COVID-19 and Inequality:
A Test of Corporate Purpose

September 2020

About This Report

This report was produced by KKS Advisors and TCP with generous support from The Ford Foundation.

About KKS Advisors

KKS Advisors is a leading consultancy firm providing innovative solutions that enable organizations to capture the enduring benefits of a sustainability approach. KKS' mission is to enable clients to create long-term value through the integrated management of economic, environmental, social and governance factors. Their vision is to reshape markets and is founded upon the effective integration of all forms of capital - financial, human, natural, and social. Their work with leading foundations centers around how to rethink traditional impact measurement techniques to maximize the power of capital to achieve social and environmental impacts.

About TCP

The Test of Corporate Purpose (TCP) is an initiative formed in 2020 to evaluate companies' performance through the COVID-19 pandemic and social unrest in response to inequality, and to assess alignment with recent statements of corporate purpose and commitments to stakeholder primacy.

Lead Authors:

- **Bronagh Ward** – Director, KKS Advisors
- **Vittoria Bufalari** – Senior Associate, KKS Advisors

Contributing Authors:

- **Mark Tulay** – Founder & CEO, TCP; CEO, Sustainability Risk Advisors (SRA)
- **Sara E. Murphy** – Head of Research, TCP; Founder & CEO, SE Murphy Consulting Inc.

Acknowledgements

We extend our gratitude to our board members, management team, and partners, all of whom contributed far more to this initiative than they likely expected.

TCP Advisory Board

- **Joanne Bauer** – Co-Founder, Rights CoLab
- **Allison Binns** – Executive Director, Morgan Stanley
- **Chris Coulter** – CEO, GlobeScan
- **Robert G. Eccles** (Co-Chair) – Visiting Professor of Management Practice, Saïd Business School, University of Oxford
- **Rob Fernandez** (Treasurer) – Vice President, Director of ESG Research, Breckinridge Capital Advisors
- **Nili Gilbert** – Co-Founder, Portfolio Manager, Matarin Capital Management
- **Mark Gough** – Executive Director, the Capitals Coalition
- **Thomas Kuh** – Head of Index, Truvalue Labs
- **Rakhi Kumar** – Senior Vice President, Sustainability Solutions, Liberty Mutual
- **Anita McBain** – Head of Responsible Investment & ESG, M&G Investments
- **Gianna McCarthy** – Director of Corporate Governance, Office of the New York State Comptroller
- **Bhakti Mirchandani** – Director of Responsible Investing, Trinity Church Wall Street
- **Hiro Mizuno** (Co-Chair) – Former Chief Investment Officer, GPIF
- **Yumi Narita** – Executive Director of Corporate Governance, Office of New York City Comptroller
- **Sacha Sadan** (Co-Chair) – Director of Investment Stewardship, LGIM
- **Jennifer Signori** – Senior Vice President, ESG & Impact Investing, Neuberger Berman
- **John Streur** – President and Chief Executive Officer, Calvert Research and Management
- **Jessica Wirth Strine** – Managing partner and CEO, Sustainable Governance Partners
- **Mark Tulay** – Founder and CEO, TCP; CEO, Sustainability Risk Advisors (SRA)
- **Allen White** – Vice President and Senior Fellow, Tellus Institute; Co-Founder, GRI and Corporation 20/20
- **Andrew Winston** – Author, The Big Pivot & Green to Gold and Founder, Winston Eco-Strategies

TCP Management Team

- **John Kim** – CSO and Head of Impact, 1Row
- **Sara E. Murphy** – Head of Research, TCP; Founder & CEO, SE Murphy Consulting Inc.
- **Mark Tulay** – Founder and CEO, TCP; CEO, Sustainability Risk Advisors (SRA)

Partners

TRUVALUE LABS GLOBESCAN REFINITIV

Table of Contents

About This Report 2

Acknowledgements 3

Foreword 6

Gauging Progress toward Stakeholder Primacy 8

Action Plan 15

Executive Summary 18

Introduction 20

Why Do We Need a Test of Corporate Purpose? 20

The Evolution of Corporate Purpose 22

The Link to Financial Performance 25

The Stakeholder View on Purpose 26

Quantitative Analysis 28

Research Questions 28

COVID-19 and Inequality Issue Groupings 28

Has the Materiality of Social and Human Capital Issues Changed? 30

Background on Materiality 30

Measuring Dynamic Materiality 30

Results of the Company Performance Analysis 38

Research Approach 38

Spotlight Companies 45

Companies Ranking in the Top Quartile on COVID-19 and Inequality Issues 45

Companies Ranking in the Bottom Quartile on COVID-19 and Inequality Issues 49

Companies That Responded Early to COVID-19 54

The Stakeholder View on COVID-19 and Inequality Performance 56

Call to Action 59

Future Progress Areas **61**

List of Relevant Initiatives to Watch *61*

Appendix I – Company Rankings **65**

Appendix II – About the GlobeScan Survey **76**

Appendix III – Expert Perspectives on TCP **77**

Stakeholder Capitalism Check: Have We Accounted for All Stakeholders? *77*

The Work that Lies Ahead: Data on Racial Equity *79*

Stakeholder Capitalism Calls for Focused Accountability *81*

Fit for (Corporate) Purpose? Analyzing ESG issues in a fast-moving world *83*

Reimagining Fiduciary Duty: Why Institutional Investors Should Strategically Engage on Corporate Purpose to Mitigate Systemic Risk *85*

Turning Words into Deeds: CEOs and Black Lives Matter *87*

When It Comes to Corporate Purpose, Watch What They Do, Not What They Say *89*

Dismantling Shareholder Primacy: Seizing the COVID-19 Moment *91*

Appendix IV – Truvalue Labs Methodology & Categories Summary **93**

How Truvalue Platform Works *93*

Types of Truvalue Platform Scores *95*

Truvalue Platform Sustainability Categories *96*

Foreword

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 public, investors, and other corporate stakeholders welcomed the announcement. It was positioned as a defining moment to usher in a new era of stakeholder capitalism.

