

RESPONSIBLE CAPITALISM

AN ECGI INITIATIVE



‘An economic system that accommodates private ownership and the pursuit of market opportunities while achieving societal goals’

Without consideration for society and planet, it's just capitalism.

ECGI is calling for a research debate that seeks to explore the tension between the beneficial outcomes of capitalism, and the unequal consequences which are not aligned with democratic societies and the future of the planet.



"Stimulating capitalism to act more responsibly is an effective way to make markets, companies and governments respond to today's ESG challenges while safeguarding creativity, innovation, and climate-compatible growth."

Baron Herman Daems

Chair, ECGI and
Chair of the Board of BNP Paribas Fortis



Volunteer initiatives and pledges have so far proved inadequate to restore a system that works for all.

In the last two decades we have witnessed the near collapse of the global financial system, a falling labour income share and a rise in inequality. We are no longer talking about climate change and pollution, but about climate crisis and ecological collapse. A small number of tech giants are dominating the internet and traditional services. Public spending is at an all-time high, yet in 2019 only 45% of citizens living in OECD countries trusted their government. The rise in populism and disenchantment with globalisation are undermining the long-accepted post WWII free-market order.



In 2015, looking towards a new vision of capitalism, the UN General Assembly adopted a 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, including climate action and reduced inequality. It was a start, but more action is needed.

[1] The English translation of Thomas Piketty's *Le Capital au XXI^e siècle* (*Capital in the Twenty-First Century*) climbed to the top of the New York Times Bestseller list in May 2014, where it replaced "Flash Boys" by Michael Lewis.

[2] Tanzi and Schuknecht (2000), *Public Spending in the 20th Century: A Global Perspective*, Cambridge University Press

[3] <https://www.oecd.org/gov/trust-in-government.htm>

There is a **tension** between promoting competition in global product and capital markets and the type of coordination that is needed to address environmental and social challenges.

What does
"Responsibility"
mean?

How do we effect
change that matters?
How do we avoid
greenwashing?

The principle of "doing
well by doing good"
does not apply in all
situations.

Should investors
engage with
companies to bring
about change or
invest selectively?

Should institutional
investors aggregate
the social preferences
of their clients?

What if corporations
influence government
outputs? How do all
parties work together
ethically?

How can companies
adopt costly
environmental or social
standards when their
competitors do not?

How does a complex
multinational group
define corporate
interest and purpose?



Academic research is an important part of change

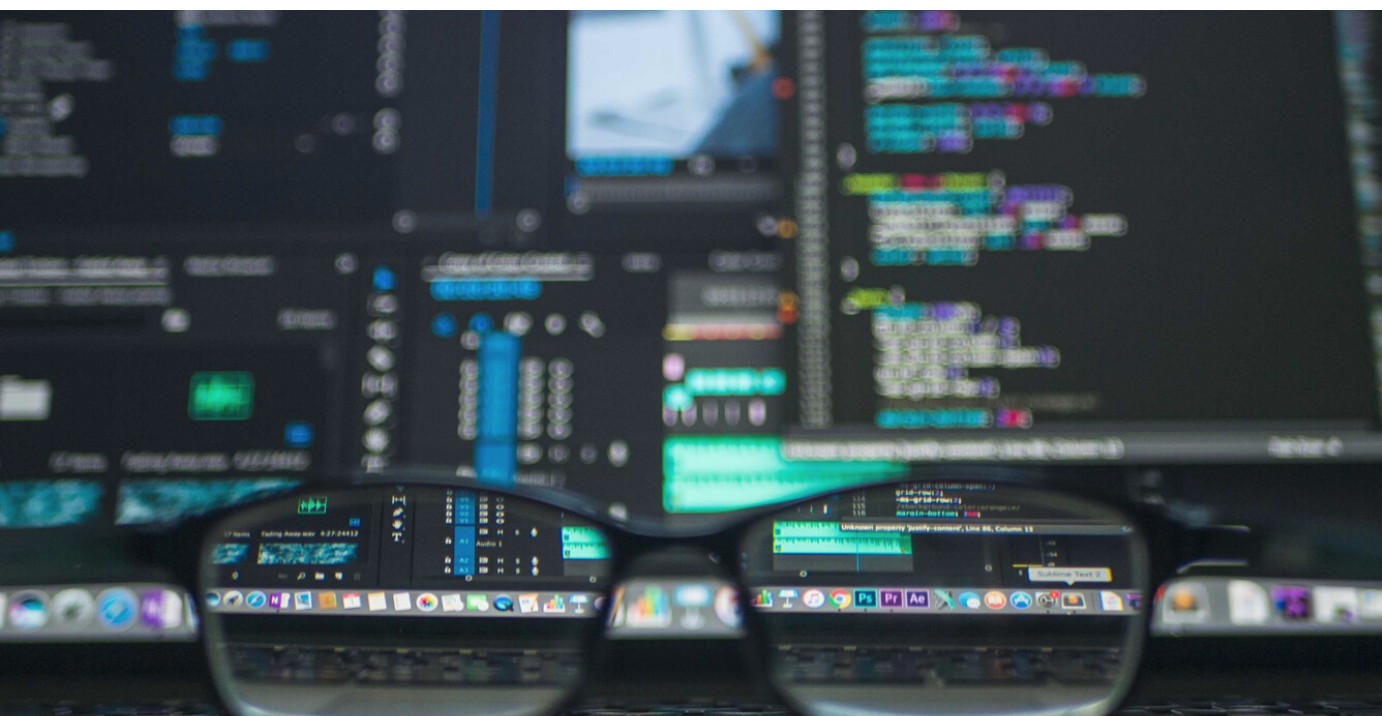
Legislation is, or should be, introduced after scrutiny of evidence and research. ECGI's open access policy ensures that the resulting insights and materials can find their way into the curricula of the institutions that educate the next generation of decision makers.



