



PRESS RELEASE

Wednesday 19th March

What is happening to ownership? – Ground-breaking investigation by Tomorrow's Company

- **increasing emphasis on trading and share price at expense of ownership disciplines**
- **witch hunts of whole asset classes such as hedge fund, private equity and sovereign funds blurring debate**
- **what obligations do owners have?**

Tomorrow's Company today announces a major new investigation into the ownership of companies and how this is changing.

The study is designed to address the huge change in the ownership pattern of companies over the last decade and examine:

- how these patterns of ownership are likely to develop in future,
- what are the main trends and what they mean inside and outside the company;
- what impact these trends will have on companies' ability to thrive and attract talent.

Over recent years, private equity, hedge funds and sovereign funds have come to dominate the debate on ownership and have often been criticised. Yet these different asset classes have characteristics that can be very positive for companies, for example private equity and sovereign funds can be long-term investors that are closely aligned with management; and hedge funds can engage with, and be critical of, companies in a very constructive way.

The study, which will be undertaken by Tomorrow's Company with the support of Hermes Equity Ownership Services, will look at what these changes in ownership really mean and explore what might be the right mix of ownership for companies to achieve optimum results. It will identify common global issues as well as local differences.

As a starting point the study will map the emerging patterns of ownership (by type and by geography) and will begin to identify the key issues which arise from these shifts in ownership.



These could include the effect of privatisations and nationalisations; global consolidation, mergers and acquisitions, the growth of JVs; as well as the rise in private equity, hedge funds and sovereign investment funds. The study will also cover how the stewardship elements of ownership may have been diluted by the focus on current share price, the rise of CFDs and other derivatives; stock-lending and shorting.

The responsible investment community symbolised for instance by the UN Principles for Responsible Investment and exemplified by investors like Hermès, is another key influence. Large funds with stakes in every major company are now acknowledging the need to address their stewardship responsibilities. This in turn entails wider responsibilities for the well-being of the economy, society and environment which will also be examined.

The traditional large quoted company is far from the only template for the most admired companies. For example Tomorrow's Company has in recent years studied employee-owned partnerships – like John Lewis whose Chairman, Charlie Mayfield, was a speaker at the launch event, in the UK and Mondragon in Spain. There is also the continuing significance of family influence in Middle East, Asia and elsewhere and the state capitalism evident in China and elsewhere.

At a breakfast discussion at the Cass Business School launching the study today, Mark Goyder, Founder Director of Tomorrow's Company, commented:

“The debate so far has often been superficial. It has stereotyped entire asset classes. It is almost as if there has been an annual witch hunt. First hedge funds, then private equity and now sovereign wealth funds.

“But there are deeper issues that cut across asset classes. Do we see ownership as stewardship? If so that means some obligation to the company in which one is invested. Or do we see ownership simply as a claim on a commodity with no strings attached – in which case the “owner” may have no qualms about wrecking strategies which justify their shorting the stock.

“Or are we seeing a divergence between two kinds of owners, one of whom feels an obligation to the asset she or he owns and the other who sees none? “



tomorrow's
company

a future for business
which makes equal sense
to staff, shareholders
and society

“Our study will look at how different patterns of ownership impact on behaviour and explore how accountabilities make a difference. Changes in patterns of ownership are inevitable and we need a deeper understanding of how different kinds of ownership improve business performance; and their impact on the health of the society in which these companies operate.”

Ends

For further information, please contact:

Mark Goyder, Founder Director, Tomorrow's Company	+44 (0)20 7222 7443 / 07850 337 778
Hogarth Partnership	+44 (0)20 7357 9477
Nick Denton	ndenton@hogarthpr.co.uk
Harriet Forrest	hforrest@hogarthpr.co.uk

Notes to Editors

Tomorrow's Company

Tomorrow's Company is a UK based 'think' and 'do' tank which focuses on the role of business, and the relationship between business and society. We describe ourselves as a 'think' and 'do' tank because we deal not only in ideas but in implementation, working with companies as they put new thinking into practice. A membership organisation, Tomorrow's Company publishes research, brings practical business people together to generate and share ideas, puts those ideas into the public domain and influences decision makers in companies, the investment community, stakeholder groups, business schools, and government.

www.tomorrowcompany.com

Hermes Equity Ownership Services

Hermes Equity Ownership Services (Hermes EOS.) Hermes EOS offers a comprehensive and unified responsible investment and corporate governance advisory service on a client's equity investments wherever they are managed. The services provided by Hermes EOS include voting, engagement and public policy for institutional shareholders.

As the executive arm of the BT Pension Scheme, the UK's largest pension fund, Hermes has over the past decade developed an expertise in responsible investment and corporate governance. This stems from the belief that for a long-term equity investor, it is particularly important to be an active and engaged owner of companies. Hermes' unique



tomorrow's
company

a future for business
which makes equal sense
to staff, shareholders
and society

ownership means that it has a commonality of interests with other pension funds and thus a focus on achieving superior absolute returns.

The premise underlying Hermes EOS is that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without. Hermes EOS aims always to represent to directors a shareholder's perspective on the company's environmental, social and governance performance and to frame its discussions with companies in terms of long-term value creation. Hermes firmly believes that the stronger and more representative that shareholder voice, the more effective it is likely to be.