February 2021 VOLUME XII, ISSUE II

PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI

Pegasus

Introduction

This issue of Pegasus brings you a preliminary introduction to the many initiatives now active seeking to "improve" the contributions of enterprise and capitalism, to our collective well-being.

I think our global community has crossed a tipping point where, from now on, capitalism will be assessed and monitored with a wider set of criteria for successes and failures than has been the case since the beginning of the industrial revolution. For 200 years, capitalism was known best for the making of profits for owners, those who provided financial capital and so who were given governance over proprietorships, partnerships, companies and corporations.

Adam Smith famously made the point that with free markets, consumer choice and division of labor, private enterprise would harmonize self-interest and the public good, as if an "invisible hand" were at work achieving the synthesis. Yet, early on in the industrial revolution, there were doubters, those who saw the impacts of capitalism as contrary to some public good or some standard of fairness. Most early focus on the shortcomings of capitalism was on the conditions of workers – working under conditions often approximating wage slavery in "dark satanic mills."

Under the inventive minds of Karl Marx and Friedrich Engels, the critique of socialism was proposed. Its gospel of replacing capitalists with worker rights gained consequential followings and gave birth to new political systems where the state, to one degree or another, controlled production and finance in order to obtain more alignment with a paramount public good.

After the collapse of the socialist ideal as either just or effective in both China and the Soviet Union and its tributary states in Eastern Europe, a new ideal of capitalism emerged. In the 1990s, business schools began to provide courses in business ethics and advocates pressed for corporate social responsibility (CSR). The emphasis was on proposing company codes of ethics and standards by which to improve working conditions in factories serving the global supply chain.

An early initiative along these lines was the Caux Round Table's (CRT) Principles for Business of 1994. The CRT principles raised the standard of stakeholder benefits as determinant of the good of capitalist production. Stakeholders were intermediate constituencies between the profit goals of the private company and generic social goods expected from governments.

With the introduction of the Global Reporting Initiative in 2000, expectations of capitalism expanded to include a range of external impacts, what economists call externalities to the firm, which could be measured for public awareness and company remediation.

The U.N. Global Compact, while narrowly seeking to tie enterprise to implementation of certain international standards with respect to employment, the environment and limiting corruption, gave public recognition to CSR as a global public good.

The U.N.'s Millennium Development Goals then drew attention to the public good expected from capitalism in reducing poverty and raising living standards.

In the 2000s, as awareness of climate change and global warming spread, the impact of capitalism on "sustainability" of societies and the munificence of the earth's environment for nourishing humanity's well-being, took on new importance. "Sustainability" began to supersede CSR as the framework for changing capitalism.

In 2015, with the U.N.'s Sustainable Development Goals, the agenda for a "better" capitalism was specified in terms of both improving living conditions and sustaining a hospitable, global environment. How to finance achievement of these goals and how to allocate tasks and responsibilities among enterprise, government and civil society were questions put on the table, to which few effective and scalable answers were provided.

In 2019, influential NGOs affirmed the purpose of capitalism as serving all stakeholders and not just the owners of the financial capital invested in private enterprise.

By 2019, more and more attention was directed to the use of finance as a goad – a carrot or a stick – to prod, seduce with virtue signaling or reward compliance. Thus, investment funds and managers began to measure enterprise by standards of "environment, society and governance."

In this evolution of advocacy, more and more providers of private goods and services were called upon to produce and distribute public goods.

There are now many, many voices competing with ideas and metrics to bridge the gap between private enterprise, private equity and private sector markets and generic public benefits.

A critical mass of opinion, advocates, policy ideas and reforms may now exist in theory, but not in practice. The survey of many of these initiatives in this issue gives some hint of that possibility. But until the many initiatives resolve on better collaboration and cooperation, there is fragmentation of effort and diversion of intellectual resources and capital into different channels of thought and action.

On a more parochial level, this issue also brings to you some thoughts of the CRT for deployment of its best practices in convening round tables to find and recommend good ideas and best practices to the divisiveness of race consciousness in the U.S. Humanity faces a conundrum or a need for balance in that we live in various communities distinctive for race, religion, ethnicity, sexual preferences, tastes in music and art and many other attributes which we choose or with which we are ascriptively aligned, thanks to birth or upbringing and we can also personally, culturally, socially and politically transcend such distinctions.

How are we to, without invidious discrimination, enjoy our unique personal dignities and birthrights, our family or ethnic traditions and our choices to be different?

We plan to follow on a very successful round table on racism which we held in St. Paul last fall with a series of similar round tables to host “honest conversations” about what both divides us and engages us with one another.

Stephen B. Young
Global Executive Director
Caux Round Table for Moral Capitalism

Overview of Initiatives Proposing Systemic Reform of Capitalism

Stephen B. Young

What is Reform of Capitalism?

As we begin the year 2021, there are many voices in positions of cultural prominence speaking out to challenge orthodox micro and macro-economic theories and practices. In general, the demand for new ways of thinking about private sector wealth creation using business firms and markets has arisen from 1) concerns over excessive degradation of nature to provide inputs to production and consumption of goods and 2) concerns for inequalities of income, wealth and access to higher quality social and human capital assets.

The discussion of capitalism embraces macro issues such as the purposes of private enterprise and of more practical considerations regarding the internal decision-making by such firms which decisions drive the consequences of enterprise for a range of public and private goods and services. This interest in exactly how an enterprise decides to do what it does is an exercise in practical ethics on how to evaluate the goodness of those outcomes.

In short, proposals for the reform of capitalism seek to change the vision and mission of companies and the metrics for measuring its operational activities.

Catholic social thought applied to business and the economy can provide new thinking on the vision and mission of enterprise and on the operational practices of firms.

The standard of human dignity, in general, speaks to empowerment of those who interact with enterprise to permit them to apply their values in the marketplace and so influence firm behaviors. The important concept was provided by the encyclical *Laborem Exercens* that we are co-creators of our world and its realities and must assume a knowing responsibility for our stewardship.

The standard of subsidiarity provides for specialization of skills and talents leading to division of labor and interdependencies. Such specialization, for example, permits customers to decide on their preferences, employees to have discretion in their work and markets to have the freedom to decide on what gets funded, produced and consumed.

The standard of solidarity speaks to the dialectic of participation in networks, to collaboration and interdependence with stakeholders and the moral qualities of dialogue and inclusion, which are necessary for such social bonds to thrive. The standard of solidarity also implies that enterprises hold office for society, which imposes on them duties of good stewardship in their use of power and resources.

The standard of a universal destination of goods provides a framework for creating abundance through exchange, investment in trade, innovation and meeting the needs of others. Through mutuality and trade-offs between the present and the future, the needs of one and the skills of another, personal dominion over things is limited to what is beneficial over a longer cycle of time and effort. The universal destination of goods promotes trust, which is a vital social capital and necessary for a peaceful world of dialogue and engagement.

The E.U. Definition of CSR

In 2011, the Commission of the European Union adopted a definition of corporate social responsibility (CSR) which stated that: enterprises should, in the commission's view, have a process in place to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders. The aim is:

- to maximize the creation of shared value, which means to create returns on investment for the company's shareholders, at the same time as ensuring benefits for the company's other stakeholders;
- to identify, prevent and mitigate possible adverse impacts, which enterprises may have on society.

Important features of the new definition are:

- Recognition of the importance of core business strategy. This is consistent with the approach taken by leading enterprises for whom social responsibility and sustainability have become an integral part of the business model. The commission's 2008 competitiveness report concluded that CSR is most likely to contribute to the long-term success of the enterprise when it is fully integrated into business strategy.
- Development of the concept of "creating shared value." This refers to the way in which enterprises seek to generate a return on investment for their

owners and shareholders by means of creating value for other stakeholders and society at large. This links CSR strongly to innovation, especially in terms of developing new products and services that are commercially successful and help to address 7societal challenges.

- Explicit recognition of human rights and ethical considerations, in addition to social, environmental and consumer considerations.

Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment. Certain regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibility.

Current Initiatives

Most of the current initiatives proposing reform of capitalism focus on what economists call the "externalities" of a firm. Externalities are effects proximate and indirect caused by the production process of the firm, its financing, its business model, its products and services on stakeholders, culture, society, politics and the environment.

Under the traditional law of property, in the main, an enterprise is not liable in damages for the effects of its unintended actions except in negligence, where its actions must be an anticipated proximate cause of harm. Under rules of strict liability, a firm is liable in damages for the effects of its actions and certain harms caused by its products and services. In certain cases in the U.S., firms with monopoly power may be regulated by the state as public utilities. But the widely accepted theory of the firm in micro-economics limits the accountability of a firm to only certain costs and its profit to gross cash receipts. It cannot share financially in any good it does to improve the commonweal.

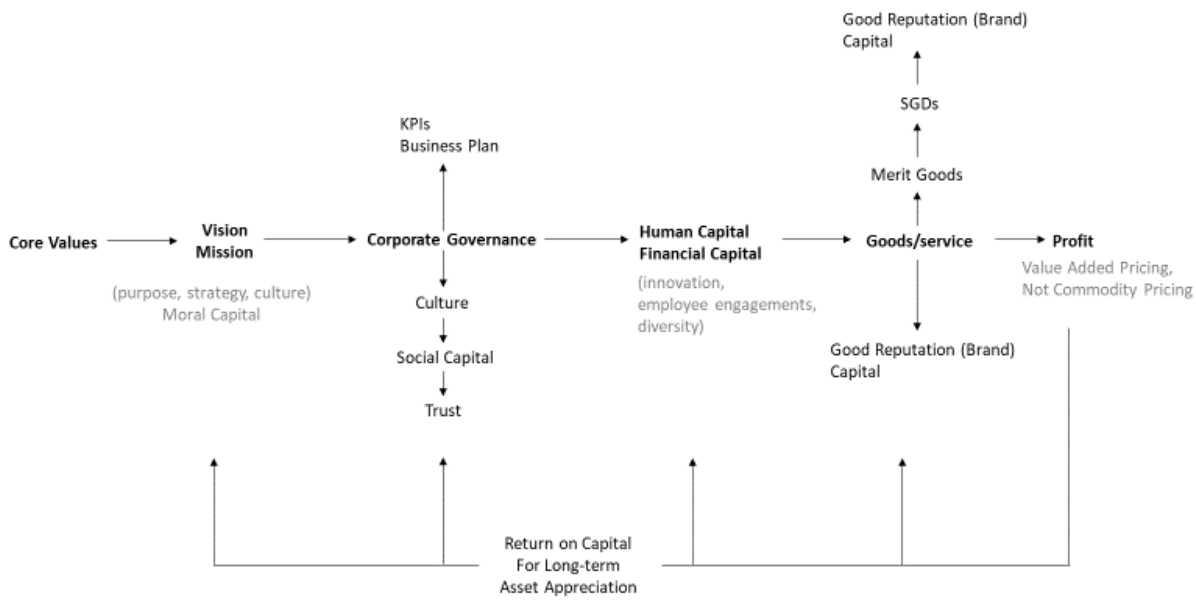
Current initiatives in sustainability and other advances on the traditional conceptual model of capitalism seek to have firms assume responsibility for a wide range of externalities. The intent of the reform movement is to have firms do more "good" in the world and less "bad." But the reform movement does not propose to compensate firms financially for doing more good and less harm as either a new source of revenue or as contributions to its increased costs. The definitions of what is good and what is bad derive from social ethics, cultural moral dialogue, ideology or religion.

