



ILLUSTRATION BY MICHAEL GLENWOOD

The Power of Money With a Purpose

By Erin
Essenmacher
and Judy
Warner

Impact investing, which describes investments made based on social criteria, is the buy side of the corporate social responsibility (CSR) practiced by companies. Today, companies, their boards, and a broader spectrum of investors alike pay attention to environmental, social, and governance (ESG) factors. All seek sustainability. Many companies practice “inclusive capitalism,” a term that arose in development circles, or “conscious capitalism,” a practice evangelized by Raj Sisodia and Whole Foods Market cofounder and CEO John Mackey that is now finding its way into investor circles.

The basic idea is that we—businesses and their stakeholders—all want to live in a healthy world that isn’t ultimately annihilated by some obscene confluence of natural forces such as pollution, water scarcity, floods, and wildfires. Modern investors are increasingly placing money for cause with the very real expectation of a return on investment. As sustainability becomes a boardroom byword, so too has the commitment to developing reliable models for measuring return on social investment, and that is taking impact investment from the fringes to the mainstream. In an era of heightened engagement between boards and shareholders, there is an obvious need to understand exactly what investors and other stakeholders want.

The Global Impact Investing Network (GIIN), a New York-based nonprofit aimed at increasing the scale and effectiveness of impact investing around the world, defines impact investing simply as “finance for good.” The Global Sustainable Investment Alliance (GSIA) defines it “as targeted investments aimed at solving social or environmental problems.” GSIA further notes in its 2018 Global Sustainable Investment Review: “Community investing, whereby capital is specifically directed to traditionally underserved individuals or communities, is included in this category, as is finance that is provided to businesses with

an explicit social or environmental purpose.” While investing with social purpose has long been a part of America’s cultural fabric, it is gaining a sense of urgency as yet unseen.

A Societal Mainstay Comes to the Fore

The origins of impact investing can be traced back millennia to religious and faith-based giving practices. These organizations continue to play an important role as they have created charities, foundations, or nonprofits to help address specific problems.

Indeed, some have become notably effective activist shareholders, such as the 49-year-old Interfaith Center on Corporate Responsibility (ICCR), which regularly wages proxy campaigns to raise awareness of key social issues. Sometimes dismissed as a gadfly because of its small holdings and low vote tallies, it nevertheless has had some success. Working to improve gun safety, the ICCR in 2018 was responsible for rallying investors to pass a proposal requiring American Outdoor Brands, the parent company of Smith & Wesson, to issue reports explaining how it monitors gun violence and is striving to make its product safer. ICCR accomplished the same feat that same year at firearm manufacturing firm Sturm Ruger & Co.

Today, though, owing to a plethora of converging factors, impact investing has broken through the boundaries of the religious sphere. This is due, at least in part, to the growing expectation that corporations share in the responsibility for the condition of our world. So too do small, boutique money managers such as Boston-based Arjuna Capital, which made an outsized impact in 2014 when its shareholder proposal at ExxonMobil resulted in a negotiation that led the big oil company to issue its first public report on global warming and carbon asset risk. In the 2019 proxy season, Arjuna filed 12 median gender-pay gap proposals targeting a dozen companies in banking

Where Boards Focus on ESG Issues

5%

of directors list growing anti-business populism as a top 5 trend that they foresee having the greatest effect on their company over the next 12 months.

79%

of boards report that they have focused on the environment or social issues the past 12 months.

Source: 2019–2020
NACD Public Company
Governance Survey

and technology after Citigroup became the first US company to publicly disclose its pay gaps.

The rise of impact investing is also rooted in the belief that funding those visionaries' efforts to solve some of the social challenges facing the United States not only feels good, it's good business. For example, the Impact America Fund was founded on the vision of enabling economic empowerment for low- and moderate-income communities of color and the belief that investing in underserved communities can unlock substantial untapped value.

For founder Kesha Cash, a former Wall Street analyst, the inspiration for the Impact America Fund was also rooted in making investments in previously overlooked entrepreneurs. "I was seeing the gap in resources and ecosystem support for entrepreneurs who were driven, who had a great work ethic, who had creativity and vision, who were tapping into real business opportunities and markets," she said during a recent episode of NACD's Future Fluency podcast. "But without that [financial] support system, I knew that they would not be able to fully realize that potential." The fund makes early-stage investments—ranging from \$200,000 to \$2 million—in companies in industries usually overlooked by traditional investors, including those focused on black hair care, peer-to-peer lending, values-based home health care, and supply chain diversity. Impact America currently manages two funds with \$10 million deployed and plans to invest at least \$35 million over the next four years.

