CREATING A LEVEL PLAYING FIELD FOR SUSTAINABLE BUSINESS
Doing well by doing good is no longer good enough—especially in a world of rapidly growing inequality, environmental risk, and instability.
Environmental, Social, and Governance (ESG) Efforts Are Not Yet Fit For Purpose.

The ESG movement focuses on internal company decision-making and performance.

Shareholders rely on healthy systems more than individual company performance.

Individual companies are poorly positioned to make necessary trade-offs to protect social and environmental systems.
Companies Are Not Positioned to Factor True Costs into Decisions.

The current focus on improving sustainability performance relies on company-level decisions.

Markets create pressure to improve financial return at individual companies.

The resulting resource allocation does not reflect full costs to society and the environment.
Universal Owners Absorb Costs That Companies Externalize.

- **70% of today’s equity markets are owned by institutional investors.**
- **Beneficiaries are citizens around the world who hold diversified portfolios.**
- **These citizens bear social and environmental costs through their portfolios and lived experience.**
Large institutional investors are, in effect, “Universal Owners,” as they often have highly diversified and long-term portfolios that are representative of global capital markets. Their portfolios are inevitably exposed to growing and widespread costs from environmental damage caused by companies. They can positively influence the way business is conducted in order to reduce externalities and minimize their overall exposure to these costs. Long-term economic wellbeing and the interests of beneficiaries are at stake. Institutional investors can, and should, act collectively to reduce financial risk from environmental impacts.

Beneficiaries will prosper only if we protect our environment and society from the true cost of unsustainable business practices.
Guardrails to Protect the Commons

Business models that deplete common resources and replicate dangerous inequality must be taken off the table.

Universal owners have the incentive and ability to work together with companies to establish comprehensive and universal sustainability guardrails to protect the commons.

Guardrails become “tickets to the game” that all companies must follow as a condition of market participation and shareholder trust.
Government Action Is Not Protecting the Commons

- Regulation is being arbitraged in jurisdictional competition for revenue and jobs.
- Technology is moving at a pace that is difficult for regulation to match.
- Sustainability issues are polarizing, especially in a charged political atmosphere.
Need for a New Organization

Current efforts are aimed at convincing companies to act responsibly with win-win solutions.

Individual companies don’t acknowledge the trade-offs that exist, and they have no methodology to address the “prisoner’s dilemma.”

An organization focused on the universal-owner perspective and the need to establish basic guardrails could create a locus for addressing the collective action issue at the heart of sustainability.
Potential Guardrails

- Science-based targets for minimizing adverse impacts on natural resources and other natural capital costs
- Accounting for carbon emissions
- Limits on political spending
- Certification requirements for water use, human rights, and other critical issues
- Limits on use of inversions, havens, and other tax avoidance schemes
- Requirement that ESG benchmarks be met before any performance pay accrues
How Will We Do This?
TSC Works Within the Existing Infrastructure to Create Standards and Facilitate Engagement

TSC builds a coalition of universal owners and campaigns to influence companies through a combination of collective standards creation, engagement, shareholder proposals, and proxy voting. This is already in the playbook of the ESG movement; the new idea is adding a universal owner perspective and platform.

TSC facilitates meetings of universal owners and companies at which companies share plans to create systemic value, which increases the wealth of universal owners and citizen shareholders.

TSC communicates directly with the citizen shareholders who are beneficiaries of institutional shareholders.
TSC Pursues Policies that Empower Universal Owners

- Redefine “materiality” to include systemic effects of company activity
- Emphasize ability of universal owner fiduciaries to act systemically
- Ensure SEC Rule 14a-8 and similar rules accommodate universal owner perspective
- Ensure that corporate law accommodates shareholders who want corporate executives to avoid negative externalities
Litigation Strategy

TSC coordinates challenges to corporate laws that emphasize share value over shareholder wealth.

TSC will play an amicus role where the perspective of universal owners is not adequately represented.
Potential New Entrants:

- A new proxy advisory service, which would base recommendations exclusively on a universal owner perspective.
- An index fund to serve universal owners, leading a movement to create shared value.
TSC’s Vision:

A small nonprofit organization that catalyzes a shift toward universal ownership as a unifying principle for the ESG movement through engagement with investors, companies, regulators, and the public.
Funding The Shareholder Commons

Initial funding was provided by founder.

- Used for forming the organization and testing our goals with universal owners, potential funders, and experts

Seed funding takes TSC further.

- Recruiting universal owners to help lead the movement and experts to help define the guardrails
- Coordinating with other organizations on litigation and policy strategies
Rick Alexander,
Founder

- Former Managing Partner, Morris, Nichols, Arsht & Tunnell
- Former Head of Legal Policy, B Lab
- Chair, Content Committee of the American College of Governance Counsel
- Member, Commonwealth Climate and Law Initiative Advisory Board
- Member, Governance and Oversight Group of the World Business Council for Sustainable Development
- Research Fellow, British Academy Future of the Corporation Program
- Adviser, American Law Institute Restatement of Corporate Governance
- Member, Advisory Council of the Program on Purposeful Ownership at the Said Business School, Oxford
Alan Horowitz,
Principal Advisor

- Sustainability and compliance executive
- Global teams leader at Microsoft and AstraZeneca Pharmaceuticals
- Chair, Audit and Risk Management Committee of the Environmental Law Institute
- Former Chair, Environmental Law Committee of PhRMA
Fiscal Sponsorship and Legal Counsel

- B Lab, a leading non-profit organization serving a global community of people using business as a force for good.
- Wilson Sonsini Goodrich & Rosati, premier provider of legal services to technology, life sciences and growth enterprises worldwide.
For more information or to get involved, contact:

Rick Alexander

rick@theshareholdercommons.com | 302.593.0917