The principal incentive offered to firms which do good or reduce bad is public esteem. Those that do good are to be rewarded with customer patronage or shamed and punished with the withdrawal of custom. The firm asset in question is reputation or brand value, which depend on public approbation or disdain. Thus, many of the reform initiatives noted below focus on having firms report more robustly on their externalities so that accurate discriminations can be made by the public between firms that do good and reduce bad and those that do not do enough good or continue to do bad.

What the reform movement has not done is to analyze the different outcomes of enterprise as the creation of public goods like global temperatures, quasi-public/ quasi-private goods like education, health or waste and pollution or fully private goods with minimal externalities. Each category of good or service requires its own unique consideration of how to bring about its increase or decrease.

Caux Round Table for Moral Capitalism

Very different from the other initiatives, the Caux Round Table for Moral Capitalism (CRT) focuses on the internal decision-making of firms. It has developed a new theory of the firm as follows:



This theory internalizes within the firm many of its effects and impacts so that management at the board and CEO level can adopt key performance indicators and adjust business plans to profit in ways which enhance public goods and minimize public bads. Management of a firm to align optimally with this theory of the good is made possible by the CRT's unique operational metric assessment tool, Arcturus.

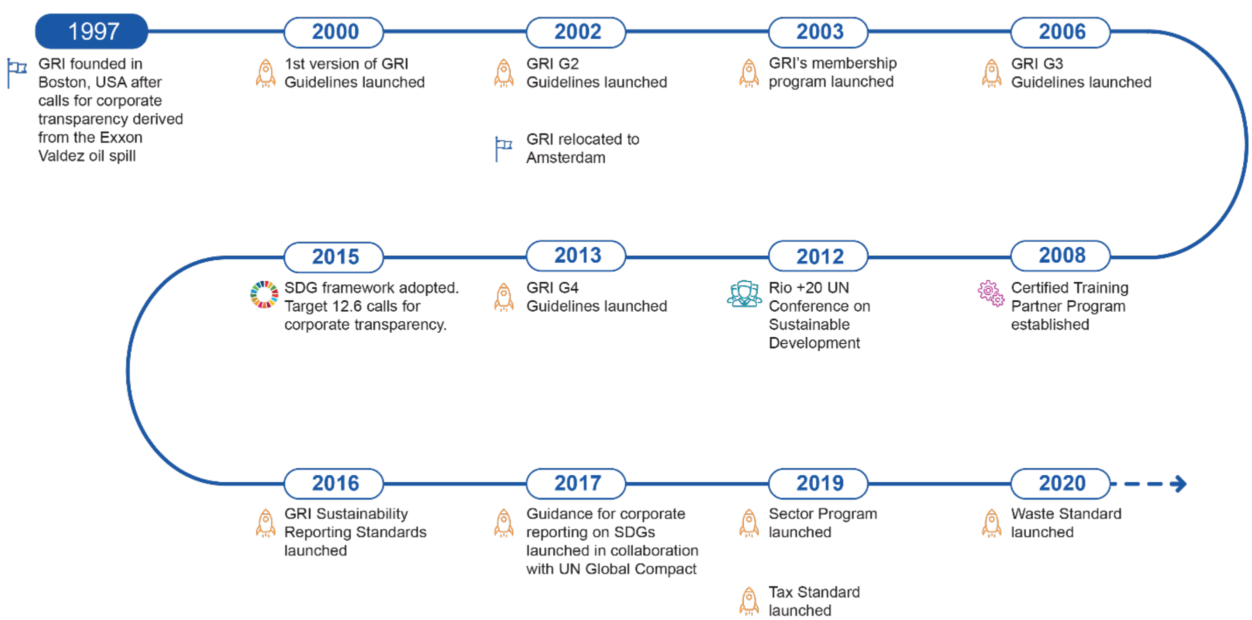
The CRT advocates the principles and practices of moral capitalism engaging all stakeholders and including social, human and natural capitals in management, accounting and financial valuations. The CRT proposes new methods for valuation of enterprise, assessment of the risks related to management of stakeholder relationships, a re-conceptualization of "capital" itself and closer appraisal of the distinctions and qualities of public, quasi-public, quasi-private and private goods.

Focus on Reporting

Global Reporting Initiative

The Global Reporting Initiative (GRI) envisions a sustainable future enabled by transparency and open dialogue about impacts. This is a future in which reporting on impacts is common practice by all organizations around the world. As provider of the world's most widely used sustainability disclosure standards, we are a catalyst for that change.

- GRI exists to help organizations be transparent and take responsibility for their impacts so that we can create a sustainable future.
- GRI creates the global common language for organizations to report their impacts. This enables informed dialogue and decision-making around those impacts.
- We are the global standard setter for impact reporting.
- We follow an independent, multi-stakeholder process.
- We maintain the world's most comprehensive sustainability reporting standards.
- Our standards are available as a free public good.



International Integrated Reporting Council and the Sustainability Accounting Standards Board

The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) agreed in November 2020 to merge into a unified organization, the Value Reporting Foundation, providing investors and corporates with a comprehensive, corporate reporting framework across the full range of enterprise value drivers and standards to drive global sustainability performance. In an era where the impacts of a global pandemic, climate change and growing inequality are intensifying, intangible value and the need for data-driven sustainability information have grown in importance. Capital markets demand evidence-based, market-informed and transparent data in order to deliver long-term value to shareholders, while also helping secure the future of our people and our planet—reporting is an important means to this end. "Information is the lifeblood of good decision-making. Capital markets are hungry for information linked to enterprise value creation, but they cannot easily digest what comes from a fragmented reporting landscape," says Robert K. Steel, Chairman of the SASB Foundation. "This merger is an important step towards businesses and investors communicating with clarity and ease about the issues that matter most to financial performance." The Value Reporting Foundation will merge the SASB and IIRC into a credible, international organization that maintains the Integrated Reporting Framework, advocates integrated thinking and sets sustainability disclosure standards for enterprise value creation. The merger directly responds to calls from global investors and corporates to simplify the corporate reporting landscape, providing the market with a clear solution for communicating about the drivers of enterprise value.

A company determines the sustainability topics that are material for disclosure based on the organization's significant impacts on the economy, environment and people and their importance to its stakeholders. The resulting information can serve a broad range of users and objectives and is often referred to as "sustainability reporting." When a company discloses information to the sub-set of those users whose primary objective is economic decision-making (such as many institutional providers of financial capital), the company delineates the sub-set of sustainability topics that are material for enterprise value creation, recognizing that some of that performance may already be reflected in the annual financial accounts.

The IIRC produced a protocol for the reporting on financial, social, human and natural capitals as production functions for a firm. Integrated reporting is an evolution of corporate reporting with a focus on conciseness, strategic relevance and future orientation. As well as improving the quality of information contained in the final report, integrated reporting makes the reporting process itself more productive, resulting in tangible benefits. Integrated reporting requires and brings about integrated thinking, enabling a better understanding of the factors that materially affect an organization's ability to create value over time. It can lead to behavioral changes and improvement in performance throughout an organization.

As set out in the International Framework, an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long-term. The framework enables a business to bring these elements together through the concept of 'connectivity of information' to best tell an organization's value creation story.

Integrated reporting has been created for any organization that wants to embrace integrated thinking and progress their corporate reporting. Businesses have reported breakthroughs in understanding value creation, greater collaboration within their teams, more informed decision- making and positive impacts on stakeholder relations. For organizations or stakeholders interested in real world examples and practical advice about the journey towards integrated reporting networks have been established to share experiences and learning.

The SASB is an independent nonprofit organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. The SASB standards identify the subset of environmental, social and governance (ESG) issues most relevant to financial performance in each of 77 industries. The SASB also provides education and other resources that advance the use and understanding of its standards.

The SASB Foundation Board oversees the strategy, finances and operations of the entire organization and appoints the members of the SASB Standards Board. The SASB Standards Board is an independent board that is accountable for the due process, outcomes and ratification of the SASB standards.