The Rockefeller Foundation, which was founded in 1913 to promote the well-being of humanity throughout the world, claims to have coined the term "impact investing." Since 2007, it has supported the start-up of the GIIN; the Global Impact Investing Ratings System (GIIRS); and B Lab, which created GIIRS and certifies mission-oriented businesses called B Corporations. As a condition of B Corporation certification, a company must agree to create a materially positive impact on society, expand directors' duties to consider nonfinancial stakeholders as well as the interests of shareholders, and produce a report on its overall social and environmental performance.

More recently, the GIIN identified four characteristics to "provide further definition of the baseline expectations for impact investing." These are:

■ **Intentionality.** Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing, responsible investing, and screening strategies, which merely avoid certain industries considered to be antisocial.

■ **Financial returns.** Impact investments seek a financial return on capital that can range from below market rate to a risk-adjusted market rate. This distinguishes them from social investing that is indifferent to financial return.

■ **Range of asset classes.** Impact investments can be made across asset classes to include not only equity investments but also the purchase of municipal bonds, real estate, and the like.

■ **Impact measurement.** A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance of underlying investments.

Furthermore, the GIIN advised on a set of operating principles for impact management also released this year by the International Finance Corp. (IFC), a member of the World Bank Group. The IFC is the largest global development institution focused on the private sector in emerging markets. According to its reporting, the IFC delivered more than \$23 billion in long-term financing in developing countries in 2018. Early adopters of these principles included AXA Investment Managers, BNP Paribas Asset Management, Calvert Impact Capital, Credit Suisse, KKR & Co., Nuveen, and Prudential Financial.

"The principles are a good road map for impact investing. This is something that is needed to move the needle," GIIN board member Mark B. Grier told *Pensions & Investments*. In addition to his work with the GIIN, Grier is vice chair of Prudential Financial, which by the end of 2018 reported that it had more than \$1.2 billion in impact investment commitments.

The interest and growth in impact investing parallel the public's mistrust of institutions and the changing expectations of younger generations. Consider the outcry over the devastating impact of climate change, the rise of the #MeToo movement, and concern over income inequality, the weaponization of social media, the prevalence of hate speech and crimes, and fake news. This charged atmosphere of

skepticism and desire for change is creating something of a perfect storm, with companies and their investors caught in the middle.

In response to this situation, 181 CEOs of some of the country's largest companies pledged to consider stakeholders in addition to shareholders, per the Business Roundtable's August restatement of its corporate governance principles. In addition, the demand for large corporations to issue sustainability reports perpetuates and exacerbates fundamental questions about mission and purpose. Inclusive capitalism, conscious capitalism—call it what you want—is no longer on the fringes nor merely a passing whim of idealistic entrepreneurs. A 2016 survey by Harvard University found that 51 percent of adults between the ages of 18 and 29 do not support capitalism, even as we tally up the wealth and jobs created by the longest bull market in modern history. Rather than wait for regulation, some corporations are tapping into the social zeitgeist, at least talking about doing well as a solution to short-termism and, maybe on a more basic level, making themselves more likeable or trustworthy.

The rise of this larger social ethos parallels the rise of B Corporations. The first 82 B Corps—for-profit companies whose early and well-known adoptees included Patagonia and Ben & Jerry's—were certified in 2007. There are now thousands of B Corps all over

the world, some of them publicly traded, like Seventh Generation (owned by Unilever) and Danone North America (owned by Paris-based Danone SA). Over the past decade, laws that recognize B Corporations and require that they remain mission-driven enterprises have gained traction, passing in 35 states and the District of Columbia. Internationally, countries including Italy, the United Kingdom, and Colombia have passed similar legislation.

Gauging Impact

For all of its intended good, however, not everyone believes that investing for social or environmental impact is necessary or worthwhile. Larry Kramer, who since 2012 has been president of the William and Flora Hewlett Foundation, has argued in op-eds and interviews that impact investing for foundations isn't all that it promises. In an article earlier this year in *The Chronicle for Philanthropy*, Kramer said large foundations such as Hewlett should probably avoid the approach. Corporate investments need to provide a level of return sufficient to fund the philanthropy of grant making, and pure impact investing may not guarantee this result.