> *The American dream is alive but fraying. Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term.*
>
> *~ Jamie Dimon, Chairman and CEO, JP Morgan Chase & Co. and Chair, BRT*

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

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

In response to this historic moment, the Test of Corporate Purpose (TCP) initiative was launched in April 2020 to answer:

- What are the best practices of 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 its corporate purpose?

Amid 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 employees, communities, and ecological wellbeing.

> *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)*

Today's state of the world poses a test of both the breadth and durability of corporate purpose commitments. It is shifting the dynamics for thousands of companies as they confront new challenges and expectations in the face of a multi-faceted, global emergency. TCP provides – for the first time – a transparent and rigorous performance assessment for 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. It is a moment of both reckoning and opportunity, owing to:

- Growing doubts about the fitness of contemporary capitalism in an increasingly fragile, turbulent, and interconnected world;
- Threats to company survival;
- Challenges to a company's license to operate;
- Long-term disruption of business models, supply chains, and entire industries;
- Historic unemployment and job insecurity;
- Rising inequality 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; and
- Persistent and noxious racial injustice.

Key Takeaways

1. **BRT Signatories' "Purpose-Washing" Unmasked:** Since the pandemic's inception, BRT Signatories did not outperform their S&P 500 or European company counterparts on this test of corporate purpose.

2. **Powered by Purpose:** Companies with long track records of strong performance outperformed more than expected, while laggards' underperformance became more pronounced, demonstrating how resilient companies were further fortified during this corporate purpose stress test.

3. **Speed matters:** Proactive, substantive responses to the pandemic and inequality crises had a discernable positive impact. Slow responders underperformed.

4. **Global challenges:** U.S. and European companies performed roughly the same on this test of corporate purpose.

5. **Shareholder capitalism is no longer fit for purpose:** TCP highlights the business case for ushering in a new form of stakeholder-aligned capitalism.

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 addresses these pivotal questions and paves the way toward a broad-based transformation of corporate purpose.

~Mark Tulay, Founder and CEO of TCP & CEO of Sustainability Risk Advisors

Gauging Progress toward Stakeholder Primacy

TCP is the first effort to measure companies' performance against their statements of purpose. As practitioners in ESG analysis well know, such performance measurement is complex and controversial. This endeavor is no exception.

Much of the existing ESG data collection and analysis relies heavily on companies' own reporting, which, while relevant and necessary, presents several drawbacks:

- Data accuracy is not assured, particularly in the absence of an independent, third-party audit;
- Company reporting necessarily operates on a delay, hampering real-time performance evaluation; and
- A substantial portion of company-reported indicators depend heavily on regulatory requirements that vary by country, state, and municipality, complicating attempts at global comparisons.

TCP opted to use research from Truvalue Labs (TVL) for this analysis as a means to circumvent the above limitations. TVL uses machine-learning techniques to sift through millions of data points from more than 115,000 sources in 13 languages every month to deliver real-time insights on how companies are managing intangible factors that have a material impact on value. TVL captures the views of analysts, advocacy groups, and government regulators, all as published by independent media. By using TVL data, TCP was able to evaluate how companies performed through the stress tests of the pandemic and social unrest over noxious inequality well in advance of companies' typical spring reporting cycles, and to compare companies across geographies.

This approach yielded a powerful, timely assessment of how much (or how little) weight corporate statements of purpose carry. It is no panacea, however, and presents its own limitations. In acknowledging these, we hope to seed the soil for future research into this critical topic that will have a heavy hand in determining the kind of world we inhabit in the years to come.

Stakeholders

In evaluating the question of whether companies are delivering value to "all stakeholders," we must contemplate the extent to which we are truly able to assess impacts on all stakeholders with the resources available to us. It is unlikely that our data will fully reflect impacts on the world's most vulnerable people (the bottom 10 percent). For example, in the most severe cases of human rights abuses in corporate supply chains, there are often no signals coming through media sources of any kind (at least not in real time) because the people most affected are too afraid to speak up and/or do not have access to modern forms of communication.

Future work in this area should consult with stakeholder groups to evaluate what options exist to capture signals relating to any stakeholders underrepresented in the TCP analysis.

TCP advisory board member Joanne Bauer offers some thoughts on this subject in her opinion piece on page 77.

Employee Welfare & Inequality

Many factors offer signals as to how resilient companies are to the sort of shocks that have arisen during the COVID-19 pandemic, and the extent to which those companies have ameliorated or exacerbated inequality, including:

- *Use of zero-hour/contract jobs and outsourcing:* Consider the example of **Amazon.com**. During the pandemic, the company created numerous jobs, for which it might ostensibly receive credit under a first-pass analysis. However, these jobs were largely low-quality, many used zero-hour contracts, and they are unlikely in the medium and long term to align with a stakeholder primacy agenda.
- *Pay ratios and disclosure thereof:* Most European countries mandate reporting of gender pay gaps in some form, as do Australia and Colombia. In the United Kingdom, companies with 250 or more employees must report annually on salary differences between men and women. Iceland requires companies to conduct audits demonstrating that they are paying women equitably – it is perhaps no coincidence that Iceland has the world's lowest gender pay gap. In the United States, the Dodd-Frank Act requires publicly traded companies to disclose the ratio of the median annual compensation for employees to the annual compensation of the CEO.

