



COVID-19 and Inequality:

A Test of Corporate Purpose (TCP)

On August 19, 2019, the Business Roundtable (BRT) updated its Principles of Corporate Governance to redefine “the purpose of a corporation to promote an economy that serves all Americans.” CEOs from 181 publicly traded companies signed the Principles that purportedly signaled an end to Milton Friedman’s doctrine of shareholder primacy established in the 1970s. The announcement was welcomed by the public, investors, and other corporate stakeholders. It was positioned as a defining moment to usher in a new era of stakeholder capitalism.

**“The American dream is alive but fraying,” said Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co.
“Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term.”**

Today the planet is under siege from a pandemic that has resulted in the most profound economic calamity since the Great Depression. This crisis exposed and amplified multiple systemic fault lines, including:

- Wealth disparities
- Ecosystem disruption that promotes novel virus incubation
- Inadequate healthcare access and employment safety nets

Cutting across all of these are the racial inequalities that are driving massive social unrest in the U.S. and abroad.

In response to this unprecedented, historic moment, TCP will address:



- What are the best practices for corporations in managing the fallout from the pandemic, inequality, and social unrest?
- Which companies are performing best in regard to employee, community, environmental, and consumer interests, and why?
- What does a company’s performance in the time of the pandemic and rapidly rising concerns about racial and income inequality indicate about the seriousness and durability of its commitment to stakeholder interests and, more broadly, its corporate purpose?

Amidst intensifying social stress, media reports are rife with anecdotes of companies that have failed to respond to the moment, appearing to put profits ahead of people and shareholder expectations ahead of stakeholders' interests.

“Their actions expose the reality that the rhetoric of the Business Roundtable did not alter the decisive question of American Capitalism—where the money goes. In the run-up to the crisis, many companies used cash to buy back their shares and pay out dividends, rewarding shareholders, while leaving themselves with fewer resources to aid workers when disaster struck.”

~ Peter s. Goodman, Economics Correspondent, *The New York Times* (April 13, 2020):

Project

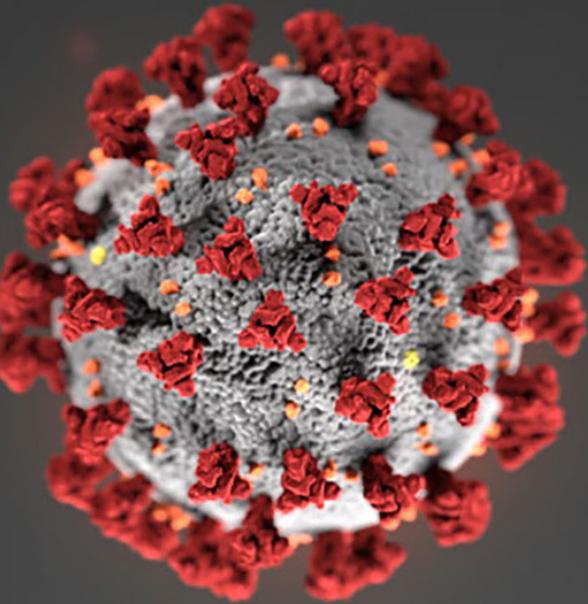
The TCP will conduct a thorough, independent analysis of corporate performance in relation to the COVID-19 pandemic and inequality.

‘COVID-19 and Inequality: A Test of Corporate Purpose (TCP),’ comprises the following elements:

- 1. Research:** In-depth research on hundreds of publicly traded companies' performance, responses, and actions related to the COVID-19 pandemic and multiple dimensions of inequality.
- 2. Survey:** A survey circulated to a broad range of stakeholders (including businesses, NGOs, investors, academics, regulators, and policymakers) to compare and contrast perceptions and inform the empirical research.
- 3. Report:** A detailed, open-access report that describes and analyzes the findings and performance rankings for the research universe, as well as policy implications.
- 4. Case Studies:** Case studies on best practices and shortcomings for high-profile companies.
- 5. Database:** A publicly available, interactive, searchable, and downloadable database that can be used as a decision support tool. The database will provide default weightings for the material issues identified in the report that can be customized to user preferences.

Impact

Today's state of the world poses a test of both the breadth and durability of corporate purpose commitments, shifting the dynamics for thousands of companies as they confront new challenges and expectations.



TCP will provide – for the first time – a transparent and rigorous performance assessment of the largest and most influential companies in the world to drive a race to the top.

Companies have an unprecedented opportunity now to decide on which side of history they will be remembered. Getting this right matters more now than ever, owing to:

- Threats to company survival
- Challenges to a company's license to operate
- Deepening doubts about whether today's form of capitalism is fit for purpose
- Long-term disruption of business models, supply chains, and entire industries
- Historic unemployment and job insecurity
- Rising inequality, including between low-income workers and senior corporate executives, full-time employees and contract workers, and those positioned to work from home and those who cannot
- Persistent and noxious racial inequality

As events continue to unfold, it is crucial to analyze the responses and actions of publicly traded companies and to evaluate the degree to which these demonstrate a meaningful transition toward the promised stakeholder primacy model. TCP will address these pivotal questions and will pave the way towards a broad-based transformation of corporate purpose.

What distinguishes the best performers from companies that fall short and what do these performance outcomes in the 'new normal' indicate about adherence to and durability of corporate purpose commitments?

Will the crises provide the impetus for transformational change?

What can we do now collectively – our Call to Action – to achieve and accelerate the desired outcomes and impacts?



Launch

The launch of the report, case studies and database is scheduled to coincide with the 50th anniversary of Milton Friedman's letter on shareholder primacy to The New York Times on September 13, 1970.

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