By investing primarily for impact, Kramer told the *Chronicle*, "We will earn less than we otherwise would, which means we will have

Divestment Works, Too

College students active in the anti-apartheid movement in 1980s led calls for divestment in businesses associated with South Africa. Notably in 1985, students at Columbia University organized a sit-in, demanding that the university cease investment in companies doing business in South Africa. The concurrent effect created by the growing movement for socially responsible investment—or in this case, divestment—resulted in \$625 billion in investments being re-directed by 1993, according to press reports at that time. That was the same year that Nelson Mandela and South African President F. W. de Klerk shared the Nobel Peace Prize for rewriting the country's constitution. So-called "sin" stocks—those related to tobacco, alcohol, gambling, and, since the disturbing rise in mass shootings, firearms and ammunition in the United States—have long been the targets of investors wishing to avoid certain categories. With the advent of exchange-traded funds (ETFs), however, the ability to strip out specific companies from a holding has become problematic. Case in point: Vanguard, the world's second-largest money manager, ahead of State Street Global Advisors and just after BlackRock, in August was forced to admit that it had mistakenly added shares of 11 companies, including a gun manufacturer and a private prison operator, to its \$578 million socially respon-



Anti-apartheid protests like this one by Columbia University students in 1985 encouraged divestment in South Africa.

sible ETF. Vanguard apologized to investors, citing a mistake in the underlying index provided by FTSE Russell, and both companies are adding new controls in the aftermath of the error, Vanguard spokeswoman Carolyn Wegemann told reporters.

ESG Practices Performed by Boards in the Past 12 Months

52%

Improved understanding of the company's current ESG-related performance.

50%

Reviewed ESG-related risks and opportunities.

49%

Discussed the link between ESG and the company's strategy.

49%

Worked to improve the company's reporting about environmental and social efforts to investors or stakeholders.

37%

Asked management to develop and report better performance metrics for ESG to the board.

Source: 2019–2020 NACD Public Company Governance Survey

fewer funds for our regular grant making.” Kramer, dean of the Stanford Law School from 2004 to 2012, is, however, open to discussing the subject: “I like to debate philanthropic tactics. I learn when I do. I even change my mind. And if evidence shows otherwise, I may yet change my mind about impact investing. But I haven’t been persuaded yet.”

Another sticking point is substantiating the market for impact investing, both for the money going in and the outcome of those investments. Earlier this year, the GIIN, in its first-ever *Sizing the Impact Investing Market* report, estimated that more than 1,340 organizations manage \$502 billion in impact-investing assets worldwide. Interest is broadening among institutional and high-net-worth investors. “We are seeing a lot of growth in new investors entering the market,” Amit Bouri, CEO of the GIIN, told *Pensions & Investments*.

The same study also found growing diversity of market participants. Family offices, foundations, banks, and pension funds were among the investors whose data was analyzed. More than 800 asset managers account for about 50 percent of industry assets under management, while 31 development finance institutions manage just over a quarter of total industry assets. In addition, the GIIN, in its ninth *Annual Impact Investor Survey*, reports a 17 percent compound annual growth rate in global impact investment assets over the past four years. Released in June, this year's findings are based on data from the largest number of respondents to date—266 institutions—with assets under management of \$239 billion. Most respondents reported that their investments met or exceeded expectations for both impact (98%) and financial (91%) performance. The track record substantiates the scope of impact investing, and as a result, institutions are becoming more comfortable with the strategy, and some benchmark studies “have demonstrated that market rates of return are achievable,” Bouri told *Pensions & Investments*.


So where does this leave the targets of impact investors, which are companies themselves? Where the rubber meets the road for most companies and their boards is vetting the materiality and thus the outcomes of stakeholder-oriented programs. This is where the board of a socially oriented company must understand how to translate practices around issues

such as gender equality and climate risk into materiality through key performance indicators. Bear in mind that although courts and standard setters vary in defining it, material information is essential to any reasonable investor when making an investment decision.

The importance of materiality was underscored by Impax Asset Management's Julie Gorte, who, as senior vice president of sustainable investing, oversees ESG-related research as well as shareholder engagement and public policy. Impax is the investment advisor to PAX World Funds focused exclusively on gender equality and the environment. In addition to its ESG and sustainability investments, Impax has two impact-specific funds that combined held \$229 million as of

This charged atmosphere of skepticism and desire for change is creating something of a perfect storm, with companies and their investors caught in the middle.

