

ASSET OWNERS AND MANAGERS



Clarify conditions for strategic engagement

Options include:

- Largest holdings
- Time-sensitive or challenging actions
- Home country or region
- Specific issues of importance to the asset owner or asset manager



Decide who will engage with which companies

- Build internal capacity for engagement directly
- Delegate strategic engagement to asset managers and explicitly incorporate responsibility for strategic engagement into manager mandates
- Direct proxy advisors to create long-term voting models and engagement strategies
- Create or join a consortium for collective engagement
- Collaborate with like-minded investors in other regions to cover the globe
- Ensure discussion at company meetings is focused on the long-term strategy and that messages from equity, fixed income and ESG analysts are coordinated



Select tactics for strategic engagement

- Host executive- or board-level meetings specifically to provide feedback to companies
- Share investment thesis and analysis with companies
- Provide feedback to board via private letters
- Build or join consortium for parallel meetings for long-term dialogue outside of investor meetings
- Consider asking long-term questions on open investor calls to encourage management to emphasize long-term issues
- Use non-disclosure agreements or invest through PIPES or other locked-up structures to improve access and dialogue



Consider broader changes within investing ecosystem

- Nominate or propose board directors
- Provide long-term training or certification for board director candidates
- Disclose significant holdings to investee companies to open dialogue
- Compensate sell-side research only for long-term analysis
- Examine share lending practices
- Reconsider investing with or coordinating with short-term or activist funds

CORPORATIONS



Emphasize the long-term strategy in all investor communications

- Clearly articulate long-term strategic roadmap with milestones
- Emphasize long-term metrics in investor calls
- Eliminate quarterly EPS or similar short-term guidance



Focus investor relations activities on long-term shareholders

- Analyze shareholder base by size, investment strategy, and holding period
- Distill short-term fluctuations from longer-term trading patterns
- Within the investment community, reallocate senior management time toward long-term shareholders
- Refocus Annual General Meeting or contiguous meeting on long-term shareholders and strategy
- Host direct investor days instead of participating in short-term oriented sell-side forums
- Delineate buy-side and sell-side discussions
- Reward investor relations professionals for focus on long-term shareholders, rather than for activity more broadly



Consider broadening levers for strategic engagement beyond senior management

- Designate director for strategic dialogue with long-term shareholders
- Ensure that board members understand the composition and role of long-term shareholders
- Consider engagement of corporation's own pension plan
- Analyze internal and external employee engagement metrics
- Assess media strategy's influence on long-term shareholders
- Consider the impact of exchanges on long-term strategic engagement

SUMMARY

Strategic engagement is a powerful way for investors and companies to better understand one another and drive long-term value creation. FCLTGlobal Idea Exchanges encourage long-term asset owners, asset managers, and corporations to consider how these and other tools may provide mechanisms to build long-term strategic engagement.

We welcome your experiences, perspectives, and feedback at research@fcltglobal.org.