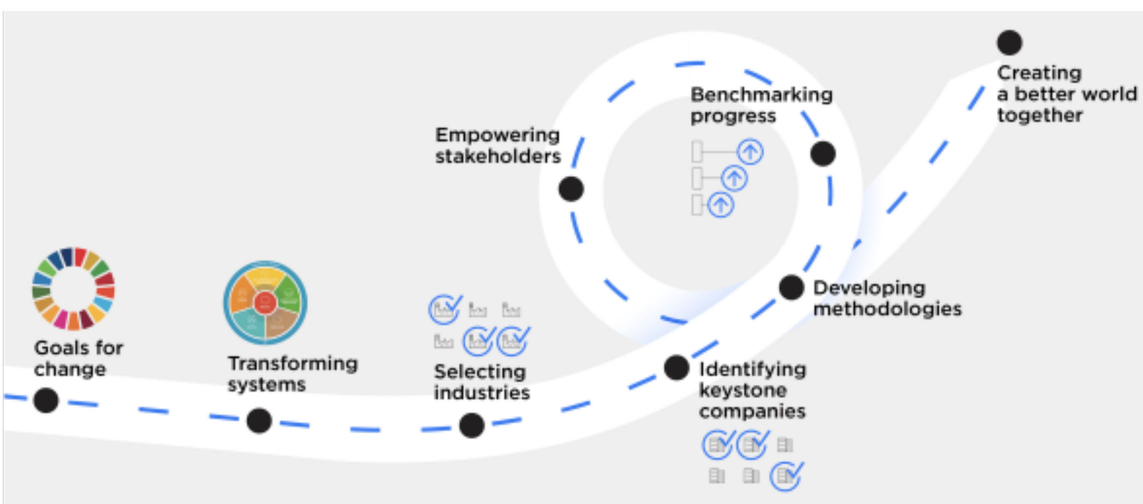
Their mission is to establish and improve industry-specific disclosure standards across financially material environmental, social and governance topics that facilitate communication between companies and investors about decision-useful information.

Their vision: global capital markets in which a shared understanding of sustainability performance enables companies and investors to make informed decisions that drive long-term value creation and better outcomes for businesses and their shareholders, the global economy and society at large.

World Benchmarking Alliance

The private sector has a crucial role to play in advancing the Sustainable Development Goals (SDGs), but to boost companies' motivation, there needs to be real change in the way that their impact is measured. That's why WBA has set out to develop transformative benchmarks that will compare companies' performance on the SDGs. The benchmarks will be backed by the best available science, while leveraging existing international norms and standards.

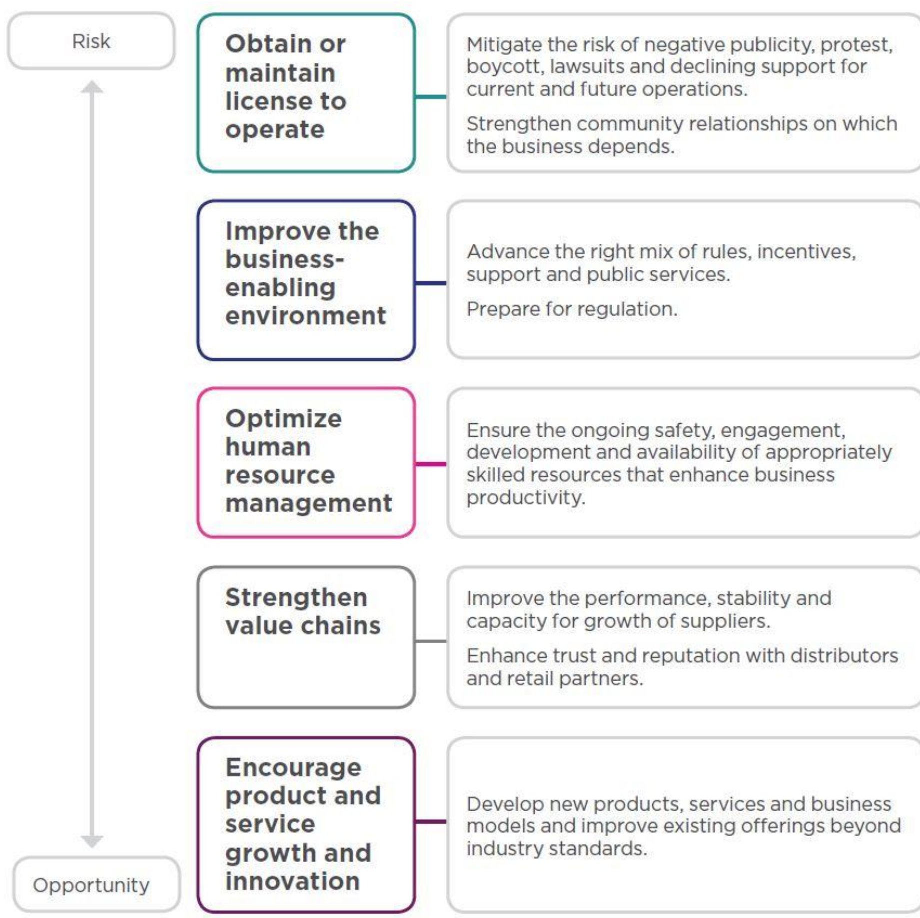
Our mission is to build a movement to measure and incentivize business impact towards a sustainable future that works for everyone. We envision a society that values the success of business by what it contributes to the world.



World Business Council for Sustainable Development: Social and Human Capital Protocols

Companies are struggling to identify fit-for-purpose approaches to integrating social measurement, management and valuation within their organizations. Many tools exist and more are emerging. However, they're based on different assumptions, offer different functionalities, suit different purposes and increasingly compete for uptake. As a result, credibility and comparability suffer.

The Social & Human Capital Protocol is a critical part of the evolving business toolkit, bringing together the currently fragmented landscape of social measurement and valuation. It provides the universal processes, principles and tools needed by business to ensure social risks and opportunities are considered alongside financial and environmental issues in corporate strategy and decision-making. It also lays solid foundations for integrated reporting.



Focus on Net Impacts

The first effort to focus attention on the externalities of firms to design reporting formats of non-financial aspects of production was the GRI. Various initiatives have provided lists of material impacts of private enterprises and assessed their importance and value as public goods and to some extent as private goods – such as impacts on employees and consumers.

Sustainable Development Goals

The U.N.'s SDGs are 17 categories of outcomes which have been selected for their beneficial impacts on human flourishing:

Environmental, Social and Governance Investment Criteria

The formulation of ESG goals – environmental, social and governance – for private firms has been championed by investors responsible for some $14 trillion in assets. But there is no agreement as to what behaviors have desirable environmental impacts, what behaviors have beneficial efforts on social conditions, and how governance should be conducted by whom and for what ends.

Larry Fink, Founder, Chairman and CEO, BlackRock: Excerpts from 2018 and 2019 Letters to CEOs

Improved Disclosure for Shareholders

We believe that all investors, along with regulators, insurers and the public need a clearer picture of how companies are managing sustainability-related questions. This data should extend beyond climate to questions around how each company serves its full set of stakeholders, such as the diversity of its workforce, the sustainability of its supply chain or how well it protects its customers' data. Each company's prospects for growth are inextricable from its ability to operate sustainably and serve its full set of stakeholders.

The importance of serving stakeholders and embracing purpose is becoming increasingly central to the way that companies understand their role in society. As I have written in past letters, a company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders. A pharmaceutical company that hikes prices ruthlessly, a mining company that shortchanges safety, a bank that fails to respect its clients – these companies may maximize returns in the short-term, but as we have seen again and again, these actions that damage society will catch up with a company and destroy shareholder value. By contrast, a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society. Ultimately, purpose is the engine of long-term profitability.

Over time, companies and countries that do not respond to stakeholders and address sustainability risks will encounter growing skepticism from the markets and in turn, a higher cost of capital. Companies and countries that champion transparency and demonstrate their responsiveness to stakeholders, by contrast, will attract investment more effectively, including higher quality, more patient capital.

Important progress improving disclosure has already been made and many companies already do an exemplary job of integrating and reporting on sustainability, but we need to achieve more widespread and standardized adoption. While no framework is perfect, BlackRock believes that the SASB provides a clear set of standards for reporting sustainability information across a wide range of issues, from labor practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the Taskforce on Climate-Related Financial Disclosures (TCFD) provides a valuable framework.

We recognize that reporting to these standards requires significant time, analysis and effort. BlackRock itself is not yet where we want to be and we are continuously working to improve our own reporting. Our SASB-aligned disclosure is available on our website and we will be releasing a TCFD-aligned disclosure by the end of 2020.

BlackRock has been engaging with companies for several years on their progress towards TCFD and SASB-aligned reporting. This year, we are asking the companies that we invest in on behalf of our clients to: (1) publish a disclosure in line with industry-specific SASB guidelines by year-end, if you have not already done so, or disclose a similar set of data in a way that is relevant to your particular business and (2) disclose climate-related risks in line with the TCFD's recommendations, if you have not already done so. This should include your plan for operating under a scenario where the Paris Agreement's goal of limiting global warming to less than two degrees is fully realized, as expressed by the TCFD guidelines.

We will use these disclosures and our engagements to ascertain whether companies are properly managing and overseeing these risks within their business and adequately planning for the future. In the absence of robust disclosures, investors, including BlackRock, will increasingly conclude that companies are not adequately managing risk.

We believe that when a company is not effectively addressing a material issue, its directors should be held accountable. Last year, BlackRock voted against or withheld votes from 4,800 directors at 2,700 different companies. Where we feel companies and boards are not producing effective sustainability disclosures or implementing frameworks for managing these issues, we will hold board members accountable. Given the groundwork we have already laid engaging on disclosure and the growing investment risks surrounding sustainability, we will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.

2019

Each year, I write to the companies in which BlackRock invests on behalf of our clients, the majority of whom have decades-long horizons and are planning for retirement. As a fiduciary to these clients, who are the owners of your company, we advocate for practices that we believe will drive sustainable, long-term growth and profitability. As we enter 2019, commitment to a long-term approach is more important than ever – the global landscape is increasingly fragile and, as a result, susceptible to short-term behavior by corporations and governments alike. Market uncertainty is pervasive and confidence is deteriorating. Many see increased risk of a cyclical downturn. Around the world, frustration with years of stagnant wages, the effect of technology on jobs and uncertainty about the future have fueled popular anger, nationalism and xenophobia. In response, some of the world's leading democracies have descended into wrenching political dysfunction, which has exacerbated, rather than quelled, this public frustration. Trust in multilateralism and official institutions is crumbling.

Unnerved by fundamental economic changes and the failure of government to provide lasting solutions, society is increasingly looking to companies, both public and private, to address pressing social and economic issues. These issues range from protecting the environment to retirement to gender and racial inequality, among others. Fueled in part by social media, public pressures on corporations build faster and reach further than ever before. In addition to these pressures, companies must navigate the complexities of a late-cycle financial environment – including increased volatility – which can create incentives to maximize short-term returns at the expense of long-term growth.