  Such gap analysis and disclosure across gender, race, and other relevant social strata are critical to any evaluation of inequality.
- *Pay cuts and layoffs during the pandemic juxtaposed with executive compensation events:* Consider the example of car rental company **Hertz Global Holdings**, which at the height of the pandemic doled out more than $16 million in retention bonuses to top executives while laying off thousands of employees. Shortly thereafter, the company filed for Chapter 11 bankruptcy. The CEOs of **GNC Holdings**, **Ascena Retail Group**, **Tailored Brands**, **J.C. Penney**, and **Neiman Marcus Group**, among other companies, received similar payments under similar circumstances.

  A July 2020 study by compensation analysis firm CGLytics found that among Russell 3000 companies, even among businesses that cut chief executives' pay at the height of this year's furloughs and layoffs, two-thirds of the reductions amounted to just 10 percent or less of 2019 compensation. Exceptions include real estate brokerage **Redfin**, whose CEO Glenn Kelman took a pay cut equivalent to his 2019 pay. "It's not just about the pay cut," Kelman told *The New York Times*. "It's about the general sense that capitalism is not working for everyone."
- *Bankruptcy versus furlough:* Employees fare far better when a company declares bankruptcy than when it uses furloughs to cut costs. In bankruptcy, equity investors get paid last, whereas furloughs take cash from employees first.

While TVL's analysis will have captured sentiment surrounding the above issues, they also warrant direct measurement and analysis, particularly to inform best-practice guidelines and/or system-wide guardrails.

Capital Allocation

Indicators related to capital allocation were not available for inclusion in this TCP analysis. They are, however, deeply relevant to stakeholder primacy.

There has been considerable controversy surrounding companies' use of open-market repurchases – known as stock buybacks – in the course of 2020's crises, and more broadly over the dozen years since the last financial crisis. Some consider stock buybacks to be uniformly or usually bad. A January 2020 *Harvard Business Review* article noted:

> *Stock buybacks made as open-market repurchases make no contribution to the productive capabilities of the firm. Indeed, these distributions to shareholders, which generally come on top of dividends, disrupt the growth dynamic that links the productivity and pay of the labor force. The results are increased income inequity, employment instability, and anemic productivity.*

Others, noting that shareholders are still stakeholders in an expanded view of primacy, assert that returning cash to shareholders can be a responsible decision under the right circumstances. Commenting on companies' use of money from the 2017 Tax Cuts and Jobs Act to buy back stock, finance economist John Cochrane wrote in *The Wall Street Journal*:

> *Share buybacks and dividends are great. They get cash out of companies that don't have worthwhile ideas and into companies that do. An increase in buybacks is a sign the tax law and the economy are working.*
>
> *Wouldn't it be better if the company invested the extra cash? Wasn't that the point of the tax cut? Perhaps. But maybe this company doesn't have any ideas worth investing in. Not every company needs to expand at any given moment.*

In gauging resilience to shock, leverage is key: Highly leveraged companies are likely to have less cash available for an unanticipated event.

If stock buybacks (or other capital allocation measures) are used as an indicator of companies' delivery on statements of corporate purpose, the analysis should include additional factors that help to determine whether the buyback was a "good" or "bad" decision for all stakeholders. Possible additional elements could be whether the company accepted government bailout money[1] and if/how the company uses offshore tax havens. (We discuss tax issues in greater detail below.) Future work in this area should consult with the academic community as to how best to evaluate capital allocation decisions in relation to a stakeholder primacy model.

---

[1] Denmark has barred companies that access government pandemic bailout funds from using profits to buy back shares or pay dividends to shareholders in 2020 or 2021.

Governance

Multiple governance indicators, including many that form a part of long-standing ESG analysis, speak to corporate purpose, including:

- *Board tenure*, which is a good proxy for refreshment, thought, and innovation[2]
- *Board recruitment requirements* – limited to those with prior board experience, which continues to exclude Black people and other marginalized groups owing to pipelines that have been excluded from those points of progression
- *Non-audit fees* as an auditor independence concern
- *Independent chair*: while this is mostly a U.S. problem, it is ludicrous that a Chair and CEO can be the same person[3]

Lobbying and Political Spending

This is an exceedingly complicated topic that is critical to understanding how companies actually deliver on their stated corporate purpose. Do companies campaign for one world while publicly proclaiming a vision of another?

Barriers to evaluating this issue systematically are legion:

- No uniform standard exists for disclosure of lobbying and political spending activities. In the U.S. alone, every state has its own policy, with some requiring no disclosure at all. Those that do require disclosure set different reporting standards that are not comparable inter alia.
- It is not always clear what a company's intent was in its political spending, as many candidates and organizations pursue a plurality of agendas.
- Companies often exert their influence through indirect means, such as via industry groups and dark money.

