

## RECOMMENDATIONS FOR ACTION

This document summarises the recommendations for action, for the various actors in the capitalist system, from the first 17 initiatives analysed. Only the headlines from each initiative are given below: see the summary sheet for each initiative for the details.

The recommendations are presented, under each heading, in alphabetical order of the name of the initiative proposing them. We conclude with a summary of some common themes.

### National governments/regulators

- Adopt the Principles for Government (Caux Round Table)
- Provide an industrial strategy as a cornerstone of government policy to provide a clear vision for long-term national competitiveness and wealth creation; provide incentives for long-term investment (Cox Review)
- Regulatory authorities at EU and domestic level should apply fiduciary standards to all relationships in the investment chain (Kay Review)
- Take action to promote plurality, stewardship and engagement in respect of the ownership of business (Ownership Commission)
- UK policymakers and regulators should join up different departmental policies on stewardship; and clarify and strengthen regulations and codes on stewardship and fiduciary duty (Tomorrow's Company)
- Step up to the economic, environmental, social and governance challenges (Volan's Breakthrough Capitalism)

### Trading corporations/business leaders/collective business institutions

#### *Principles for business*

- Engage in designing and adopt a Framework of Principles (Blueprint for Better Business)
- Adopt the Principles of Responsible Business (Caux Round Table)
- Adopt the four pillars guiding business practice (Conscious Capitalism)
- Adopt the New Principles of Corporate Design (Corporation 20/20 supported by the World Economic Forum: A New Social Covenant)
- Make the oath recognising your role in society (Harvard MBA oath)
- Construct frameworks which offer deeper meaning and purpose for all workers and employees, inspiring them to bring their whole person to work (Spiritual Capital Foundation)
- Align operations and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption (UN Global Compact)

#### *Other recommendations*

- Undertake initiatives for Education for Employment (Henry Jackson Initiative)
- Large businesses should mentor their SME suppliers (Henry Jackson Initiative)
- Reform management and governance for the long-term (Henry Jackson Initiative)
- Directors are stewards of the assets and operations of their business. The duties of company directors are to the company, not its share price, and companies should aim to develop relationships with investors, rather than with 'the market'. (Kay Review)
- Adopt Good Practice Statements that promote stewardship and long-term decision making (Kay Review)
- Companies and their boards should seek out stewardship investors (Tomorrow's Company).
- Reform corporate reporting to focus on the overall architecture, culture and behaviours of those engaged in the system (Tomorrow's Company)

- Work together to meet the challenges of today (Volan's Breakthrough Capitalism)

### **Investors: individuals and institutions**

- Encourage companies to adopt a Framework of Principles (Blueprint for Better Business)
- Adopt the Principles for the ownership of wealth - fundamental principle of stewardship (Caux Round Table)
- Mandate integrated reporting, end quarterly reporting, align compensation structures with long-term sustainable performance; and encourage long-term investing with loyalty-driven securities (Generation: Sustainable Capitalism)
- Large investors should create portfolios of larger shares of fewer companies so that they can be more active owners of those companies (Henry Jackson Initiative)
- Investors (individuals, pension funds, insurance companies, fund managers) should exercise their influence as owners to hold to account those to whom they entrust their savings. (Tomorrow's Company)
- Investors must make the massive sustained investment required in science, in the deployment of technologies, in infrastructures, in business models affording access to life's necessities for the have-nots, and in skills and education. (Volan's Breakthrough Capitalism).

### **Financial institutions**

- The actions above for trading companies also apply to financial institutions

#### *Other recommendations specific to financial institutions*

- All participants in the equity investment chain should act according to the principles of stewardship of the funds they control, and should observe fiduciary standards in their relationships with their clients and customers (Kay Review)
- Metrics and models used in the equity investment chain should give information directly relevant to the creation of long-term value in companies and good risk adjusted long-term returns to savers (Kay Review)
- Support the development of a City Obligation (to update and refresh the spirit of the phrase 'My word is my bond') and the personal development programme in ethics (Lord Mayor of London Conference on Trust and Values)
- Engage in the debate: What kind of City do we want? How do individuals and corporations act in ways that will contribute to the common good? (St Paul's Initiative)
- Reform capital markets to promote long term sustainability of companies and to address the mismatch between the financial support that the real economy needs and what the equity markets are delivering. (Tomorrow's Company)
- Financial markets are almost wilfully blind to future risks – and opportunities. There are honourable exceptions ... Breakthrough will not happen without strong, competent and courageous financial markets. (Volan's Breakthrough Capitalism)

### **International institutions**

- For NGOs, adopt the Principles for Non-Governmental Organisations (Caux Round Table)

### **Concluding thoughts**

Many of the initiatives we have analysed so far propose sets of ethical or moral principles for business leaders and managers in particular, and some offer similar principles for other stakeholders. These initiatives address a set of themes: business purpose; the relationships

between business and society and between managers and workers; and inter-generational equity.

It might be tempting to produce a synthesis of these principles but that would simply create another, alternative, set. Examination of the various proposals shows a considerable degree of common ground. In a sense it does not matter which set a business leader or manager adopts: the important point is that they should engage with the debate that these initiatives are promoting and chose a set of principles for themselves.

The initiatives we have analysed also have the following common themes for action:

- to escape from short-termism in investment and business strategies and to adopt more sustainable longer-term perspectives;
- to promote stewardship<sup>1</sup> of assets and fiduciary duties in the investment chain;
- to create new metrics and improved accountability;
- to make capitalism more inclusive, by for example, promoting employability in the workforce;

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<sup>1</sup> Stewardship is the active and responsible management of entrusted resources now and in the longer term, so as to hand them on in better condition. (Tomorrow's Company)