I wrote last year that every company needs a framework to navigate this difficult landscape and that it must begin with a clear embodiment of your company's purpose in your business model and corporate strategy. Purpose is not a mere tagline or marketing campaign. It is a company's fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits, but the animating force for achieving them.

Profits are in no way inconsistent with purpose. In fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time – not only shareholders, but also employees, customers and communities. Similarly, when a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability. Purpose unifies management, employees and communities. It drives ethical behavior and creates an essential check on actions that go against the best interests of stakeholders. Purpose guides culture, provides a framework for consistent decision-making and, ultimately, helps sustain long-term financial returns for the shareholders of your company.

Impact Economy Foundation, Amsterdam

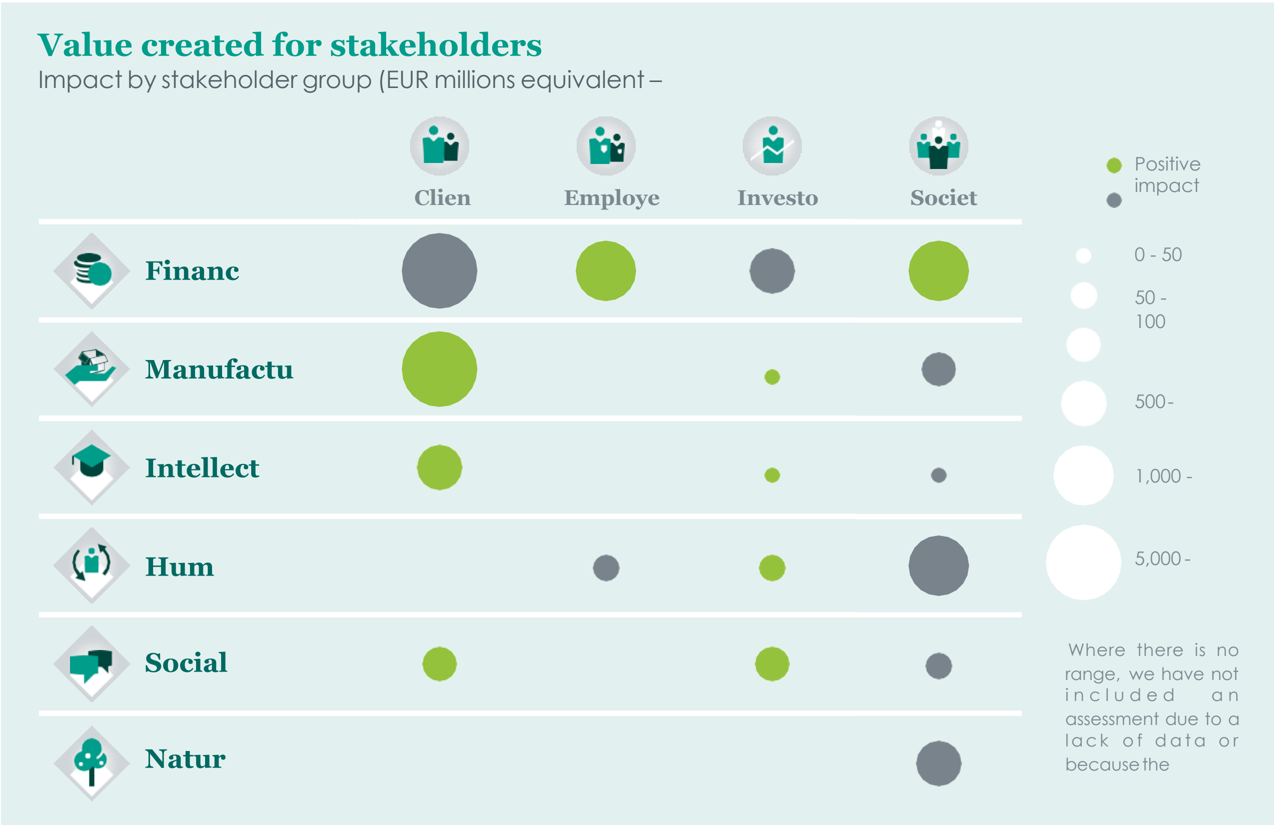
We believe the answer lies in realizing an impact economy, a market economy that provides the values, information and incentives that optimize the common good and enables people to pursue their own preferences, ideas and projects to satisfy their needs and have a positive impact on society.

A fast-rising number of social enterprises, impact investors and traditional businesses are paying attention to their impact on society and aim to use their business models and investment for the common good. The challenge is how to upscale existing practices and movements to a systemic level. To realize the impact economy, we need to broaden the group of businesses that aim to realize impact and deepen the integration of impact into businesses. This requires developing the enabling institutions:

- A culture that provides shared purpose and values of an impact economy.
- A cohesive architecture for the impact economy.
- Universal and standardized measurement, valuation and reporting of impact.
- Availability of high quality and preferable real-time information and data on impact at low cost.
- Government regulation and policies that require transparency and incentivize positive impact.

ABN AMRO Bank, The Netherlands

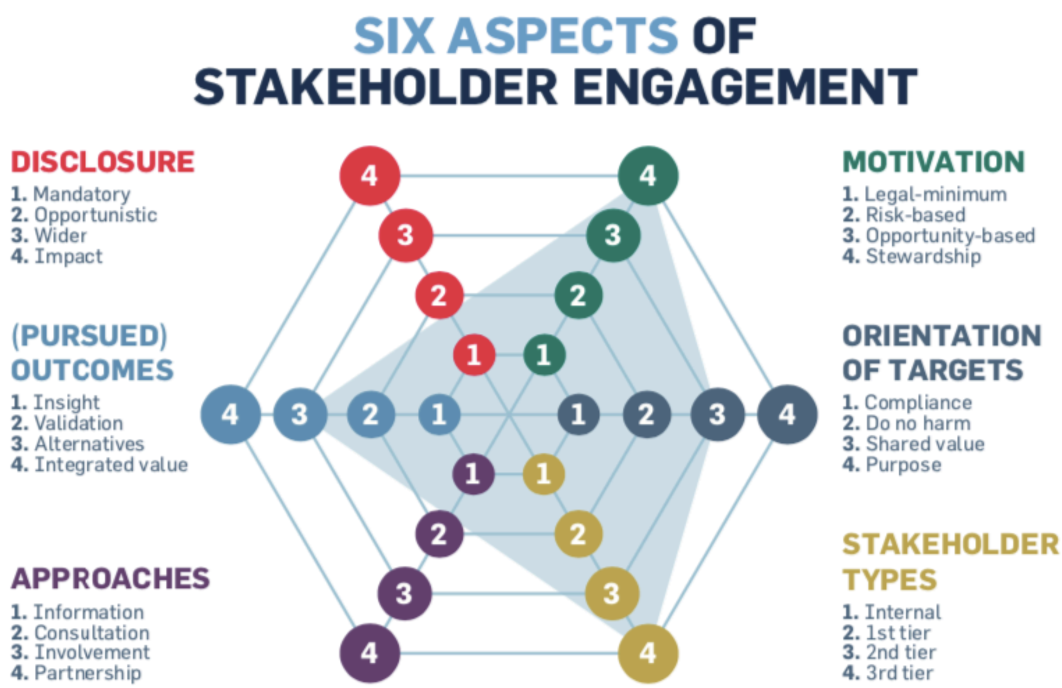
ABN AMRO Bank has adopted a report format to disclose material financial and non-financial impacts.



Focus on Stakeholders

Global Compact Network Netherlands: Stakeholder Inclusion

Global Compact Network Netherlands, with the support of VNO-NCW, carried out a study into stakeholder involvement by Dutch companies. This research shows that companies that actively involve their stakeholders in their organization are successful in implementing solutions to the societal challenges, as expressed by the SDGs. Political and social stakeholders are also expected to be more involved in the business. In this publication, Global Compact Network Netherlands provides a model and a practical questionnaire for companies to raise their stakeholder engagement to a higher level.



U.K. Company Act: 2006 Amendment

172 Duty to Promote the Success of the Company

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:
(a) the likely consequences of any decision in the long-term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between members of the company.
(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the

reference to promoting the success of the company for the benefit of its members were to achieving those purposes.
(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

417 Contents of Directors' Report: Business Review

(1) Unless the company is subject to the small companies' regime, the directors' report must contain a business review.
(2) The purpose of the business review is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).
(3) The business review must contain:
(a) a fair review of the company's business and
(b) a description of the principal risks and uncertainties facing the company.
(4) The review required is a balanced and comprehensive analysis of:
(a) the development and performance of the company's business during the financial year and
(b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.
(5) In the case of a quoted company, the business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include:
(a) the main trends and factors likely to affect the future development, performance and position of the company's business and
(b) information about:
(i) environmental matters (including the impact of the company's business on the environment),
(ii) the company's employees and
(iii) social and community issues,
including information about any policies of the company in relation to those matters and the effectiveness of those policies.

French PACTE Law 1919

Article 169 of the PACTE Law introduces the following amendments into French law:

- Article 1833 of the French Civil Code now has a second paragraph stating that corporations must be managed in their own "*corporate interests*" by taking into consideration the "*social and environmental issues*" related to their operations;
- Article 1835 of the French Civil Code has been amended to allow corporations to specify in their bylaws a "*purpose*" for the corporate operations; this means that companies are encouraged to incorporate social objectives to their corporate purpose as part of their bylaws;
- Articles L. 225-35 and L. 225-64 of the French Commercial Code have been adjusted so that corporate and management boards take into consideration "*social and environmental issues*" as part of their respective managerial assignments.

French President Emmanuel Macron has proposed a conference on the social economy. Olivia Gregoire has been appointed Secretary of State for Social Economy in the government of Prime Minister Jean Castex.

Business Roundtable Statement on the Purpose of a Corporation

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through

training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

World Economic Forum Davos Manifesto

The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large. The best way to understand and harmonize the divergent interests of all stakeholders is through a shared commitment to policies and decisions that strengthen the long-term prosperity of a company.

A company serves its customers by providing a value proposition that best meets their needs. It accepts and supports fair competition and a level playing field. It has zero tolerance for corruption. It keeps the digital ecosystem in which it operates reliable and trustworthy. It makes customers fully aware of the functionality of its products and services, including adverse implications or negative externalities.