June 30. “Every company needs to have some notion of what the material ‘things’ are for their company. If you are an oil company, people are going to come after you for climate. Start with a materiality assessment using guidelines from the SASB [Sustainability Accounting Standards Board]. Boards have many ways to access expertise—an advisory group, the right person in the company, outside advisors, board training. Even if you don’t do a soup-to-nuts assessment, start there and then grow from that,” she said.

Writing about the GIIN's survey, Shapna Shah, the nonprofit's managing director and director of strategy, captured the essence of impact investing. “Each year, our *Survey* captures a single moment in this young and dynamic industry, reflecting both progress and obstacles. For better or worse, investment has always meant influence, and this influence comes from a thousand choices each of us makes every day,” Shah wrote. “Let’s choose ‘better’—a world where our choices drive universal well-being and environmental prosperity.” 

Martin
Whitaker



Measuring Stakeholder Impact

If you have no idea what a “woke” company is, perhaps it’s time you were awakened. JUST Capital, cofounded in 2013 by a group of dynamic and high-profile investors led by Paul Tudor Jones II, is about to release the fourth iteration of the JUST 100, a compilation of the most socially responsible and best-performing top 100 companies. The bottom 10 percent of the 890 companies on the Russell 1000 that were analyzed by JUST Capital to arrive at their rankings are also published.

By establishing the organization as a not-for-profit registered charity, the founders wanted to ensure that JUST Capital would be exclusively geared toward achieving its mission: to make business

and capitalism a force for good, and ultimately the world a more “just” place, by tracking the behaviors of companies that JUST Capital has identified by asking consumers what they care about most.

“We believe that we cannot address major societal challenges without the private sector being mobilized,” JUST Capital CEO Martin Whitaker said in an interview with *NACD Directorship*. “We also think that the companies that behave better are going to do better financially. Rather than decide that for ourselves, we surveyed the American people on what matters most to them. What we got was a common-sense set of themes, including, for example, that a company can make money but a compa-

ny that looks after its workers, cares about communities—that we now measure. We track their impact.”

JUST Capital evaluates on a weighted basis a set of seven characteristics determined by what 81,000 American survey respondents said they care most about. Whitaker says the firm is at work on a quarterly survey protocol to track changes in attitudes and adjust the weights accordingly.

“Good” companies might perform better when markets are uncertain due to some drivers of consumer behavior, such as customer loyalty. For example, 78 percent of the 9,000 people surveyed by JUST Capital in 2018 said they would “take action” to support companies that had reputations for good behavior—a response that implies they might choose certain companies’ products or services over those of competitors. Also of note: 76 percent of working people said they would consider accepting less pay to work at a company that they perceived as behaving well. Such goodwill could help companies protect their profit margins in times of faltering sales growth.

Corporations featured in “America’s Most JUST Companies,” published in partnership with *Forbes*, are also included in Goldman Sachs Asset Management’s JUST US Large Cap Equity ETF, the first exchange-traded fund based on “just” business behavior and the rankings. The JUST US Large-Cap Diversified Index (JULCD) that bowed in November 2016 tracks the performance of 50 percent of Russell 1000 companies that score best on JUST metrics. According to the organization, when back-tested, the JULCD beat the Russell 1000 in 2007, 2008, 2011, and 2015, by annual margins ranging from 1.8 points to 3.3 points.

What Matters Most to Americans		SCORING WEIGHT
WORKERS	How a company treats its employees and contractors, including fair pay, good benefits, and safe working conditions.	25%
CUSTOMERS	How a company treats its customers, including providing positive experiences, protecting their privacy, and providing fair sales terms.	18%
PRODUCT	A company’s products and services, including fair pricing and quality, as well as the benefit or harm of the product.	14%
ENVIRONMENT	A company’s environmental impact, including overall environmental responsibility, using resources efficiently, and minimizing pollution.	13%
JOBS	The positive impact a company has on the job market in the United States, including the number of people the company employs and the number of new jobs created.	12%
COMMUNITIES	How a company manages risks to human rights internationally, including minimizing forced labor or operations in countries with oppressive governments, and how it engages with local communities.	11%
COMPANY LEADERSHIP AND SHAREHOLDERS	How a company’s leadership acts ethically and with integrity, achieving long-term financial growth and creating value for its shareholders.	8%