According to the Sustainable Investments Institute (Si2), a leading authority on corporate lobbying and political spending:

> *The structure of campaign finance law and the many ways in which companies can spend to influence political outcomes make it impossible for an external observer to determine independently what groups a company contributes to that are active in the political arena. Investors who want more clarity are continuing to focus on spending from intermediary groups that receive corporate money and disburse it on*

[2] Consider the recent, pertinent example of Lee Raymond at **JPMorgan Chase & Co**.: as one of the primary architects of **ExxonMobil's** climate change-denying strategy, Raymond had been in his position as lead independent director at JPM for 19 years until this year. Climate activists succeeded in their push for a new lead director, though Raymond remains on JPM's board.

[3] **Boeing** provides an instructive example here. U.S. companies typically do not split the Chair and CEO positions until there is a horrific scandal. In Boeing's case, it only did so after two of its 737 Max 8 airplanes crashed within five months of each other, killing 346 people. The crashes were largely due to serious engineering and safety oversight failures at Boeing.

> *both political campaigns and lobbying after elections are over—via trade associations, non-profit "social welfare" organizations, and conservative groups that promote model legislation, most prominently the American Legislative Exchange Council (ALEC). Outside groups in general, the source for much of the additional cash in current elections, continue to spend vigorously—over $1.3 billion in 2018, a figure that is 61 percent higher than in 2014 and even tops the amount spent by such groups in the 2012 presidential election.*

In July 2020, the Center for Political Accountability, a nonpartisan organization that tracks political disclosures, published an analysis of political spending over the past decade that found dozens of Fortune 500 corporations had quietly funded political efforts that were antithetical to their public stances.

This issue may be nowhere more prominent than in the United States, where a pitched battle currently rages between those who espouse a stakeholder primacy model and those who insist ESG issues are financially immaterial, and consideration thereof thus constitutes a violation of fiduciary duty. As one TCP advisory board member observed, the concept of fiduciary duty originated in the United Kingdom and was exported to the United States, where it has become a monster. The struggle is currently playing out at the Securities and Exchange Commission (SEC) and the Department of Labor (DoL).

A rulemaking currently under consideration at the SEC runs counter to stakeholder primacy. It would substantially increase shareholder resolution resubmission requirements, which – according to an impact analysis by Si2 – would disproportionately exclude proposals dealing with companies' lobbying and political spending. The proposed rule would also raise filers' stock ownership threshold and bar proponents from pooling their shares to achieve the holding requirements. An analysis the SEC's Division of Economic Risk Analysis only released after the public comment period had closed found that few retail investors would be able to file resolutions under the proposed rule.

An extensive *Bloomberg* investigation demonstrated that a network of corporate oil and gas interests appears to be behind the proposed rule changes, partly by exceedingly manipulative and potentially deceptive means. Some of those companies are BRT signatories.

Meanwhile, a proposed rule before the DoL would prevent ERISA[4] plan fiduciaries from investing in ESG vehicles if doing so would reduce risk-adjusted returns for the purpose of non-financial objectives. The proposal demonstrates the DoL's failure to understand the direct link between systemic social and environmental risk and the retirement security of American workers. In a letter opposing the proposed rule, trustees for more than $200 billion in retirement savings said the rulemaking "is drafted to support the notion that it is a dog

---

[4] The Employee Retirement Income Security Act (ERISA) of 1974 establishes minimum standards that govern the operation of private-sector employee benefit plans. It requires fiduciaries to run plans solely in the interest of participants and beneficiaries, for the exclusive purpose of providing benefits and paying plan expenses, and with care and prudence.

whistle response to the multi-million-dollar dark money lobbying campaign by fossil fuel companies and other corporations to limit any market-based shareholder response to genuine investment risk."

The DoL's proposed rule has had a ripple effect across the globe and has been widely quoted in other countries' debates around stakeholder primacy.

Given the enormous influence major corporations have over the trajectory of policy and regulation, no analysis of corporate purpose and its alignment with a stakeholder primacy model would be complete without incorporating an evaluation of companies' lobbying and political spending activities.

Taxes and Havens

There is a growing focus among investors on companies' tax compliance and strategies, and the extent to which they employ tax havens and offshoring. This should be evaluated against companies' acceptance of government bailout money. Did they receive support from a system to which they did not fairly contribute? If so, what incentive exists for sound fiscal management?

According to the Global Reporting Initiative (GRI), the estimated financing gap for achieving the UN Sustainable Development Goals (SDGs) in developing countries is $2.5-3 trillion per year. Tax havens collectively cost governments $500-600 billion per year in lost corporate revenue. At the same time, corporate income tax rates have been falling steadily for 20 years around the world. Since 1945, individual income taxes have contributed an increasingly larger share of federal tax revenue compared to corporate income taxes.

In the United States, while the statutory federal corporate income tax rate is at a historic low of 21 percent, most Fortune 500 corporations pay an *effective* federal income tax rate of 11.3 percent. Ninety-one corporations paid no federal income taxes in 2018. More than 135 countries are now collaborating to put an end to tax avoidance strategies under the OECD's Base Erosion and Profit Shifting (BEPS) framework. The new GRI 207 tax standard deals with this issue.

In the United Kingdom, church leaders this year called for reforms to prevent large companies and the super-rich from dodging taxes, specifying that those registered in offshore tax havens should be denied corporate bailouts. Some European governments, including Denmark and France, have prohibited companies registered in countries on the EU's list of non-cooperative tax jurisdictions from receiving emergency cash.

Future work on corporate purpose should use GRI and others' work to help shape an approach to including companies' tax strategies.