A company treats its people with dignity and respect. It honours diversity and strives for continuous improvements in working conditions and employee well-being. In a world of rapid change, a company fosters continued employability through ongoing upskilling and reskilling.

A company considers its suppliers as true partners in value creation. It provides a fair chance to new market entrants. It integrates respect for human rights into the entire supply chain.

A company serves society at large through its activities, supports the communities in which it works and pays its fair share of taxes. It ensures the safe, ethical and efficient use of data. It acts as a steward of the environmental and material universe for future generations. It consciously protects our biosphere and champions a circular, shared and regenerative economy. It continuously expands the frontiers of knowledge, innovation and technology to improve people's well-being.

A company provides its shareholders with a return on investment that takes into account the incurred entrepreneurial risks and the need for continuous innovation and sustained investments. It responsibly manages near-term, medium-term and long-term value creation in pursuit of sustainable shareholder returns that do not sacrifice the future for the present.

A company is more than an economic unit generating wealth. It fulfils human and societal aspirations as part of the broader social system. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives. Executive remuneration should reflect stakeholder responsibility.

A company that has a multinational scope of activities not only serves all those stakeholders who are directly engaged, but acts itself as a stakeholder – together with governments and civil society – of our global future. Corporate global citizenship requires a company to harness its core competencies, its entrepreneurship, skills and relevant resources in collaborative efforts with other companies and stakeholders to improve the state of the world.

The World Economic Forum has an additional initiative:

Geneva, Switzerland, January 26, 2021 - A growing coalition of 61 top business leaders across industries announced today their commitment to the Stakeholder Capitalism Metrics, a set of environmental, social and governance (ESG) metrics and disclosures released by the World Economic Forum and its International Business Council in September 2020, that measure the long-term enterprise value creation for all stakeholders.

The Stakeholder Capitalism Metrics, drawn from existing voluntary standards, offer a core set of 21 universal, comparable disclosures focused on people, planet, prosperity and principles of governance that are considered most critical for business, society and the planet and that companies can report on, regardless of industry or region. They strengthen the ability of companies and investors to benchmark progress on sustainability matters, thereby improving decision-making and enhancing transparency and accountability regarding the shared and sustainable value companies create.

The metrics include governance behaviors and outcomes for people, planet, and prosperity.

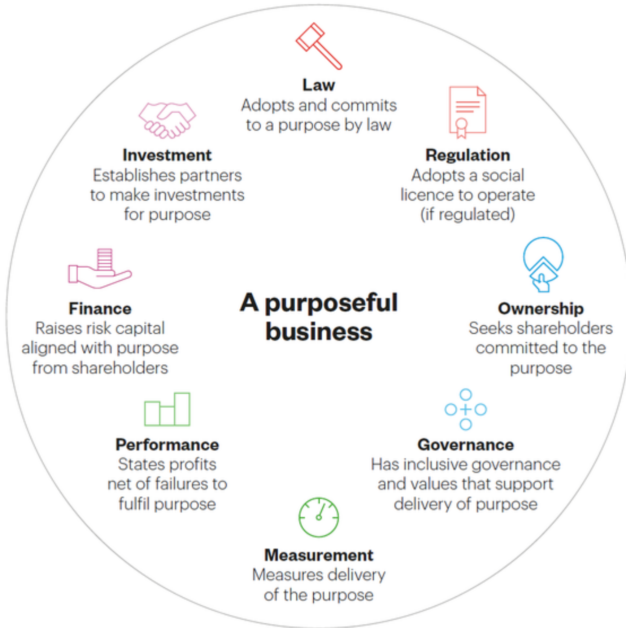
British Academy Purpose of the Corporation

Corporations were originally established with clear public purposes. It is only over the last half century that corporate purpose has come to be equated solely with profit. This has been damaging for corporations' role in society, trust in business and the impact that business has had on the environment, inequality and social cohesion. In addition, globalisation and technological advances are exacerbating problems of regulatory lag.

Together, these issues are intensifying the need to a reconceptualization of the corporation around its purposes. The Future of the Corporation programme represents the most comprehensive attempt to date to provide this reconceptualization. Our research suggests a need to develop a new framework for the corporation around a new definition of corporate purpose:

Profitably solving the problems of people and planet and not profiting from creating problems for people and planet.

Our work has explored this notion in depth and produced a set of new principles for purposeful business that set out a framework around those principles, as illustrated below. We continue to explore how this notion of corporate purpose can be best applied through a series of high-profile summits and focused work with experts.



Economics of Mutuality

The Economics of Mutuality (EoM) is a groundbreaking management innovation based on fifteen years of in-depth academic research and business practice. It was developed within Mars Inc. in close partnership with Oxford University and other top academic institutions. It empowers companies to adopt a responsible and more complete form of capitalism that is fairer and performs better than the purely financial version operating today.

Three key ideas lie behind EoM:

1. The primacy of purpose in driving strategy.
2. The power of orchestrating ecosystems at business unit level around purpose to mobilize and enhance hitherto untapped resources and value.
3. The importance of enhancing management accounting across multiple forms of capital — social, human, natural and shared financial — to drive holistic value creation.

In 2020, Mars redeployed EoM as an independent organization, headquartered in Geneva, Switzerland, comprised of EoM Foundation, a public interest foundation and EoM Solutions, a leading management consultancy. The EoM Foundation owns EoM Solutions and benefits from the data and revenue collected through the subsidiary's commercial business activities. In turn, EoM Solutions benefits from the foundation's networks and theoretical insight.

Distinctivo

CEMEFI in Mexico gives annual awards to companies which score well on measurements of engagement with stakeholders. Socially Responsible Company (SRC) is a recognition granted annually by CEMEFI and the Alliance for Corporate Social Responsibility to organizations that comply with standards established in the areas that govern CSR.

The Mexican Center for Philanthropy was established in 1988 and has offered this award since 2001. CEMEFI is a non-profit association that aims to promote a culture of philanthropy, high value and social commitment with its collaborators and community.

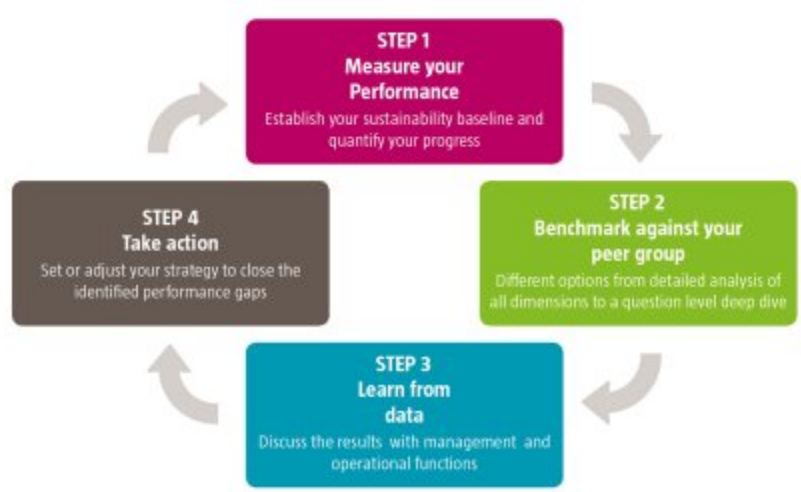
Company Codes of Conduct

Less prominent in recent years, in the 1990s, there was emphasis placed on having companies adopt ethical codes of conduct and appoint chief ethics officers.

Ranking of Companies

S&P Dow Jones Indices

The Dow Jones indices are designed for investors seeking to track equity markets while applying a sustainability best-in-class selection process. The S&P ESG indices are broad-based, market-cap-weighted indices designed to measure the performance of securities meeting sustainability criteria, while maintaining similar overall industry group weights as their underlying benchmark.



Drucker Institute/Wall Street Journal Company Rankings

An odd thing about the S&P/Drucker Institute Corporate Effectiveness Index—a vehicle that allows people to put money into those companies that are most in sync with Peter Drucker's core management principles—is that no one set out to create it, at least not at first.

The index is based on the Drucker Institute's corporate rankings, which began to be developed in 2013 and which, since 2017, have served as the foundation for the Wall Street Journal's Management Top 250 list of "the best-run U.S. companies."

The rankings show how some 750 major corporations stack up according to dozens of third-party indicators, which together measure a company's overall "effectiveness"—defined, to use Peter Drucker's words, as "doing the right things well." The individual indicators reflect a set of tenets that Drucker laid out across five areas: customer satisfaction, employee engagement and development, innovation, social responsibility and financial strength.

By applying objective data to aspects of corporate performance that are often dismissed as too nebulous to measure—such as employee engagement and innovation—the Drucker Institute has made the intangibles tangible. All of this, meanwhile, has been done in furtherance of a social mission: to prompt top corporate executives to think about how to best serve the interests of all of their stakeholders, not just their shareholders.

It wasn't until last year, however, that the Drucker Institute discovered the statistical model used for the rankings also had real money-making potential for investors themselves.

"It was like setting out to purify water and then stumbling into having developed a new cola," says Zach First, the Drucker Institute's Executive Director.

Over the five-year period that ended September 30, the S&P 500 offered investors a return of 10.84%. The S&P/Drucker Institute index would have offered a return of 13.26% over that same span. Over the past year, the S&P 500 was up 4.25% as of the end of September, compared with 7.88% for the S&P/Drucker Institute index.

JUST Capital and Forbes Company Rankings by Issue

Our annual rankings reflect the performance of America's largest publicly traded companies on the issues that matter most in defining just business behavior today. The issues and their weights in our model are determined by our polling of the American public. The 2021 rankings were published on October 14, 2020.

- Pays a fair, livable wage

  Pays workers fairly and offers a livable wage that covers the local cost of basic needs.

  Ranking weight: 9.9%

- Upholds human rights standards across the supply chain

  Guarantees the basic human rights of workers across the firm's supply chain and refrains from doing business with companies with abusive working conditions or in countries that violate those standards.

  Ranking weight: 9.2%

- Invests in workforce training

  Invests in its workforce, supports job stability and provides opportunities for training and skills development.