Source: JUST Capital (+ or - 100% due to rounding)

Building an Earth-Friendly Burger

Impact investing can manifest itself in various ways. For Seth Goldman, it means devoting his time and energy to creating products that are more environmentally friendly and that appeal to today's consumer palates as well as their ethics and values. For more than two decades, Goldman has been a pioneer in the food industry. At NACD's 2019 Global Board Leaders' Summit, Goldman gamely addressed questions from NACD's Erin Essenmacher. The former CEO of Honest Tea and now executive chair of the publicly traded Beyond Meat described his journey to build an all-natural, free-trade iced tea company that was sold to The Coca-Cola Co. Since then, Goldman has poured his ambition into creating a better-tasting and better-looking plant-based burger. Here, he talks about his mission, impact, and the decisions to both sell and go public.

—Interview edited and condensed by Mandy Wright

What was it about Beyond Meat at this point in time that made an initial public offering (IPO) feel right?

What we learned is that there are certain routes for different companies, and as you know, Honest Tea was sold to Coca-Cola. I still believe today that was absolutely the right decision for the brand. Honest Tea is 11 times larger than it was when Coke first invested. We've democratized organics, which was our goal.

When we were at a decision point for Beyond Meat, we felt like no one was going to be able to have the singular focus that we have of replicating meat from plants. If we became part of a larger company, there would be distraction and dilution. Then we looked at the largest category in food where there hadn't been innovation in decades.

To bring differentiation and a brand where there's basically no branding, we felt like that made sense—and we did need the resources, and, of course, we needed to provide liquidity to the investors who've been with us for 10 years. So far, we feel like the IPO is the right decision.



What do you think has made Beyond Meat so successful? What's happening in the larger environment that helped foster its success?

If you think about the competition, the cow isn't evolving. At Beyond Meat, we continue to improve our products and know exactly what we're going after. It's a stationary target.

The appeal of our products in the marketplace certainly has an environmental aspect. We did a peer-reviewed life-cycle analysis of a Beyond burger versus a hamburger. The University of Michigan found that [our burger] uses 99 percent less water and 93 percent less land to cultivate it, which speaks powerfully to the opportunity, too, for sustainability. From a health aspect, a lot of consumers have concerns around red meat. The World Health Organization has certainly expressed those concerns. Then there are just other elements of the livestock industry that consumers are seeking alternatives to.

And there had been alternatives, right? Veggie burgers have been around for decades. My family's been vegetarian for 14 years, and we basically stopped eating veggie burgers within a few years of becoming vegetarian. We joked it was a conspiracy by the meat industry to discourage people from becoming vegetarian because you just taste one and [you think], I don't need it.

What was different [about our business] was the science.

At Beyond Meat, we [said], we know this approach to veggie burgers doesn't work. It's just a bunch of chefs mashing different things together. But if we look at it from a scientific perspective—rather than defining meat by its origin, meaning basically meat is protein from an animal, you ask, well, what if you define meat by its composition? So, rather than meat from an animal, it's an assembly of amino acids that form the proteins, lipids that form the fats, 60 to 70 percent water, some trace minerals and carbohydrates. Well, all of those components exist in the plant kingdom. In fact, that's what the animal does—the animal ingests plants [and] uses the skeleton and digestive system to convert plants into meat. What if we leave the animal out of the equation and we use heat and cooling and pressure to create meat from plants?

Can you speak to how the social demographic shifts line up with your strategy?

There's such a strong tailwind for what Beyond Meat represents. We say we are part of a movement, and in a sense we've become the face of that movement. We can't take credit for all of that. But even in climate protests that you're seeing, there's a lot of passion, and there's also a lot of feeling like we are rejecting the previous approach. Even the choice of what you put on your menu and what you eat is a statement. What's taken me by surprise? I've been toiling in the organic fields for 20 years, and it's building, but it's a slow build. This one just happened so quickly and, you're right, the KFC event [where Beyond Fried Chicken sold out in five hours] was very much driven by the brand excitement.

What are the environmental concerns of producing plant-based meat, and how can we think about these issues with regards to innovative products and technologies?


The biggest part of our footprint is our packaging, and we'll have that addressed early next year. Our main feedstock right now are peas. Peas are actually a nitrogen-fixing crop. Farmers will plant peas just to heal the soil and then they'll plow them back into the soil for their benefits. Right now, we're shipping a lot of our ingredients from France and we grow some in the United States; we're going to scale up domestic production.