Environmental Issues

While social issues are ascendant in evaluations of corporate performance in relation to the 2020 crises, it is impossible to divorce environmental issues from social justice concerns. The effects of climate change and environmental degradation are borne disproportionately by vulnerable communities, as are the attendant impacts on human health and wellbeing.

Much research and corporate reporting centers around deforestation, which exacts a tremendous social cost. This is a valuable and accessible area of measurement to help gauge companies' impacts on stakeholders. Much of the pressure we see on biodiversity loss – which is directly related to novel virus incubation – comes from land-use change, of which companies are significant drivers. Similarly, water access is a critical factor in equality and access to opportunity, as well as in communities' ability to employ hygiene protocols to limit the spread of viruses and bacteria.

Ocean debris provides a telling example of the intersection between social and environmental issues. On the human side, it is essentially a labor rights issue, fraught with exploitative wages and working conditions. In mid-2020, plastics markets are spiking as the pandemic drives more consumers toward disposable goods while proper disposal practices remain elusive. A pernicious deception orchestrated by corporate interests has convinces us that plastic waste is an individual responsibility, when in reality it is the result of a systemic failure. Extended producer responsibility must factor into stakeholder primacy.

Action Plan

The TCP analysis demonstrates that U.S. BRT signatories performed no better than their non-signatory counterparts through the 2020 crises. For many in the investment community, this finding is no surprise. There have been numerous signals that most statements of corporate purpose lacked any substantive backing. A February 2020 study by the Harvard Law School Program on Corporate Governance found that decisions to endorse the BRT statement on corporate purpose were made almost entirely by CEOs without the approval of their boards of directors, a clear disjuncture between purpose and governance.

In a particularly revelatory example, BRT signatory **Wells Fargo** effectively countermanded its commitment to stakeholder primacy this spring in response to a shareholder resolution asking the company to study the possibility of becoming a benefit corporation (B Corp). B Corps are required to account for the interests of all stakeholders, even if that sometimes means subordinating shareholders' financial interests.

The shareholders' proposal was not without precedent. Indeed, French food giant **Danone** has set a goal be become one of the first certified B Corp multinationals. In the Wells Fargo case, the company commissioned the Richards, Layton law firm to conduct the requested study, which determined it would be a mistake for the company to become a B Corp:

> *The directors of Delaware corporations . . . may (and often do) consider the interests of other stakeholders of the corporation so long as any decisions made with respect to such stakeholders are in the best interests of the corporation and its stockholders... As a result, there would likely be some uncertainty regarding decision-making in a public benefit corporation... where the interests of stockholders and other stakeholders or the public benefit diverge."*

And therein lies the conundrum: The interests of stockholders and other stakeholders will not always align, at least along the narrow lens of profits. Companies will have to reckon with this reality if this transition is to mean anything. Rick Alexander, Co-Founder of The Shareholder Commons, expounded on this point in a February 2020 article:

> *As it happens, shareholders are beginning to notice that shareholder primacy isn't so great for them. Most investors hold broadly diversified portfolios and rely on their job as their primary financial asset. They need a healthy economy and planet in order to have solid portfolio returns, decent wages and good lives. They know that some companies need to surrender shareholder value in order to preserve the critical systems we all rely on (think coal, oil, tobacco and, not coincidentally, large financial institutions that threaten systemic stability).*

This report suggests an extensive array of possible actions various economic actors could undertake to achieve an authentic transition to a stakeholder primacy model. Here are some of the primary steps:

Companies:

- Craft a statement of corporate purpose with a focus on serving key stakeholders with the full buy-in and support of your board of directors. Publish this statement in the board charters and annual regulatory filings.
- Develop an implementation plan for your corporate purpose that includes measurable metrics and targets. Publish this plan.
- Conduct an audit of the company's workforce (including contract workers) according to their diversity characteristics, total compensation, and benefits. Publish this audit, along with a remediation plan to address any inequities. U.S. companies should, at a bare minimum, publish the EEO-1 data they are already legally required to collect.
- Develop and publish a lobbying and political spending plan that aligns with the statement of corporate purpose.
- Develop and publish a tax plan in keeping with the statement of corporate purpose and aligned with the GRI 207 Tax Standard.
- Separate the positions of CEO and board chair.
- Develop and publish a capital allocation and executive compensation plan designed for the long-term benefit of key stakeholders.

Asset Owners:

- Require the above standards for all holdings. For those that do not comply, implement a policy to vote against the board chair automatically.
- Use the TCP analysis to create a scorecard of asset managers and their handling of critical stakeholder issues.
- Pressure policymakers to align regulation with a stakeholder primacy model.

Asset Managers:

- Implement a policy to vote against the board chair automatically at companies that fail to demonstrate a concerted commitment to a stakeholder primacy model.
- Use the TCP report as a basis for strategic company engagement and be transparent about such engagement.
- Coordinate with other asset managers on key engagements, such as with the bottom performers in the TCP analysis.
- Pressure policymakers to align regulation with a stakeholder primacy model.

Research Providers:

- Continue to develop meaningful analytical frameworks to test companies' delivery on their commitments. In particular, test the continuity between companies' statements and evidence of implementation, as well as their efforts to shape policy.

- Continue to devise evaluation mechanisms that do not rely exclusively on companies' own reporting. Promising initiatives currently underway include independent monitoring of oilfield emissions, as well as the use of artificial intelligence and machine learning to glean signals from a plurality of sources.
- For issues that are difficult to evaluate, such as human rights across the value chain, engage subject-matter experts to help devise comprehensive research strategies.

