

Mark Wilson, Group Chief Executive Officer, Aviva plc: Inclusive Capitalism Conference, 26th June: Being a Good Ancestor

1. Well good afternoon everyone – and can I start by congratulate Lyn [Rothschild] on her foresight and vision in bringing us together.
2. And can I welcome you all to our session on “Government: friend or foe?”
3. Now that’s something I’m sure the august luminaries gathered in this room today will have some pretty firm views on.
4. This morning the Lord Mayor referred to an historic anniversary: the signing of the Magna Carta 800 years ago.
5. And being the guardian of the rule of law is one of the most important ways in which government can be the friend of business - and of inclusive capitalism.
6. But today also marks a second anniversary. Because on this day in 1960 JFK stood before the people of Berlin and sounded a clarion call for liberty - and one of the most famous mistranslations in history: *Ich bin ein Berliner*. He was hardly a doughnut!
7. But despite this mistranslation, his speech was an iconic challenge to a government that denied freedom to its citizens – and a government which ended up unable to meet its citizens’ basic needs. And of course we believe that capitalism is the antidote to that type of situation.
8. That’s an extreme example of government as foe – and the exact opposite of inclusive capitalism.

9. In fact, the very question of “Government: friend or foe?” in this context is a false dichotomy. Because of course it can be both – sometimes on the very same day.
10. For me, inclusive capitalism is all about creating legacy – what I call being a good ancestor, something we talk about a lot at Aviva.
11. It’s about taking the right decisions to create the right growth – with the fruits of that growth shared by more and more people.
12. And the facts speak for themselves – something I saw for myself in my 15 years in Asia.
13. For example, between 1981 and 2010 China lifted 680 million people out of poverty on its own– that’s more than the entire population of Latin America.
14. Now you can argue that China is in fact one of the few countries demonstrating capitalism, at least economically.
15. Looking globally, the middle class will increase from 1.8 billion in 2009 to 4.9 billion by 2030 - with the bulk of this growth in Asia.
16. Inclusive capitalism indeed - with some arguing that Asia demonstrates a less intrusive government more supportive of inclusive capitalism.
17. I wonder what our panellists think about that.
18. But for me it’s also about taking decisions that still stack up in the long term – in 5 or 10 or 20 years’ time – and which create prosperity and improves people’s lives over the whole of that time frame.
19. So what obstructs us within government in creating this elusive inclusive capitalism?

20. Well it is many things.
21. Regulatory uncertainty; short termism; quarterly market pressures; and governments that look to ever shorter horizons by the day.
22. Our real foe here is the short term populism that now pervades public life and decision making.
23. In fact, I sometimes feel like we're in an extreme version of one of those dreadful reality TV Shows – *Survivor*, *Big Brother* - maybe even, *I'm a CEO: Get Me Out of Here!*
24. These shows aren't about creating a thriving, sustainable and inclusive community. They're about participants doing whatever it takes to please the crowd – and survive on the island for another week.
25. That's fine for entertainment. But that metaphor is no way to live. It's no way to regulate, it's no way to govern - and it's certainly no way to run a business.
26. But alas, the ubiquity of daily pollsters and 24-hour media make many governments around the world fall into this trap, designing policies to win short term populist votes.
27. The correct analogy is more like a team sport – perhaps a soccer team.
28. The governing body is like the government, who sets the rules of the game - and the spirit in which it's played. Maybe like UEFA – FIFA, not so much.
29. The referee and the linesmen are like the regulators, who make sure the players are playing by the rules. They're closer to the action – and hopefully aren't waving their flags around too much.

30. We are the professionals on the pitch. We play fair or we certainly should do – but we play to win.
31. But of course all of us are actually playing for the spectators enjoying the game. They are the clients and customers, the communities and the societies, who we want to benefit from inclusive capitalism.
32. Now, the governing body, and our referee and linesmen, have a job to do. They have to make the right calls.
33. But if they get too involved they wreck the game for the team – and more importantly, for the spectators.
34. So it's up to us to help them make the right calls.
35. And to help them do that, I've drawn up my short list of do's and don'ts for government and regulators that may help facilitate the panel session on Friend or Foe.
36. One: Do establish and uphold the rule of law. Business won't win if it's the Wild West out there – and nor will consumers. Sound contract law underpins business.
37. Two: Do step in when markets fail. Make sure the right information is available – so that investors take informed decisions with the widest possible assessment of the financial, social, environmental and governance risks.
38. So today I'm calling on IOSCO – the International Organisation of Securities Commissions – to develop a few simple, consistent international metrics - rather than the current confusing mess. Let's look at that in the panel.

39. Three: Do encourage competition – and then get the hell out of the way. It's ok - and in fact necessary - for some businesses to fail.

40. And now my don'ts.

41. One: Don't change the rules again and again and again. Constant uncertainty is kryptonite to inclusive capitalism.

42. Two: Don't micromanage business. Regulation should not define us. You're the referee - don't try to be a player. No one wants a referee trying to score the winning goal.

43. Three: Please don't fall into the temptation of short-termism. Don't chase cheap political wins at our expense. Don't let the army of consultants continue to change accounting rules to elicit more fees.

44. Don't push business into short-termism - whether that's a requirement for quarterly reporting, or using regulation to nudge us into holding short-term assets rather than long-term investments.

45. On that note I welcome the recent step by the UK Government to remove the requirement for quarterly reporting.

46. And today I'm calling for the OECD to develop a definitive set of guidelines on fiduciary duties. So investors are not short term and exclusive – but can be long term and inclusive.

47. My company Aviva is a company that's been around for 319 years – we can trace our history back to 1696. We know exactly what longevity means - yet regulation means we have never been so short term focused.

48. Above all, do see business as your partner in building inclusive capitalism.

49. Ladies and gentlemen, as I look around this hall, I see captains of industry, men and women of goodwill committed to making a difference – and it is incumbent on us all to be good ancestors and work constructively with government and regulators to build an inclusive form of capitalism.

50. Now that would create quite a legacy.

51. And on that note I'd like to hand over to Lionel – who's going to moderate our panel on how we can do exactly that.