

# CMi2i 2018 Annual Investor Corporate Governance Report

Covering over 1,200 funds in Europe and the US, accounting for over \$8 trillion of funds under management, the Report tracks the ongoing evolution of shareholder corporate governance issues and activity in light of changing regulatory, accountability and broader societal trends such as inequality, diversity and the breakdown in trust of traditional institutions following the financial crisis.

## 1 Increasing Shareholder Accountability Precipitates Increasing Board Accountability

Increasing engagement with non-executive board members, increasing "active" style voting, increasing integration of ESG factors into the investment process, wider issues on the ESG Agenda including Human Capital and Corporate Culture are key themes in the CMi2i 2018 Annual Investor Corporate Governance Report.

## 2 ESG Is an Integral Part of the Investment Process

With 71% of respondents increasing their stewardship teams over the last five years, ESG is increasingly considered to be a fiduciary duty of investors.

The research shows that asset managers are facing increasing pressure from their clients to demonstrate that they have assessed fundamental ESG risk and opportunity within their investment strategies, as well as how their portfolio companies make positive contributions to sustainable development.

## 3 Greater Non-Executive Board Accountability and Engagement

With the growth of shareholder accountability and the role of ESG in investment decisions, the research shows that there is strong interest from respondents to hold dialogue with their portfolio companies on a range of ESG areas, but that issuers are not fielding the relevant representatives during these meetings.

The research clearly shows that there is strong shareholder demand to meet with the non-executive Board members, including the *Chairperson (94%), Senior Independent Director (76%) and Committee Chairs (71%)*.

In addition, a common theme throughout the Report is that institutions will look to hold Board directors accountable through expressing their concerns by voting against their re-election at AGMs if they do not feel issuers are responding adequately to dialogue.

## 4 Increasing Investor Collaboration and Escalation in Forcing Change

To form a consensus of opinion as to what constitutes best practice, investors will pool their resources and share ideas. Their collective objective is to explore how they can *positively influence company corporate governance standards*.

It is also worth noting that in the case of passive investors, for example those managing Index Funds, the only way to minimise investment risk or unlock value is by using their voice and their vote. Escalation policies are therefore of paramount importance to them.

## 5 Human Capital and Corporate Culture Join the Dynamic ESG Agenda

With ESG investing progressing into the mainstream, so has the range of subjects that are coming within its scrutiny. This year, for example, saw Gender Diversity increasing from ninth position in 2017 to second in 2018, with Human Capital and Corporate Culture coming on to the agenda for the first time. The Survey also highlights that companies are still not providing adequate disclosure on environmental and social impact. With the ESG agenda in such a dynamic state, the need and desire for investor engagement with the Board is only likely to become stronger.

## 6 Conclusion

The evolution of ESG issues in the investment process is proving to be both fast and dynamic. In the first instance it is manifesting itself in a desire for increased transparency and engagement across a dynamic range of subjects. If these demands are not met, then direct, potentially collaborative, action through divestment and/or escalation is highly likely. Already in 2018, two of the world's largest passive investors, Blackrock and Vanguard, publicly stated their commitment to increasing their ESG teams, and committing to hold companies to account on ESG issues. Similarly, the recent events surrounding Carillion in the UK have seen both shareholders and Board members brought before a Parliamentary Select committee and accused of being 'asleep on the job.'

Non-executive Board members therefore need to keep themselves more informed than ever and be prepared to ensure that they inform their shareholders and other stakeholders on how they are approaching, assessing and managing their ESG risk and opportunities.

To order the full report

[CLICK HERE](#)

**Bloomberg**



## Bloomberg & CMi2i Join Forces on Investor Relations Solutions

### Why did CMi2i choose Bloomberg?

The breadth and depth of information available on the Bloomberg Terminal provides investment funds with all they need to model a company's equity and corporate governance story. Bloomberg's data contributes to the best investment decisions, and so the best way for a Corporate to understand what is driving investment towards, or away from his company, is to look at Bloomberg's data.

If a company is serious about understanding how the market looks at them, their peer group, their sector, their region - Bloomberg offers all of this information.



### Why should clients use CMi2i?

For a company's management to be able to understand their shareholders expectations of them, they first need to know who those shareholders are. (If relevant also gain an understanding of their debt holders and peer groups shareholders).

However, they need to go beyond ascertaining who are the ultimate Beneficial Shareholders - and identify who makes the investment decisions (internal or external) and then determine who has the Voting Mandate. Without this knowledge, a company cannot know who to communicate with, or who will support it, or go against it.

CMi2i is the only Capital Markets Intelligence company whose Forensic Shareholder Analysis can accurately provide this level of detail.



### Why CMi2i and Bloomberg?

Once CMi2i has identified the Beneficial Shareholders, the Asset Managers and the Vote Holders, the company needs to be able to interact directly with them. By choosing CMi2i services powered by Bloomberg data, the company will be able to benefit from CMi2i having access to the same equity and corporate governance information the company can source directly through Bloomberg.

To view the full press release

[CLICK HERE](#)

Thanks to the team at "Alex" for allowing us to share their cartoon.