Policy Makers:

- Recognize that investors' long-term returns depend on thriving natural, economic, and social systems.
- Implement strict controls or prohibitions over business practices inconsistent with stakeholder primacy.
- Establish mandatory, standardized reporting that embraces a systems-based, contextualized approach to performance measurement.
- Design regulations to reflect the reality that environmental and social factors are indispensable elements of 21st century risk and opportunity analysis.

~Sara E. Murphy, Head of Research, TCP and Founder & CEO, SE Murphy Consulting Inc.

Executive Summary

Before the onset of the COVID-19 pandemic, the world's largest and most influential companies made promises to their stakeholders. In 2019, 181 CEOs in the Business Roundtable – a group that includes major companies such as Amazon, Apple, and Bank of America – redefined the purpose of a corporation to one that delivers value to all stakeholders, not just shareholders. The statement immediately hit the headlines and was received with equal measures of applause and skepticism.

At the 50-year anniversary of Milton Friedman's famous statement that the one and only social responsibility of business Is to increase profits, is it possible we are witnessing a turning point in how companies view their responsibilities? If it is the dawn of a new model of purpose-driven leadership, then 2020 is a make or break year for companies to live up to their commitments. The global pandemic and the death of George Floyd have sent seismic waves through the corporate community, pushing companies to take a decisive stance on how they treat their stakeholders during a crisis and their role in addressing inequality.

Against a backdrop of growing corporate commitments on purpose and a state of global crisis, we conduct a quantitative stress test of corporate purpose. Analyzing a sample of companies constituting the S&P500 and FTSEEurofirst indexes, we employ three tests of corporate purpose:

1. The commitment to purpose test – Is there any relationship between being a company with aspirations to be purpose-driven and how a company performs when put to the test during times of crisis?
2. The historical performance test – What is the relationship between proactive company strategies to address issues before a crisis and their performance during a crisis?
3. The speed of response test – Does it matter how quickly a company responds to a crisis?

To answer these questions, we construct a COVID-19 score and an Inequality score for companies, leveraging data from Truvalue Labs measuring public sentiment on relevant issues such as *Employee Health and Safety* (COVID-19) and *Employee Engagement, Diversity and Inclusion* (inequality) among other issues.

Our results indicate that being a Business Roundtable signatory in the United States has a small but negative effect on a company's response to the COVID-19 crisis (average -0.82 score points), while it has a positive but still small effect on a company's inequality score (average +2.38 score points). Across the United States and Europe, companies that have a consistent and positive track record of effectively managing issues relevant to COVID-19 or inequality have continued along the same outperformance trend during the crisis. Companies with a positive track record in the 5-year period leading up to the pandemic scored in average 11.34 points higher, while companies that proactively managed inequality issues scored 20.93 points higher during the crisis. Additionally, companies that responded positively to the COVID-19 crisis at its onset continued performing better (+21.22 points) than late responders during subsequent months.

Overall, our results suggest that corporate commitments to purpose are less informative about a company's future performance on social and human capital issues than other indicators. What matters more is whether a company has a strong track record of proactively managing issues that may become material during a crisis, and whether a company is an early responder on relevant issues during a crisis.

Based on our findings, we urge companies to focus on translating their purpose commitments into action. Short of authenticity, companies risk adopting a corporate strategy that lacks focus and generates reputational issues when unfulfilled claims are inevitably scrutinized. During this time of great social need, companies must quickly adapt, respond, and innovate to strengthen corporate resilience and deliver value for society and shareholders. We encourage the investor community to pay attention to company track records on social issues that are likely to become more important as a result of emerging trends, and to identify companies that respond quickly to events as a signal of superior future performance.

Our initial research provides fertile ground for future research on corporate purpose and performance within the context of a crisis.

Introduction

Why Do We Need a Test of Corporate Purpose?

Before the COVID-19 pandemic, major companies around the world made public commitments to be driven by a corporate purpose beyond profits and promised to deliver positive outcomes for society. One major public commitment came in August 2019, when 181 CEOs in the Business Roundtable (BRT) signed the Statement on the Purpose of a Corporation, pledging to lead their companies with a purpose to benefit all stakeholders - customers, employees, suppliers, communities and shareholders. The statement was backed by CEOs of many of the world's largest companies including JP Morgan Chase, Amazon, Apple, and Bank of America. The Business Roundtable announcement immediately hit the headlines as it represented a major shift away from shareholder primacy – the theory that corporations exist principally to serve their shareholders. On the surface, the news appeared to mark a significant turning point for capitalism, signaling the end of an ideology that has captivated the corporate world for decades and the dawn of a new model of purpose-driven stakeholder capitalism.

> *"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."*
>
> Business Roundtable – Statement on the Purpose of a Corporation (2019)

If it is the dawn of a new model of purpose-driven leadership, then 2020 is a make or break year for companies to live up to their commitments. Beginning in the first quarter, the COVID-19 pandemic brought about a sharp and severe market crisis and forced companies to make swift and critical decisions affecting their stakeholders. Not long after the impacts of the pandemic were being felt around the world, George Floyd's death exposed the harsh reality of racism and fueled global support for the Black Lives Matter movement. The events put a spotlight on the pervasive and systemic inequalities that exist in our society and the role of companies in addressing or exacerbating social problems.

