

10 Shareholder Relations Trends to Look Out For in 2019

John Wilcox, Chariman of Morrow Sodali



2019 will be another year of transformative change in relations between companies and shareholders. Here, in alphabetical order, are ten trends that are altering both the expectations of shareholders and the ways that companies are viewed in the marketplace:

1. ACTIVISM

Now defined as an asset class, shareholder activism is here to stay, focusing attention on companies with poor performance, weak governance, or unclear business strategy.

2. BOARD ACCOUNTABILITY

After 30 years of governance reforms, the board of directors now has a clear list of responsibilities for which shareholders hold them directly accountable.

3. COMPENSATION

The perennial governance issue, compensation, is viewed by shareholders as a window into the boardroom and even more deeply into the character and values of the business enterprise.

4. CORPORATE REPORTING

Institutional investors want companies to “tell their story” in a holistic narrative that goes well beyond the traditional disclosure framework of quarterly reports and 10Ks.

5. ENGAGEMENT

In addition to traditional Investor Relations road shows, companies are now expected to conduct governance road shows that reach out to institutional stewardship teams as well as portfolio managers.

6. ESG

No longer viewed as “soft” or “moral” issues, environmental, social and governance practices are now defined in terms of financial risk and long-term sustainable performance.

7. INTEGRATED REPORTING

The International Integrated Reporting Council (IIRC), a global movement attempting to transform both how companies think and communicate, is gaining support from U.S. companies and investors.

8. REGULATION AND LEGISLATION

The SEC will likely begin a process of restructuring the U.S. proxy system and increasing oversight of proxy advisory firms.

9. STEWARDSHIP PRINCIPLES

Institutional investors are now exercising fiduciary care in their oversight of portfolio companies and their proxy voting decisions, increasing the importance of the annual meeting and proxy voting.

10. TECHNOLOGY AND SOCIAL MEDIA

Companies face new challenges and risks in the form of robo-brokers, millennials investing (and potentially voting) through digital devices, high-frequency trading, cybersecurity concerns and social media commentary on corporate behavior.

HOW SHOULD COMPANIES RESPOND?

They should consider developing an internal “Communications Clearinghouse” that organizes their internal capabilities into a united front that can identify and understand their owners, monitor market trends, assess their governance and ESG practices and assemble an effective program of communication and engagement. Addressing shareholder expectations and telling the company’s story in a convincing narrative will help prevent targeting by shareholder activists.