



**BUREAU VAN DIJK**

A Moody's Analytics Company

# The Power Index

## Understand shareholder power beyond pure ownership

The Power Index is a concept that reveals the most powerful shareholders in a company. It helps you understand which shareholders effectively control the company and/or have the strongest influence on voting<sup>1</sup> results and decision-making.

Our partner, T-rank, uses the Banzhaf power index<sup>2</sup>, its own algorithms and Orbis ownership data to calculate the Power Index. The Power Index is a percentage assigned to shareholders – who can be individuals or companies. Because it takes a different approach to traditional methods of shareholder analysis, it's also more revealing. You can access the Power Index in Orbis – the world's most powerful comparable data resource on private companies, with information on companies in all countries. The Power Index is also available through a data feed.

The Power Index gives an instant overview of where power and control can rest in a company, irrespective of ownership. It can help you:

- Identify “hidden” powerful owners, that is owners with more power than is visible at first glance

- Controlling coalitions, that is a group of owners who will be able to control a company if they vote together
- New controlling owners

The Power Index speeds up your screening process with an immediate overview of the company's most influential shareholders, highlighting shareholders who can effectively control the company.

This includes scenarios where a company:

- has no beneficial owners or they can't be identified
- has no defined global ultimate owner
- is independent
- has no identified shareholder with over 50% ownership

<sup>1</sup> The power index is a measure of voting power of a particular shareholder or coalition of shareholder to present influence or sway over decisions or votes.

<sup>2</sup> [https://en.wikipedia.org/wiki/Banzhaf\\_power\\_index](https://en.wikipedia.org/wiki/Banzhaf_power_index)

In partnership with

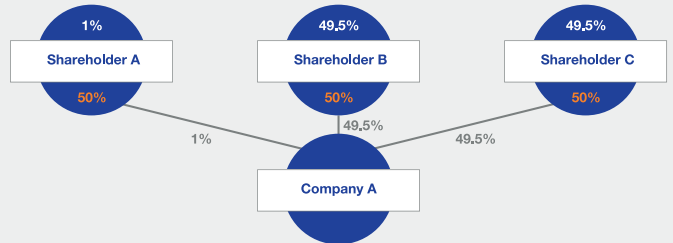
**T-rank**

# Untangling complex ownership structures

The Power Index can help you investigate complex ownership structures, including indirect control and widely dispersed ownership.

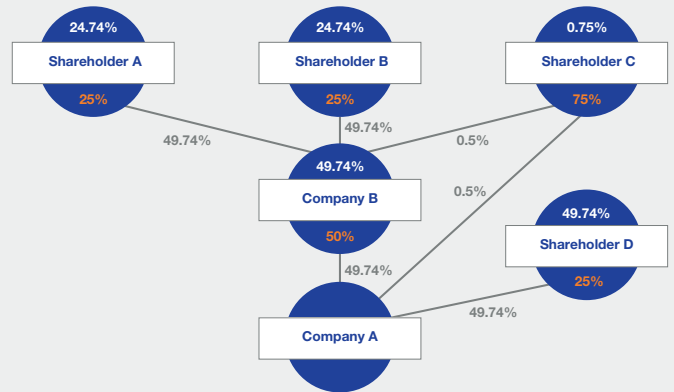
## Influential shareholders

A shareholder can be more powerful than it seems. In this example, no single shareholder is in control, two shareholders must vote together to form a majority. It doesn't matter which two shareholders vote together. The level of ownership is very different, but the level of shareholder power is the same. Shareholder A has only 1% ownership, but the shareholder power is 50%.



## Indirect control

The power of an individual can be obscured by the ownership structure. Here, Shareholder C has 0.75% integrated ownership of Company A, but Shareholder C's voting power is actually 75% because their share of Company B is enough to form a winning coalition with any of the other shareholders (A, B or D). If he votes together with A or B, they together will control Company B, and Company B's share, together with Shareholder C's direct ownership, is enough to get majority in Company A. If he votes together with Shareholder D, C and D will have direct control.



## Widely dispersed ownership

A shareholder can effectively control a company despite holding fewer than 50% of shares. Here, Shareholder A can flip the result in 99.9985% of possible voting combinations, making it highly unlikely that shareholders will be able to vote Shareholder A down.