In this year of crisis, we have a unique moment to observe how companies respond and perform. COVID-19 and inequality issues provide a lens to conduct a stress test on the strength of corporate purpose. At this critical juncture, do companies really "walk the talk" in delivering value for their stakeholders beyond shareholders? Beyond this, what valuable learnings can we take from the crisis about company performance on business issues linked to COVID-19 and inequality?

A range of corporate responses to the crisis can already be observed from business news headlines. While some companies have prioritized the health and safety of their employees, others were criticized for leaving staff exposed to the virus in unsafe working conditions. Some companies ramped up prices to profit from skyrocketing demand for products like ventilators and masks, while others have ensured access to their products and services, keeping them affordable for the world's poorest and most at risk populations. Some companies have been called out for perpetuating institutional racism, while others have been actively creating a more diverse and inclusive workplace. Overall, the way that companies respond when put to the test in times of crisis is highly informative of their priorities and the authenticity of their purpose beyond profits.

The Evolution of Corporate Purpose

What exactly is the purpose of a corporation? It is a hotly debated issue. Whilst there is no concrete answer that defines the exact purpose of a corporation, it is helpful to reflect on how influential figures have sought to define corporate purpose and how the mainstream view has evolved over time.

The purpose of business is to create a customer

In the mid-1950s, the influential management thinker Peter Drucker claimed that "there is only one valid definition of business purpose: to create a customer". Drucker's argument was that the customer kept businesses running and not internal controls or procedures.

> *"There is only one valid definition of business purpose: to create a customer… Because it is its purpose to create a customer, any business enterprise has two — and only these two — basic functions: marketing and innovation. They are the entrepreneurial functions."*
>
> Peter Drucker – The Practice of Management (1954)

The purpose of business is profits

In the 1970s, it was the shareholder primacy theory that rose in popularity, positing that firms should operate in the sole interest of the shareholder. A key advocate for the shareholder primacy theory was Milton Friedman. In September 1970, he famously wrote in a *New York Times* article that "the social responsibility of a business is to increase profits". Friedman was a renowned economist from the University of Chicago, and his message captivated the thinking of many, soon becoming the standard view among the corporate and investor community.

> *"There is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud."*
>
> Milton Friedman – The New York Times Magazine (1970)

Following on from Friedman, in 1976 William Meckling and Michael Jensen provided quantitative research supporting the view of shareholder value maximization. They argued that shareholder value maximization should be the primary metric for assessing the performance of a business. In 1990, Jensen co-authored another influential article in Harvard Business Review alongside Kevin Murphy which suggested CEOs were being paid like bureaucrats and therefore acting like bureaucrats rather than value-maximizing entrepreneurs. They recommended providing stronger incentives for CEOs to maximize the value of their companies, such as having CEOs become substantial owners of company stock and providing big financial rewards for superior performance. The following decades generated greater acceptance of these theories, and they had a profound impact on how businesses ran and operated, particularly in the United States.

> *"The 465 companies in the S&P 500 Index in January 2019 that were publicly listed between 2009 and 2018 spent, over that decade, $4.3 trillion on buybacks, equal to 52% of net income, and another $3.3 trillion on dividends, an additional 39% of net income....In 2018, only 43% of companies in the S&P 500 Index recorded any R&D expenses."*
>
> Lazonick, Erdem Sakinç, and Hopkins – Harvard Business Review (2020)

The Business Roundtable's Viewpoint

Since 1978, the BRT has issued principles of corporate governance which have outlined the organization's viewpoint on shareholder primacy and corporate responsibilities to wider stakeholders. In 1981, the BRT statement recognized a range of stakeholders that companies should pay attention to – customers, employees, communities, society at large, and shareholders – outlining that corporations could best serve the interests of shareholders by balancing the legitimate claims of all constituents.

> *"Balancing the shareholder's expectations of maximum return against other priorities is one of the fundamental problems confronting corporate management. The shareholders must receive a good return but the legitimate concerns of other constituencies also must have appropriate attention. Striking the appropriate balance, some leading managers have come to believe that the primary role of corporations is to help meet society's legitimate needs for goods and services and to earn a reasonable return for the shareholders in the process. They are aware that this must be done in a socially acceptable manner. They believe that by giving enlightened consideration to balancing the legitimate claims of all its constituents, a corporation will best serve the interest of the shareholders."*
>
> Business Roundtable – Statement on Corporate Responsibility (1981)

By 1997, there was a notable shift in the BRT's 'Statement on Corporate Governance', which affirmed "the paramount duty of management and boards of directors is to the corporation's stockholders; the interests of other stakeholders are relevant as a derivative of the duty to stockholders". Fast-forward to 2019, and 181 CEOs in the Business Roundtable sought to redefine the purpose of the corporation, committing to deliver value to customers, invest in employees, deal fairly and ethically with suppliers, support the communities in which they work, and generate long-term value for shareholders. In this modernized view of corporate responsibility, each stakeholder group was deemed essential.

> *"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."*
>
> Business Roundtable – Statement on the Purpose of a Corporation (2019)

In parallel with the BRT announcement, individual CEO members have been actively promoting a stakeholder value agenda. For instance, in his 2019 letter to shareholders, Jamie Dimon (CEO of JPMorgan Chase & Co.) stated that "building shareholder value can only be done in conjunction with taking care of employees, customers and communities".

