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Business Roundtable Embraces Stakeholder Corporate Governance

Recognizing the existential threat to society from inequality and the mistaken policies promoted by economists and law professors who rely on financial statistics to justify the concept of shareholder primacy, the BRT has embraced stakeholder corporate governance. From a legal standpoint, stakeholder corporate governance recognizes that the management and board of directors' primary fiduciary duty is to promote the long-term value of the corporation and is not primarily to the shareholders. To fulfill that duty, the board of directors uses its business judgment in deciding among the stakeholders — employees, customers, suppliers, the environment, communities and shareholders. If the directors are not conflicted and use due care in reconciling the competing interests of the stakeholders, they will have the protection of the business judgment rule and the courts will defer to their decisions without second-guessing them. The BRT has adopted the following statement:

“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 to 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.”

As a long-time proponent of stakeholder corporate governance and a firm believer in capitalism and the market economy, I applaud the BRT's commitment to stakeholder corporate governance. It tracks the fundamental concept of the new paradigm that the World Economic Forum approved in 2016. I hope it will be emulated by all participants in our markets.

Martin Lipton