With its highly selective admission process, ECGI is opportunely placed to establish a bridge between academic research, business and policy on this fundamental topic.

Policy makers, business leaders and investors should be able to rely on facts and appropriate analyses to guide their thinking and actions towards a more responsible form of capitalism.

Equally, researchers should be encouraged to consider the latest practical and policy developments when formulating new research ideas.



Expected Outcomes

The responsible capitalism project will create a vibrant, global, interdisciplinary hub examining the interaction between corporations, finance, government and society.



It will attract researchers, policy makers, regulators, business leaders, financial intermediaries, investors, journalists, students and other interested parties.

It will assist policy makers and other constituencies in interpreting research findings and to confront their thinking with the best available evidence.

It will enable the different parties to understand what the academic evidence suggests and to draw practical conclusions.

It will serve as a global knowledge portal and a neutral platform for exchange, dialogue and dissemination.

It will be a prime resource for teaching at business schools, law schools, university departments and other educational institutions or programmes.

The responsible capitalism project will feature an annual summit and **three initial programmes** and a blog

The programme will evolve in response to interactions and feedback over a period of years.



Responsible Investment

Responsible Investment is transforming the international asset management industry. It comprises the incorporation of ESG issues into portfolios and active ownership (stewardship) that seeks to improve portfolio companies' ESG performance.



Family Enterprise

Family-controlled firms are ubiquitous, both among publicly listed and privately owned entities. They are essential for the future of capitalism and their role merits reflection and debate.



Corporate Purpose

The purpose of business is the reason why it has been created and its reason for being. It has become a central focus of business practice, policy, and academic research. There is a need for a substantial body of research that evaluates the relationship between purpose and performance of firms in not just financial terms but also in relation to impact.

Research Questions



Responsible Investment

What are the motivations of investors to adopt responsible investment strategies? Are certain investment strategies more efficient than others at delivering sustainable impact and/or financial performance? Do investors walk the ESG talk? How can we identify those that engage in greenwashing and assess and mitigate greenwashing related externalities for our economies, societies, and the natural environment?



Family Enterprise

Do family firms have sufficient access to capital markets? Are family firms committed to sustainability? Is the family firm model sufficiently understood by institutional investors?



Corporate Purpose

What precisely is meant by the purpose of business? Is it a business tool, a reconceptualisation of business, or a policy agenda? Is it, or should be, legally relevant and, if so, how? How does it relate to such topics as sustainability, responsibility, inclusivity, and ESG?

