fintech firms, academic institutions, and impact organisations, as well as the ESG, corporate governance and stewardship offices of the FCA and the FRC, and the CEOs of the PLSA, AIC and Investor Forum.

The simple conclusion is that it is time to evolve the way that shareholder engagement works. There's no excuse to accept the status quo. The technology is available, the mood is right and the commercial impetus exists to bring about lasting change. It seems that the moment has arrived when we collectively really do care what individual shareholders think. I for one am really glad we are purposefully standing behind it.

Alison Owers is managing director, head of UK at Morrow Sodali

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