Of course, every continent has multiple feedstocks that contain proteins. Here's what's amazing about that. Every country has the capability to grow enough plants to feed their population. From an economic security perspective, you actually can cut down on not just all of the commodity crops that get grown, but you can cut down on all the shipping as well.

Can you talk about your competition, which is not just the other entrants into the market like Impossible Foods, but some of the bigger food and meat companies trying to follow suit?

That's an interesting one. That's where the brand becomes important because—and this goes back to Honest Tea—authenticity really counts in food in particular.... As we started to talk to investors as part of the IPO, we met a lot of ESG officers and I was talking to them about food. I asked, "Well, what are you investing in food?" because so many of these companies are multi-dimensional. They have so many different parts of the business that there isn't a pure play. They're more about trying to invest in companies doing less harm. With consumers too, I think, when you have a singular focus on, in this case, a line of products or a category, and there's a consistent thread, that matters to the consumer. I do think that also differentiates us.

What do you see as the future of Beyond Meat?

There are whole countries that have not yet developed their livestock industry. For example, in Bangladesh you don't see telephone poles because they basically went right to cellular. Is it possible for these countries to leapfrog the livestock industry, which places incredible demands on water, land, and energy? If they could go right to a plant-based protein, if it meets all of their dietary, nutritional, and taste needs, the answer could be yes. 

Beyond Meat Board of Directors

Ethan Brown

President and CEO

Seth Goldman

Executive Chair

Gregory Bohlen

Board member since 2013

Chair, nominating and governance committee

Cofounder and managing partner, Union Grove Venture Partners

Diane Carhart

Board member since 2016

COO, Stonyfield Yogurt

Bernhard van Lengerich, PhD

Board member since 2016

Retired chief science officer and vice president for technology strategy, General Mills

Founder, Seeding the Future Foundation

Christopher Isaac "Biz" Stone

Board member since 2012

Cofounder, Twitter

Donald Thompson

Board member since 2015

Founder and CEO, Cleveland Avenue; Former CEO, president, McDonald's Corp. Director, Northern Trust Corp., Royal Caribbean Cruises; advisory board, DocuSign; trustee, Northwestern Memorial Hospital, Cleveland Avenue Foundation for Education, and Purdue University (July 2009 to present)

Kathy N. Waller

Board member since 2018

Chair, audit committee Executive vice president, CFO, and president, Enabling Service, The Coca-Cola Co.

Raymond J. Lane

Board member since 2015

Chair, compensation committee Managing partner, GreatPoint Ventures Director, Hewlett Packard Enterprises

Ned Segal

Board member since 2018

CFO, Twitter

Source: Beyond Meat website, retrieved Oct. 21, 2019

The Primacy Debate: Voices For and Against

Had she lived, Lynn A. Stout would have enjoyed the current debate on the corporation's role in society. In 2010, the prolific legal scholar penned a compelling argument in this magazine that she would later write about with equal conviction in her book, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public* (Berrett-Koehler Publishing, 2012). At that time, University of Delaware Prof. Charles Elson, himself a public company director of some renown, wrote the counterpoint to Stout's argument. As the very nature of American capitalism and a market-based economy comes under attack and august bodies such as the World Economic Forum and the Business Roundtable (BRT) endorse stakeholder primacy, we thought it worthwhile to consider some of the voices in this debate. But what may be as notable is the voices that are missing. If 181 CEOs of the BRT signed the revised statement of governance principles, one is left only to wonder who didn't sign and why. —Judy Warner

"The U.S. has focused on shareholder primacy, and much of the law has been structured around that.... I take these CEOs at face value that they want to do the right thing. But a lot of these efforts require long-term investments, and they can be expensive. Let's say you do these things, but it costs shareholders and you get sued for violating your fiduciary responsibility. It's easy to talk about, but are you willing to put money behind it? We'll see."

—DAVID F. LARCKER

James Irvin Miller Professor of Accounting and director of Stanford Graduate School of Business's Corporate Governance Research initiative, as quoted in a Stanford Graduate School of Business article, "People Before Profits: A New American Credo?" Sept. 24, 2019



"The key issue in any discussion of stakeholders is what happens when there is a trade-off between stakeholder and shareholder interests. Allocating more capital to R&D, becoming carbon-neutral, developing more environmentally friendly products, better pay and training for employees, or a brand-enhancing charitable contribution, can all be justified in terms of long-term, sustainable creation of value for shareholders. We need to know whether the signatories to this statement are talking about something different: trading off shareholder value in support of some kind of policy goals."