Leadership



Responsible Investment

Programme Director:

Caroline Flammer (Columbia University and the UN Principles for Responsible Investment)

Programme Chair:

Rajna Gibson Brandon (University of Geneva; Founder, Geneva Finance Research Institute and ECGI)



Family Enterprise

Programme Director:

Mary Johnstone-Louis (University of Oxford)

Programme Chairs:

Morten Bennedsen (University of Copenhagen, INSEAD and ECGI)
Yupana Wiwattanakantang (National University of Singapore and ECGI)



Corporate Purpose

Programme Director:

Jennifer Hill (Monash University and ECGI)

Programme Chairs:

Colin Mayer (University of Oxford and ECGI)
Jordi Canals (IESE Business School)

Leadership



Responsible Investment



Family Enterprise



Corporate Purpose



The ECGI Responsible Capitalism Summit

The summit will build on ECGI's track record of organising high-level policy conferences in cooperation with the European Commission, the US Securities and Exchange Commission, the Financial Services Agency of Japan and other regulators. It is planned that the inaugural summit will be held in Brussels in October 2022, followed by one in Washington D.C. in September 2023.

The topics for the summit will be chosen according to two criteria that defined the successful Transatlantic Corporate Governance Dialogue:

- The topics are relevant for the current or future global policy agenda
- Research evidence that can inform policy is available.

The Brussels meeting will feature a one-day public event, a private roundtable and a dinner for speakers and invited guests.



The ECGI Blog

The launch of the new Blog platform in February 2022 facilitates more timely scholarly reflection without the often long lead-in time and caveated restrictions associated with the publication of academic research.

It complements the already successful ECGI Working Paper Series which is a reliable source of knowledge pertaining to the ecosystem and governance of the corporation, relating to law, finance and economics.

The ECGI Blog will focus on selected themes with global interest and will spotlight a new theme every two months.

Editors in Chief:

Wei Jiang

Arthur F. Burns Professor of Free and Competitive Enterprise
Columbia Business School

Dan Puchniak

Associate Professor
National University of Singapore,
Faculty of Law

Associate Editors:

Dionysia Katelouzou

Reader in Corporate Law
Dickson Poon School of Law, King's
College London

Philipp Krueger

Associate Professor of Finance
University of Geneva & Swiss Finance
Institute



Corporate governance is evolving. How corporations and financial markets are governed will shape the future of humanity. We must think creatively, act ethically, and respond globally. ECGI can leverage its global network and combined knowledge across regions, disciplines and industry to help shape a better world.

Dan Puchniak

Editor, The ECGI Blog
Associate Professor, National University of
Singapore, Faculty of Law



ECGI has an established track-record

in 2006 ECGI commissioned two surveys on “control enhancing mechanisms” (CEMs), like dual class shares and tenure voting, that were under review by the European Commission. The surveys contributed to the EU’s decision to apply the subsidiarity principle and defer the question of CEMs to Member States.

In 2020 ECGI gathered its experts to review a major report on “directors’ duties and sustainable corporate governance” prepared by a consultant at the request of the European Commission. The experts unanimously agreed that the methodology was flawed and recommended to disregard the report’s conclusions.

ECGI is the leading global research network on corporate governance and stewardship comprising 327 first-rate researchers, including three Nobel Laureates and 7,000 individuals who follow ECGI’s output globally. ECGI’s agenda is largely driven by the interests of its members and this strategy has contributed to its ongoing success. Its flagship academic project is the Global Corporate Governance Colloquia (GCCG) which brings together the best academic research each year. Its flagship policy project, The Transatlantic Corporate Governance Dialogue (TCGD) series facilitated interaction between researchers, regulators, and practitioners to discuss policy for a number of years.

Until 2020, ECGI operated as an exclusive membership organisation within a semi-closed network. The COVID-19 pandemic was a catalyst for the opening of the network activities, which has enabled ECGI to lower its walls and raise both its visibility and impact around the world without compromising on admission criteria. This is considered a step change in advancing the combination of research with policy, business, and capital markets.

ECGI has remained relevant because it has put emphasis on topics as they arise. In the past, these themes were quite specific, for example takeovers, institutional investor activism, control enhancing mechanisms, boards, executive remuneration, and the role of proxy advisers. ECGI researchers now cover a much broader set of issues, including ‘environmental, social and governance’ (ESG). It has therefore become appropriate to apply ECGI’s credentials, expertise and reputation to the connecting theme of ‘Responsible Capitalism’.

