

NAME/TITLE

The Ownership Commission: Plurality, Stewardship and Engagement

<http://www.ownershipcomm.org/>

Date: Report March 2012

Contributors, funders, political or ideological position

Commissioned by UK government minister January 2010 (previous government)

ABOUT/KEY MESSAGES (in its own terms)

The ownership framework in which economic activity takes place is one of the central institutions of the modern market economy. The particular form it takes influences the character and performance of enterprises so that necessarily there is an important public and social interest in ownership being discharged well. Owners can take their responsibilities as stewards of their assets more or less seriously with profound implications for their performance over time. And because decisions by private owners have public and social consequences these actions cannot be free from any societal or public constraint. After all property rights are granted and enforced by public institutions; it is perfectly reasonable for the public to have a reciprocal view of what is expected in return.

Does this initiative offer any compelling narrative for business leaders in particular, i.e. about the purpose and role of business and financial institutions, about values and ethics, about the relationship between business and society?

The British private sector is dominated by a single company organisational form, namely the PLC. While the PLC has many advantages that should be celebrated, it has become the default corporate organisational form for risk-taking investors, financiers, regulators and government, to an extent that reduces opportunities for other ownership forms to grow and prosper. Plurality of ownership forms should be viewed as an economic good in its own right, increasing both choice and the variety of corporate forms available for varying business models and their investors while spreading risk more effectively.

The Commission is also concerned that PLC share ownership is increasingly influenced by short-term transactional imperatives, generated partly by an increased number of intermediaries in the chain between assets and their ultimate owners. We are anxious that there is evidence that short termism is increasing, making it harder for Britain to have strong companies where long termism is central to the business model, like those dependent on an expensive infrastructure or long term product development. The ease with which British PLCs are open to hostile and foreign takeover is a further concern.

The regulatory and financial focus upon the PLC hides the degree of ownership plurality that Britain already has. By failing to recognise alternative ownership forms as they do exist, policy-makers fail to offer them the supporting infrastructure that they need to grow.

WHAT QUESTIONS IS THIS INITIATIVE TRYING TO ANSWER?

WHAT PROBLEMS IS THIS INITIATIVE ADDRESSING/ATTEMPTING TO SOLVE?

The Ownership Commission was established in 2010 to review the state of ownership in the UK, to examine the extent to which it supports or inhibits successful, long-term value creation by business in all its ownership guises. This involves assessing the governance and

ownership of Public Limited Companies (PLCs) plus also considering the contribution of non-PLC forms, including family ownership, mutuals, co-operatives and employee ownership.

The Ownership Commission is especially focused on the following questions:

- Is the balance between committed long-term owners (or 'stewards') and short-term transactional owners currently working in the best interests of British business and society?
- How are ownership trends, including consolidation via takeovers, the rise of foreign ownership and the growing dominance of the PLC, affecting the long-term interests of British businesses and the British economy?
- Can further steps be taken to encourage engaged ownership in all forms of enterprise – from the co-operative to the PLC?
- Is there sufficient recognition and support for non-PLC forms of ownership, such as mutuals, family-ownership and employee-ownership? In particular can more be done to stimulate the growth of a British "mittelstand" of vibrant medium sized family enterprises?
- What can government do to increase the plurality of ownership forms in the British economy and promote a culture of popular engaged ownership?

HOW DOES THIS INITIATIVE IMAGINE CAPITALISM WILL BE DIFFERENT IN THE FUTURE?

We believe there are three dimensions to good ownership - plurality, stewardship and engagement. If these can be sufficiently strengthened a different self-reinforcing dynamic will be created that will drive better ownership and corporate behaviours. It is because good ownership matters that Britain needs its current and future governments to start thinking in terms of ownership policy.

WHAT RECOMMENDATIONS DOES THIS INITIATIVE MAKE FOR THE VARIOUS ACTORS

The report makes 26 recommendations, 9 on plurality, 8 on stewardship and 9 on engagement. The headings of each recommendation are shown below:

National governments/regulators

Plurality

1. Consistent ownership data
2. Ownership impact assessments
3. Option for permanent mutuals
4. Capital raising in mutuals
5. Expanding the British 'mittelstand'
6. Promoting the investment in SMEs
7. Ownership of strategic businesses
8. Equal treatment of debt and equity
9. Safeguarding the public interest in independently provided public services

Stewardship

11. Fiduciary obligations of company Directors
12. A stewardship obligation

Engagement

18. Incentivising Employee Ownership
19. Facilitate employee trusts
20. A level playing field for employee ownership
23. Helping pension funds to exert ownership rights
26. Encourage multi-stakeholding in independently provided public services

Trading corporations/business leaders/collective business institutions

Stewardship

- 10. Clarity of business purpose
- 16. Transparency of agents

Engagement

- 21. A duty to consider employee engagement
- 22. Improving trusteeship
- 24. Communicate better with the ultimate Investor
- 25. Revitalising the PLC AGM

Investors: individuals and institutional

Stewardship

- 13. More engaged pension funds
- 15. Stock Lending

Financial institutions

Stewardship

- 14 London Listing Rules
- 17. Takeovers in PLCs

International institutions

Does this initiative have anything to say about major medium to long term economic and social issues

- Supplies of the essentials of life: Food, Water, Housing, Energy and Transport
- Climate change, resource depletion, loss of biodiversity
- Population growth and demographic change
- Economic growth, innovation, employment, the distribution of income and wealth
- The governance of business and the financial system; public trust
- The respective roles of government and business
- The respective values of economic, social and environmental capital