—NELL MINOW

Vice chair, ValueEdge Advisors, as excerpted from "Six Reasons We Don't Trust the New 'Stakeholder' Promise from the Business Roundtable," Harvard Law School Forum on Corporate Governance and Financial Regulation blog, Sept. 2, 2019

"Investors also have fiduciary responsibilities for ensuring that portfolio companies respect human rights since where there are the most severe risks to people and planet, there are material risks to business, including reputational harm, financial loss, and legal liabilities.

"For the system to meaningfully change, shareholders must accept their own responsibilities and be held accountable for their investment practices. This means a changing of the tide away from shareholder primacy and toward stakeholder primacy for all business actors. It also means going beyond shareholder advocacy efforts to a world in which all investors actively, holistically, and meaningfully engage with their responsibility to respect human rights."

—INVESTOR ALLIANCE FOR HUMAN RIGHTS

Excerpted from the website of the nonprofit organization of corporate members who work to promote human rights in business

"CII believes boards and managers need to sustain a focus on long-term shareholder value. To achieve long-term shareholder value, it is critical to respect stakeholders, but also to have clear accountability to company owners. Accountability to everyone means accountability to no one."

—COUNCIL OF INSTITUTIONAL INVESTORS

Aug. 19, 2019

"I'm curious if any CEO will send me a single tangible example of a thing they will stop doing because of this supposedly landmark statement."

—ANAND GIRIDHARADAS

Author, *Winners Take All: The Elite Charade of Changing the World*, (Alfred A. Knopf, 2018), as quoted in *Fast Company*, November, 2019

“[S]uggesting that companies must choose between doing well and doing good is a false choice. Successful businesses can and must do both. In fact, with political dysfunction in Washington, D.C., Americans overwhelmingly say C.E.O.s should take the lead on economic and social challenges, and employees, investors and customers increasingly seek out companies that share their values. When government is unable or unwilling to act, business should not wait. Our experience at Salesforce shows that profit and purpose go hand in hand and that business can be the greatest platform for change.”

—MARC BENIOFF

Cofounder, chair, and co-CEO of Salesforce.com, excerpted from an op-ed, “We Need a New Capitalism,” by Mark Benioff, *The New York Times*, Oct. 14, 2019

“In short, the Business Roundtable has issued a well-meaning, though vague, aspirational statement for its member companies to serve all stakeholder interests. For this statement to become operational, companies need to establish objectives for each interest group, with specific metrics and time periods, which would become criteria for executive compensation.”

—ROBERT C. POZEN

Senior lecturer at the Massachusetts Institute of Technology’s Sloan School of Management, excerpted from a contributed article titled “Tie CEO Pay to Increases in Stakeholder and Shareholder Value,” *MarketWatch*, Sept. 9, 2019



“There are a lot of smart people who say stakeholder governance and shareholder primacy are basically the same thing, or at least present different paths that lead to the same place....This is true, but I don’t think maximizing shareholder value is the goal; it’s an outcome. Therein lies the difference.”

—DOUGLAS K. CHIA

Founder and president of Soundboard Governance, excerpted from its blog, Sept. 3, 2019

“Kudos to the Business Roundtable for bringing its statement on purpose into line with 21st century practices. The statement is a signpost that will most certainly make it easier for companies to implement purposeful strategies.”

—MAUREEN KLINE

Vice president of public affairs and sustainability at Pirelli Tire North America, writing in *Inc.* magazine, Aug. 26, 2019



“The failure to recognize the existential threats of inequality and climate change, not only to business corporations but also to asset managers, institutional investors and all shareholders, will invariably lead to legislation that will regulate not only corporations but also investors and take from them the ability to use their voting power to influence the corporations in which they invest. Inequality and climate change will not be mitigated without adherence to the BRT governance principles not just by members of the BRT, but by all business corporations.”

—MARTIN LIPTON

Founder and partner of Wachtell, Lipton, Rosen & Katz, excerpted from “Stakeholder Corporate Governance: Business Roundtable and Council of Institutional Investors,” Aug. 20, 2019