Responsible Capitalism is more than ever a fundamentally important theme and ECGI’s existing track record puts it in an ideal position to become a global leader on this theme. By using the new concept of responsible capitalism ECGI wants to draw attention to the fact that all participants are jointly accountable for the social, economic and environmental outcomes of the capitalist process.

Join Us

ECGI has already secured the expertise and commitment from a global team to lead the project. Others will join the project as contributors and advisors, and the project will evolve over time with a pace to be determined by funding and stakeholder interests. There is unbounded interest and willingness from the cohort of almost 330 globally located researchers.

Contact:

Herman Daems

Chair of the ECGI Board

Chair of the Board, BNP Paribas Fortis

Marco Becht

Executive Director, ECGI

Professor of Finance,

Solvay Brussels School, Université libre de Bruxelles

marco.becht@ecgi.org

Funding

The project's initial fundraising target is EUR 600,000 per annum. Funding is sought from a relatively small number of donors who are interested in making pledges to the **European Corporate Governance Research Foundation (ECGRF)**, a recognised charity.

Currently major donors of ECGRF are BlackRock, Investor AB and AstraZeneca Plc, having each made a pledge of at least EUR 250,000, which funds the ongoing activities of the ECGI.

Fundraising oversight is coordinated by Guy Jubb.

The budget allows for a fundraising target covering the first two years, with one summit, three programmes (families, purpose, responsible investment) and the blog. The figures are indicative. Donations and spending will be subject to ECGRF's and ECGI's statutory audit.

Funding

		Summit EUR	Programmes EUR	Blog EUR	Total EUR
Conferences	Travel & Accom.	€ 75,000	€ 30,000	€ 0	€ 105,000
	Other	€ 25,000	€ 25,000	€ 0	€ 50,000
	<i>Sub-Total</i>	<i>€ 100,000</i>	<i>€ 55,000</i>	<i>€ 0</i>	<i>€ 155,000</i>
Communication	Website	€ 10,000	€ 15,000	€ 10,000	€ 35,000
Research Support	Staff	€ 60,000	€ 75,000	€ 45,000	€ 180,000
	Prizes, grants etc.	€ 0	€ 45,000	€ 0	€ 45,000
	<i>Sub-Total</i>	<i>€ 60,000</i>	<i>€ 120,000</i>	<i>€ 45,000</i>	<i>€ 225,000</i>
General Admin.	Staff	€ 50,000	€ 30,000	€ 10,000	€ 90,000
	Software	€ 2,000	€ 2,000	€ 0	€ 4,000
	<i>Sub-Total</i>	<i>€ 52,000</i>	<i>€ 32,000</i>	<i>€ 10,000</i>	<i>€ 94,000</i>
	Overhead (15%)	€ 33,300	€ 33,300	€ 9,750	€ 76,350
	Contingencies	€ 5,000	€ 4,500	€ 5,150	€ 14,650
Total		€ 260,300	€ 259,800	€ 79,900	€ 600,000

Management and Oversight

The ECGI has established a small steering group to organise and oversee the project. The group currently comprises the following ECGI directors:

Herman Daems
Chairman of the ECGI Board
Chairman of the Board, BNP Paribas Fortis

Marco Becht
Executive Director, ECGI
Professor of Finance, Solvay Brussels School, Université libre de Bruxelles

Reena Aggarwal
Member of the Board, ECGI
Robert E. McDonough Professor of Finance, Georgetown University

Luca Enriques
Member of the Board, ECGI
Professor of Corporate Law, University of Oxford

Jill Fisch
Member of the Board, ECGI
Professor of Business Law, University of Pennsylvania

Sophie L'Helias
Member of the Board, ECGI
Lead Independent Director, Kering

Guy Jubb
Member of the Board, ECGI
Honorary Professor, University of Edinburgh

Herman Daems, Marco Becht, Reena Aggarwal and Sophie L'Helias will take the lead on overseeing the responsible capitalism summit.

The project will be managed by the ECGI secretariat under the responsibility of Elaine McPartlan, ECGI's General Manager. Additional staff will be recruited to run events, work with partner organisations and ensure centralised communication.