  Ranking weight: 8.3%

- Acts ethically at the leadership level

  Acts ethically and with integrity at the leadership level and takes responsibility for wrongdoings.

Ranking weight: 8.2%

- Cultivates a diverse and inclusive workplace

  Cultivates a diverse and inclusive workplace with equal opportunity for hiring, advancement and pay, without discrimination.

  Ranking weight: 7.7%

- Protects worker health and safety

  Protects the health, safety and well-being of workers beyond what is required by law.

  Ranking weight: 7.6%

- Provides benefits and work-life balance

  Offers a quality benefits package and supports good work-life balance for all employees.

  Ranking weight: 7.5%

- Creates jobs in the U.S.

  Creates jobs in the U.S. and where possible, recruits from within the communities where it operates.

  Ranking weight: 7.2%

- Protects customer privacy

  Protects the privacy of customers, including their data.

  Ranking weight: 5.2%

- Treats customers fairly

  Treats customers with respect and provides a positive customer experience.

  Ranking weight: 4.9%

- Prioritizes value creation for all stakeholders

  Prioritizes the interests of all stakeholders (e.g. workers, customers, etc.) at the executive and board level when creating value in the company.

  Ranking weight: 4.2%

- Minimizes pollution

  Takes responsibility for minimizing pollution and using resources efficiently in its operations.

  Ranking weight: 3.3%

- Helps combat climate change

  Helps to combat climate change and reduces its own carbon emissions.

  Ranking weight: 2.8%
- Develops and supports sustainable products

  Develops and supports the use of clean, sustainable products and services.

  Ranking weight: 2.7%
- Makes products that do not harm

  Makes products or offers services that do minimal harm to society.

  Ranking weight: 2.5%
- Contributes to community development

  Contributes to community development and uses local products and resources where possible.

  Ranking weight: 2.5%
- Generates returns for investors

  Focuses on generating profits, returns to investors and strong financial performance over the long-term.

  Ranking weight: 2.3%
- Communicates transparently

  Is transparent in communications about its products and services, beyond what is required by law.

  Ranking weight: 2.1%
- Supports local communities

  Supports local communities with donations, volunteering and community programs.

  Ranking weight: 1.8%

Other Initiatives

Inclusive Capitalism

Members of the Council for Inclusive Capitalism with the Vatican released a statement supporting the movement toward a widely accepted disclosure standard for ESG and SDG-aligned investments. Convergence toward common metrics and standards and consistency by which companies measure and report to investors will provide needed clarity about the long-term value they create.

Council statement:

Time is of the essence for industry to address ESG issues and the SDGs in order for capitalism to deliver dynamic and equitable global growth. As members of the Council for Inclusive Capitalism with the Vatican, we support the movement toward increased transparency and disclosure around ESG and SDG-aligned business models and investments.

We represent a set of global companies and organizations committed to principles that guide our actions to create a more trusted, sustainable, equitable and inclusive capitalism. We recognize that we will not have the impact we aspire to without focusing on long-term value creation for all our stakeholders, including clients, employees, partners, shareholders and society in a way that is sustainable for and respects people and our planet.

To display our progress in contributing to an inclusive capitalism, we recognize that companies and organizations need to measure the positive impact that they are having on their stakeholders. We believe in the power of example and the catalytic effect a market-led movement can have. Additionally, measurement and disclosure that is comparable, consistent and material accelerates the sustainable investment necessary to drive needed structural changes.

We are encouraged by the growing convergence of existing global reporting frameworks among the standards setters and believe industry, through its own disclosure and active voice, can have a positive effect. We note the efforts of the World Economic Forum's International Business Council's Stakeholder Capitalism Common Metrics (WEF/IBC) and the TCFD. We note the progress of the Impact Management Project and the Organization for Economic Co-operation and Development on Impact Measurement, the "big five" standard setters, such as the SASB and GRI coming together and the industry-led IBC work to commit to common disclosures. We also note the International Financial Reporting Standards (IFRS) Foundation's consideration of establishing a sustainability standards board and parallel proposals at the U.S. Securities and Exchange Commission (SEC) to form an ESG taskforce, as well as the work of the

Global Investors for a Sustainable Development Alliance to provide sector-specific metrics for SDG-aligned business models and investments.

We believe that moving toward standardized ESG reporting that incorporates material issues will create greater transparency around companies' commitments to a more inclusive and sustainable form of capitalism and will allow all stakeholders to trust that companies' commitments are genuine and impactful. We support actions individually and collectively to:

- Encourage the continued convergence of standards and reporting, where appropriate, toward a single, universal standard by committing to the disclosures that are relevant and material to our business and our stakeholders.
- Encourage companies of all industries and sizes and particularly large companies to disclose ESG metrics in line with currently accepted approaches, such as WEF/IBC, TCFD, SASB and GRI, with the scale of disclosure actions set to accelerate convergence toward a global standard.
- Engage in ongoing dialogues, such as the IFRS and SEC consultation processes to bring about global standards.

Ultimately, it will take the actions and disclosure of companies and organizations of all industries and sizes to accelerate progress toward the inclusive capitalism for which the council strives. We invite all companies to disclose and be more accountable to how their actions affect and contribute to long-term value for all stakeholders. Together, we can build an economic system for all people and a more sustainable future.

Conscious Capitalism

Conscious Capitalism started with a book by John Mackey, Co-founder of Whole Foods and Professor Raj Sisodia. Its ideal is:

We believe that business is good because it creates value, it is ethical because it is based on voluntary exchange, it is noble because it can elevate our existence and it is heroic because it lifts people out of poverty and creates prosperity. Free enterprise capitalism is the most powerful system for social cooperation and human progress ever conceived. It is one of the most compelling ideas we humans have ever had. But we can aspire to even more.

Conscious Capitalism is a way of thinking about capitalism and business that better reflects where we are in the human journey, the state of our world today and the innate potential of business to make a positive impact on the world. Conscious businesses are galvanized by higher purposes that serve, align and integrate the interests of all their major stakeholders. Their higher state of consciousness makes visible to them the interdependencies that exist across all stakeholders, allowing them to discover and harvest synergies from situations that otherwise seem replete with trade-offs. They have conscious leaders who are driven by service to the company's purpose, all the people the business touches and the planet we all share together. Conscious businesses have trusting, authentic, innovative and caring cultures that make working there a source of both personal growth and professional fulfillment. They endeavor to create financial, intellectual, social, cultural, emotional, spiritual, physical and ecological wealth for all their stakeholders.

Conscious businesses will help evolve our world so that billions of people can flourish, leading lives infused with passion, purpose, love and creativity; a world of freedom, harmony, prosperity and compassion.

Prof. Sisodia has co-written *Firms of Endearment*, a study of companies which prospered from internalizing passion and purpose.

JUST Capital

We are capitalists committed to stakeholder capitalism.

We believe that business can and must be a greater force for good and that markets must be part of the solution. At $19 trillion, the U.S. private sector is four times the size of government and 40 times the size of private philanthropy. Building a more just economy that better serves the needs of all stakeholders is an essential step in pursuing true prosperity for all and address our systemic problems at scale.

Restoring trust in capitalism requires us to think differently about how we do business. About how we invest. About how we make decisions, as consumers, as workers, as community members. It invites new ways to talk about, measure and incentivize business behavior. It demands that we do a better job of aligning how companies and investors define success.

JUST Capital is the only independent nonprofit that tracks, analyzes and engages with large corporations and their investors on how they perform on the public's priorities. Our research, rankings, indexes and data-driven tools empower all market participants to help build a more just economy. We are neutral and data-driven, an honest broker working to move the vision of stakeholder capitalism from rhetoric to reality.

Programs:

- Measure What Matters – We poll Americans every year to identify the issues that matter most in defining just business behavior today. We then define metrics that map to those issues and track and analyze the largest, publicly traded U.S. companies. This analysis powers our rankings and serves as a roadmap for companies.
- Power Investments – We drive capital toward more just companies through our JUST Alpha research, investable indexes, the JUST ETF and by licensing our data.
- Shift Expectations & Drive Change – We produce data-driven insights and research and create programmatic initiatives, partnerships and products to directly encourage and support corporations to adopt business practices that advance a stakeholder model of capitalism.

Hewlett Foundation

The William and Flora Hewlett Foundation on December 8, 2020 announced a five-year, $50 million commitment to help develop a new intellectual paradigm to replace neoliberalism, the framework that has dominated our economic and political debates for more than forty years. The new Economy and Society Initiative will help develop a new "common sense" about how the relationship between governments, markets and people should be structured to meet society's biggest challenges.

"Neoliberalism's emphasis on free-market absolutism has outlived its usefulness, as evidenced by the fact that it's worsening some of our biggest problems, like skyrocketing wealth inequality and the unfolding climate crisis. But addressing problems like these requires more than one-off policy ideas, activist pressure and incremental change. We need a new way of thinking about policy, law and the proper role of government to shift the underlying terms of debate and open up space for solutions that neoliberalism is currently choking off," Hewlett Foundation President Larry Kramer said.

The Hewlett Foundation undertook an exploratory grantmaking effort two years ago to learn more about growing movements to forge alternatives to neoliberalism. It found academics, think tanks, advocates and others—on both the right and left, in the U.S. and internationally—advancing such ideas.

Proposals being investigated included the end of unchecked free trade; renewed interest in industrial policy and antitrust; “pre-distribution” rather than redistribution efforts; and solutions to climate change that go beyond what markets can do. But these ideas and their proponents have yet to cohere into a holistic intellectual framework and movement in the way neoliberalism did a half century ago. So, in addition to funding the generation of creative new ideas, the Hewlett Foundation will work to tie these ideas together into a coherent intellectual framework and movement to supersede neoliberalism, one better capable of addressing society’s most pressing problems, from economic and racial inequality, to climate change.

In launching this new initiative, the Hewlett Foundation is mindful of how an earlier generation of funders helped create, nurture and promote neoliberalism. The remarkable success of their philanthropic effort was enabled by their focus on big ideas and it offers valuable lessons for our work today. Just as philanthropy effectively spurred the development and ascendance of neoliberalism, the Hewlett Foundation will support an ideologically diverse set of ideas and thinkers capable of leading a shift every bit as widespread and profound.

