



# THE SHAREHOLDER COMMONS

THE PURSUIT OF MUTUALLY ASSURED SURVIVAL

Free market capitalism has made us healthier and wealthier for more than two centuries. But there is growing recognition of the costs we are paying for short-sighted business decisions that prioritize profits over our natural environment and human needs.

**We can do better.**

## REALIGNING MARKETS TO VALUE HUMAN NEEDS

The Shareholder Commons has a simple idea: business and investors must stop measuring success by profits alone; instead, they must accurately account for the real environmental and social costs of business activities. Only such honest accounting can align free markets with human needs. This realignment requires markets that celebrate profits made by authentic value creation and that reject profits derived from the exploitation of common resources and vulnerable populations.

## COLLECTIVE ACTION

In a competitive environment where every penny of profit is counted equally, markets will continue to reward irresponsible companies through high margins and cheap capital, making unilateral disarmament impossible. Ending the ongoing tragedy of the

Illustration by: Tom Toro



*"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."*

## BY THE NUMBERS: U.S.

**3.4**

percentage rise in carbon emissions in 2018 after years of decline<sup>1</sup>

**130**

deaths per day from opioid overdose<sup>2</sup>

**3**

men whose combined wealth exceeds that of the least wealthy half of the entire nation<sup>3</sup>

commons while preserving a free market economy will require collective action. Companies must act together to leave profitable exploitation behind. To preserve free markets, we need mechanisms of mutually assured survival.

## UNIVERSAL OWNERS

Universal owners – diversified investors with long-term perspectives- dominate capital markets. Their primary interest is in preserving the critical social and environmental systems in which their investments and lives are embedded. The Shareholder Commons will harness their potential by working with existing organizations focused on responsible business; our unique addition to this space will be to provide a focal point for policies and engagements that facilitate the adoption of guardrails within which competition for profit does not exploit our global commons.

## OUR STRATEGY

Our goal is to catalyze a movement that develops and implements corporate guardrails through universal owner action. Our strategy relies on four complementary initiatives:

**ADVOCACY:** *Initiating a conversation about this solution among core constituencies, including institutional investors, companies & policy makers.*

There is an active discussion of corporate purpose among policymakers and business leaders. This discussion often contemplates a stark choice (or else a false equivalency) between a market perspective (that measures success by shareholder profit) and a values perspective (that measures success by judicious balancing of stakeholder interests). Both are necessary, but very different. Profit-seeking alone cannot protect vital common resources, but treating shareholders as just more stakeholders to balance fails to preserve the critical pricing function of profit optimization. We seek to bridge this gap by publicly advocating for free markets that operate within investor-sanctioned constraints that protect important social and environmental systems.

**GUARDRAILS:** *Catalyzing a movement of universal owners to constrain costly profit-seeking.*

Universal owners can encourage impact-oriented rules that apply to all businesses. We believe that they can introduce a set of measurable standards to all businesses they influence, whether through direct public company investment, indirect ownership in private equity portfolio companies, supply chain involvement or political activity. These guardrails would allow companies to compete for profits on a level playing field with significantly stricter sustainability standards than now exist.

**POLICY:** *Activating public policies that accommodate the needs of universal owners.*

The laws and regulations that protect investors are designed for a private sector that does not account for the social and environmental costs that companies create. This policy approach allows companies to disguise destructive behavior as value creation. Lasting change will require new policies that give investors better information and tools to battle profit-seeking that externalizes excessive costs. We are developing a conceptual framework that will give policymakers the vocabulary to change or clarify existing laws and regulations and ensure that all intermediaries in the investing chain have the responsibility and tools to address universal owner concerns.

**LITIGATION:** *Speaking for the universal owner in the courts through impact litigation and amicus briefs.*

Litigation between investors and fiduciaries often starts from the false proposition that investors benefit when directors or trustees try to maximize the value of individual companies, with no regard to external costs. The Shareholder Commons believes that this mindset must be changed, and that litigation can be a tool to focus business on only those profits that come from value creation, rather than exploitation. We will use litigation opportunities (including opportunities to submit amicus briefs) to champion investor protections that include the right to insist on responsible business conduct.

***In order to create prosperity that is both equitable and enduring, businesses must stop measuring success by profits alone.***