“The Hewlett Foundation’s Economy and Society Initiative is joining a growing movement of ideas. We want to support the people and organizations building a new understanding of how the economy works, the aims it should serve and how it should be structured to serve those aims,” Jennifer Harris, Director of the Economy and Society Initiative, said. “It’s not our job to come up with the final form of a successor to neoliberalism. It’s our job to seed the debates, ideas and iterative thinking that can get us there.”

The Hewlett Foundation is joined by a growing group of funders interested in nurturing a movement to supersede neoliberalism.

Since 2018, the Hewlett Foundation’s exploratory effort to develop new ideas in economic and political thought has awarded nearly $20 million in grants to a diverse set of recipients, including Oren Cass of American Compass, Rev. William Barber II’s Repairers of the Breach and the Roosevelt Institute, led by Felicia Wong. The new Economy and Society Initiative will continue to support the cultivation of ideas for replacing the current paradigm—wherever they come from. The initiative will fund thinkers and organizations in the U.S. and abroad with the aim of supporting ideas that reach beyond America’s shores.

Aspen Institute Business and Society Program

Aligning Business with the Long-Term Health of Society

The Aspen Institute Business and Society Program, founded in 1998, works with business executives and scholars to align business decisions and investments with the long-term health of society—and the planet. Through carefully designed networks, working groups and focused dialogue, the program identifies and inspires thought leaders and "intrapreneurs" to challenge conventional ideas about capitalism and markets, to test new measures of business success and to connect classroom theory and business practice.

The Business and Society Program is known for cultivating leaders through the First Movers Fellowship Program, for dialogue on curbing short-termism in business and capital markets and for fresh thinking about the purpose of the corporation. We also work to equip a new generation of leaders to tackle the world's most pressing challenges through Ideas Worth Teaching and the Ideas Worth Teaching Awards.

Creating the Conditions for Long-Term Capitalism

Short-term pressures in today's capital markets restrict the ability of business to do what it does best—create quality goods and services, invest in innovation and develop human capital. Since 2003, the Aspen Institute Business and Society Program has been focused on ensuring that business and investment practice better supports the long-term health of society. Our work has brought together senior business leaders, investors, corporate governance experts, labor leaders, researchers and scholars to discuss strategies for promoting change in business practice, investment protocols, incentives and decision rules in support of value creation that benefits both shareholders and society.

We believe that rebalancing the short-term/long-term focus of the corporate sector will make it possible to bring a wider view to the role of business, one that encompasses both fiscal and societal well-being.

U.S. Senator Marco Rubio's Common Good Capitalism

Common-good capitalism is about a vibrant and growing free market. But it is also about harnessing and channeling that growth to the benefit of our country, our people and our society. Because, after all, our nation does not exist to serve the interests of the market. The market exists to serve our nation and our people.

Economic stability for working class families is not a feature of today's economy, however. Business profits have become increasingly estranged from production and employment. This is mainly driven by large, transnational corporations. Many of these corporations are now using our country's resources to speculate on financial assets, including their own share prices. Rather than engaging in real production and innovation with workers here at home—the production that delivers widely shared prosperity—they have sought to reduce their domestic labor costs. This strategy is damaging not only the American worker, but also the competitiveness of American industry. We are cutting off the branch on which we sit.

The alarming implications of this trend are detailed in a new report I released this year, "American Investment in the 21st Century." The report argues that underinvestment in America's economy is driven by the consensus that the goal of business enterprise is to maximize financial return for shareholders. It is easy to see how this belief would lead to lower physical investment. Returns from financial engineering are easier, quicker and more certain for shareholders than long-term investment in the capital and labor-intensive creation of actual goods and services.

Not only the American worker, but American industrial capacity itself has suffered. Over the last forty years, the financial sector's share of corporate profits increased from about 10 percent to nearly 30 percent. During this same period, business investment decreased by 20 percent, while corporations have tripled the amount of capital returned to shareholders. Studies have revealed that corporate managers are under enormous pressure to prioritize short-term profits over long-term strength and to sacrifice the creation of durable value in the pursuit of quarterly earnings. This shift in how we allocate capital has sapped our productive capacity and damaged our ability to provide dignified work.

When dignified work is lost or unattainable, it corrodes the human spirit. Recent years have seen the destruction of jobs that provided a way of life for families and communities for generations. Despite the claims that a "new economy" would rescue them, the new fabric of American work is not thick enough to sustain them. Entire regions have been hollowed out. Even among those who have succeeded by the terms of the financial economy, there is an inescapable sense that their work is not productive in the way it was for generations prior.

Our failure to prioritize the creation and maintenance of dignified work through investment now presents serious problems. These problems include reduced manufacturing employment, less time for families to have and raise children, population loss in rural America and mid-sized cities and lower levels of technological development than rival states like China. To revive the dignity of work, we should begin by addressing these problems. I have suggested a few ideas, like taxing stock buybacks and encouraging physical investment, building new hubs for manufacturing and innovation and further expanding the federal per-child tax credit and enacting a paid family leave policy. There are different ways to get at these issues, but we have to start here.

Paul Polman's Imagine

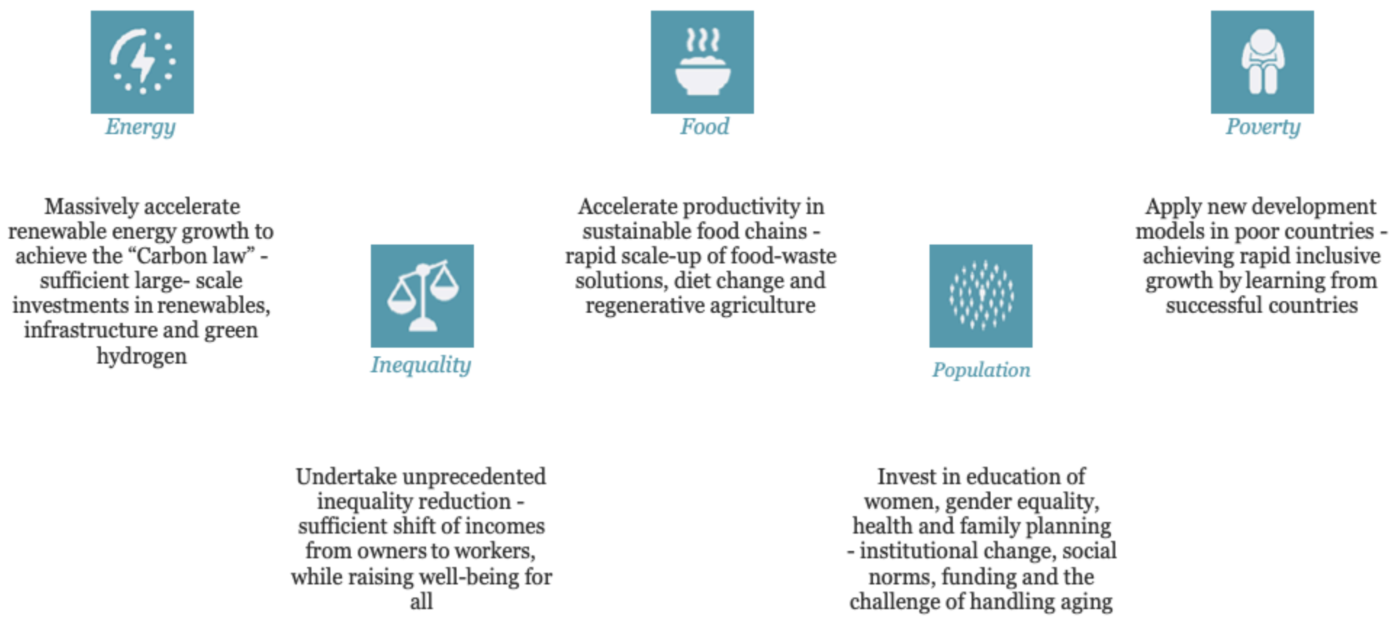
Former Unilever CEO Paul Polman has a new NGO called Imagine. We are business leaders who believe that humanity and our planet are facing historic challenges and CEOs around the world recognize it. From the climate crisis to widening inequality, we read the news and in between the lines. Governments cannot reverse the trajectory in time. Youth movements and civil society are mobilizing, but cannot change the system.

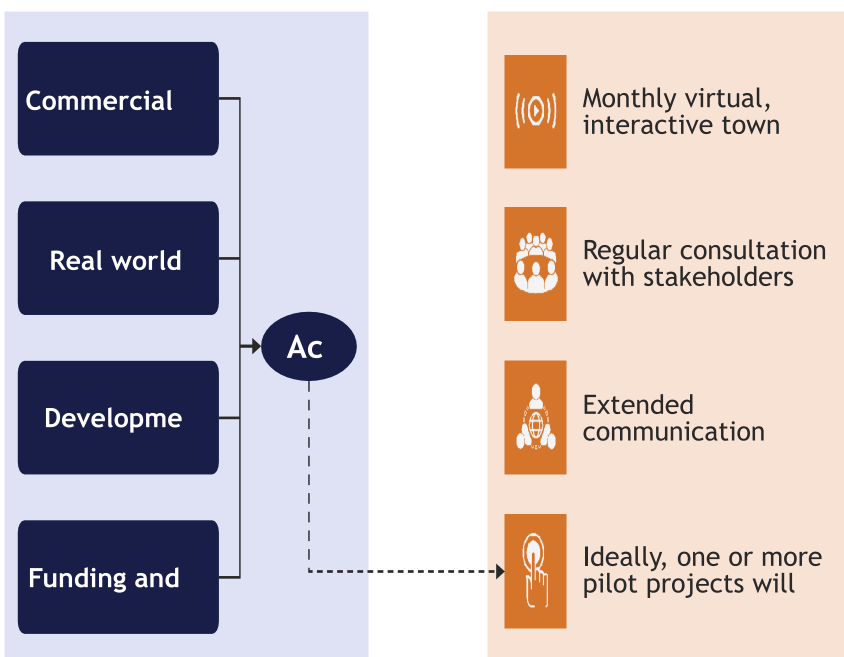
Business is either part of the solution or part of the problem**.** Almost every CEO has their company engaging in CSR. Many are spread thin between well-meaning initiatives, associations and conferences, but the math doesn't add up. Often as powerful as nation states, corporations have an enormous responsibility to drive transformative change. We need scale at speed.

If not us, who? If not now… maybe never. What's needed now are courageous business leaders taking action. Imagine is a new type of business collaboration for systems change. We work with CEOs who are building their companies into beacons of sustainable business and leveraging their collective power to drive change on tipping points in their industry – from greenhouse gas emissions to labor standards to biodiversity. It's not easy, but the benefits are clear. We know more CEOs would if they could, but they lack the time, the tools and the safe space.

Delivering Prosperity

The project's objective is to accelerate achievement of the sustainable development goals within the 'Planetary Boundaries.' A new science-based model will flesh out five actionable transformational turnarounds for the world economy. The project's objective is to accelerate achievement of the SDGs within the 'Planetary Boundaries.'



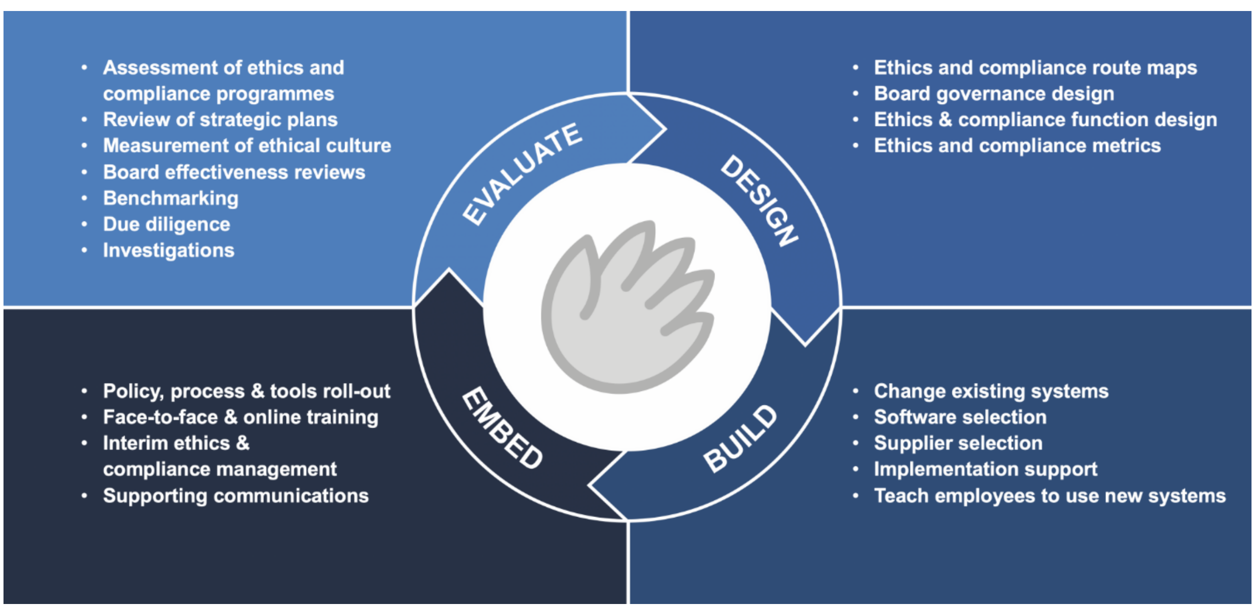


Good Corporation

In today's global marketplace, a company's approach to ethical issues such as bribery and corruption, human rights, labour standards, workplace culture and health and safety can make or break reputations. Ensuring that a rigorous ethics and compliance programme is in place is essential.

GoodCorporation offers a range of business ethics consultancy services to help our clients to design, build, embed and evaluate effective ethics and compliance programmes. In particular, we work with compliance, ethics and corporate responsibility teams to measure and assess business practices to ensure that they are working well. We ensure that the correct policies, procedures and systems are in place, tailored to the needs of each organisation.

Our ethics and compliance services include:



Caux Round Table Teams Up with Growth & Justice to Address Racism and Its Negative Effects on All Americans

by Richard Broderick

The community where I grew up, Rainbow Lakes, was a slightly overcrowded, former resort community about 40 miles west of New York City.

The outbreak of World War II turned it into a small town, if that's what we'd call a community that had no business center, nor any commercial traffic contact with the outside world. The year 1941 was when major defense factories like Kittatinny Arsenal attracted hundreds of engineers and technicians to help construct bombs and artillery shells to stop Germany from conquering all of Europe and perhaps the world. Kittatinny Arsenal is where my father, the first member in his family to go to college, employed his training as a mechanical engineer to design complex and, ingenuous, in a dated way, fuses for bombs to time the moment from when the bomb was dropped and when it would explode.

I was born several years after the war, by which time my father had moved on to a position as a sales engineer with a die-casting company. It was a comfortable life in a beautiful, if somewhat crowded, lakefront location. But from my early years, on I noticed something that attracted my attention and puzzlement.

At the entrance to the lake, where Fox Hill Road intersected with Rainbow Trail, was a large sign across from the volunteer fire department and impossible to ignore.

"Welcome to Rainbow Lakes," it exclaimed. "A Restricted Community."

At first, I didn't really know exactly what "restricted" meant. When I did begin to understand, I was still confused by the premise. "A Restricted Community?" Was that a joke of some sort? Rainbow Lakes encompassed a wide range of families, most respectable enough, others – well – not so much. The "beach" located on the eastern edge of the main lake was a decidedly rundown affair. Because of the lack of a public sewage system, the water, in all the lakes, was filthy. If this was what "restricted community" meant, then I couldn't imagine what the place would be like if it were unrestricted.

By the time I reached high school, I came to understand exactly what "restricted" meant. No Jews, no Italians, no Hispanic people and, for several years before World War II, no Catholics and above all, no black Americans. That was unthinkable. We did have one resident who was of Italian descent, but that was because he was filthy rich, having been one of the original backers of the Broadway musical "My Fair Lady" and could buy and sell everybody else who lived in the town.

Needless to say, my contact with anyone black was almost non-existent. Not until I went to college did I meet and make black friends and later worked with blacks, some of whom became close friends. But I know, from visceral experience, that although I don't feel a shred of negativity toward black Americans, I – like all Americans, whatever their color – have a collective consciousness undeniably shaped by the country's 400-year history of slavery, Jim Crow, lynching, disenfranchisement and deliberate impoverishment of that segment of the population.

A Truth and Reconciliation Commission, such as created in the wake of the downfall of South Africa's apartheid system, is something we need in the U.S. But in South Africa, the white population was vastly outnumbered by the black African population. It was in the best interest for white Afrikaners to engage in reconciliation. Because of the nearly opposite percentages of white and black in our nation, there is virtually no motivation for white Americans to voluntarily come to grips about our racial legacy.

We at the Caux Round Table (CRT) are under no illusion that this coming "to grips" is going to be easy and might never take place in a national forum. But discussions can and should take place on the level of communities and perhaps states. There are already many organizations in and around Minnesota working on this issue. Now, the CRT has teamed with another non-profit, Growth & Justice, whose mission is "to develop and advocate for public policy that makes Minnesota's economy more prosperous and fair for all Minnesotans," to sponsor a series of symposia focused on racism and how it can be addressed.

Clearly, the combination of Growth & Justice and the CRT in partnership is rich in promise. The CRT is dedicated to promoting "stakeholder" capitalism, in which firms, large and small, work to enhance the welfare of all their stakeholders, including employees, customers, suppliers, the community as a whole and the natural environment. It is a mode of operation we call "moral capitalism."

Together, the CRT and Growth & Justice are scheduling a series of meetings that include members from every race, class and ethnicity living in our community. In these symposia, these "round tables on racism," members of both organizations will act as facilitators, helping guide participants in discussions that encourage ways to communicate and enhance understanding, positive interactions that, over time, will help create positive feelings across racial and other borderlines.

The problem is urgent and time is short. We believe it is in the interest of all Americans to work toward alleviating a heritage that has a negative effect on each of us.

Even those of us who grew up in a "restricted community."

Our Vision of the "Round Tables on Racism"

We have reached a critical time in our country's history and story. For many of us, we have had to sit back for generations and wait our turn at the table of equality. However, as we look forward to what our future has in store, it is filled with enthusiasm and hope. Our history is a complicated one, one that has many historical facts excluded from the history books. Today, as I write this, I have a vision. I have a vision of what our country can be and should be for all. It is a vision filled with hope and ideas, ideas of change. As we look ahead, there is also a reality that we must also look back, look back at the many trials and tribulations that our culture has endured. To politely say I want a change is not at this moment enough. I must stand up with others like myself and demand change.

I want to share with you a bit about what makes me who I am. What makes me believe that there has to be more than what we are doing as advocates for social change. Each of us has our own passion for this idea, this concept of equality for all. For me, it takes many forms inside of me. It fills my head with ideas of change. I have visions that range from childcare, education, police reform, systemic institutional reform, equity and inclusion, foster care and what a diverse workforce looks like. I also have come to understand the great losses our state and country is losing out on by the systems put in place to act as barriers for people of color. I have a vision that with the shared vision of a select few with an unrelenting passion to make change a reality, this can be achieved. We each have our own niche in the struggle we are facing to make our own visions a reality. For me, I share many visions and dreams with many organizations. What if, though, we all came to one table to achieve one goal?

We have an opportunity to stand together and work to achieve one another's vision. These round tables would provide a forum where we can all work together to reach the long-promised right of equality. We are bringing a diverse group of individuals together, with diverse ideas for change. That is the goal of our "round tables on racism."

We all know there is strength in numbers. To say this is one thing, but to address it and bring people together is a more daunting task. I believe, though, that this can and will be done, not next year or the year after, but beginning at this moment in time. We all want to achieve change. To make those changes, we need to look at all organizations and individuals doing the work in various capacities. I, myself, have met many such groups all working to change the issues around racism and social justice reform. Systemic racism is not going to cure itself. That will take the assembly of many citizens speaking in their own terms, but each demanding change.

That could be, that *should be*, all of us.

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Growth & Justice

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