In 2018, Larry Fink (Founder, Chairman, and CEO of BlackRock, Inc.) outlined a new model of corporate governance in his annual letter to CEOs, stating that "every company must not only deliver financial performance, but also show how it makes a positive contribution to society". In his 2019 letter to CEOs, Fink went further, saying that "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. Fink went further still in his 2020 letter to CEOs, saying, "a company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders... Ultimately, purpose is the engine of long-term profitability."

Yet scrutiny of the BRT's claims remains high. Critics have questioned the aim of the statement, as the specific commitments have been called out as vague and elusive, offering non-specific and under-defined commitments. One study of BRT members found that very few had received approval to sign the purpose statement from the board of directors, signaling it was a "PR move" rather than an important strategic decision for the company. Another study found that BRT signatories commit environmental and labor-related violations more often, relative to within-industry peer firms.

The Link to Financial Performance

A strong and rapidly growing body of evidence shows a positive link between corporate strategies that focus on societal needs and superior financial performance. Investor interest in corporate purpose and ESG (environmental, social, and governance) performance is at an all-time high.

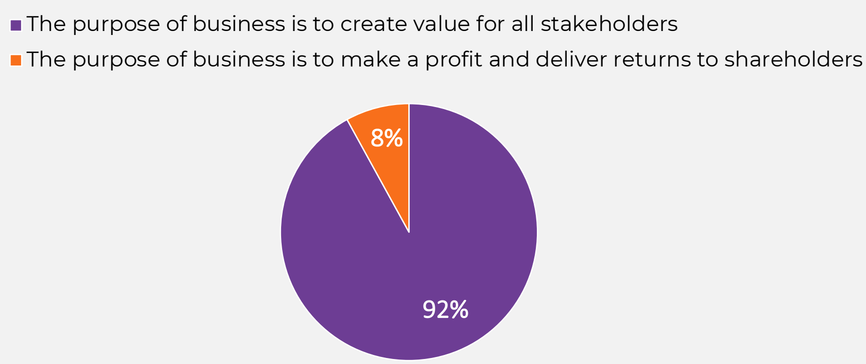
Several recent analyses conducted by large institutional investors have found that ESG data provides a strong signal of corporate resilience during a crisis and is linked to financial returns. A study conducted by State Street Associates and a Harvard Business School Professor found that companies seen as protecting employees and securing their supply chain during the 2020 COVID-19 induced market crash experienced higher institutional money flows and less negative returns, especially when those practices garnered significant public attention. The study analyzed more than 3,000 companies around the world between February 20th – March 23rd, 2020. Another report by BlackRock documented that the COVID-19 crisis had so far confirmed the conviction that sustainable investing strategies do not require a return tradeoff and have important resilient properties. BlackRock noted that in the first quarter of 2020, they had observed a better risk-adjusted performance across sustainable products globally, with 94% of a globally representative selection of widely analyzed sustainable indices outperforming their parent benchmarks. What explains the outperformance? Their research indicates that during the COVID-19 crisis, company resilience can be explained by factors relating to material sustainability characteristics including job satisfaction of employees, the strength of customer relations, and the effectiveness of the company's board. A further study by Fidelity International observed a strong and positive correlation between a company's market performance during the COVID-19 crisis and the company's ESG rating. The authors observed that between 19th February and 27th March 2020, the S&P 500 fell by 25% while the price of a share in companies with a top (an "A" rating) ESG rating dropped less (by -23.1%). Across the five-point ratings scale (A-E) for 2,689 companies, Fidelity found that each ESG rating level was worth 2.8 percentage points of stock performance versus the index during the period of volatility.

The Stakeholder View on Purpose

This section draws insights from a stakeholder survey conducted by GlobeScan in July-August 2020. For more information about the survey and who responded, see Appendix II on p. 76.

What do key stakeholders themselves believe about corporate purpose? The results from GlobeScan's stakeholder survey provide valuable insights on this question. 92% of the 561 respondents to the survey feel the purpose of business is to create value for all stakeholders, rather than increase profit alone.

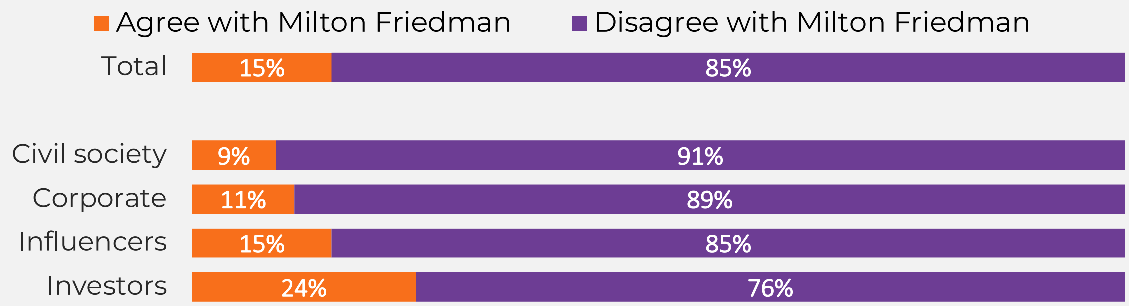
Defining the purpose of business



Q: Which of the following statements is closest to your opinion?

85% of stakeholders disagreed with Milton Friedman's statement that "there is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits." The disagreement towards Friedman's statement is shared across different stakeholders such as civil society, corporates, and influencers. Investor respondents were more likely than other stakeholder groups to agree with Friedman's statement (24% of respondents agreed) but a clear majority still disagreed.

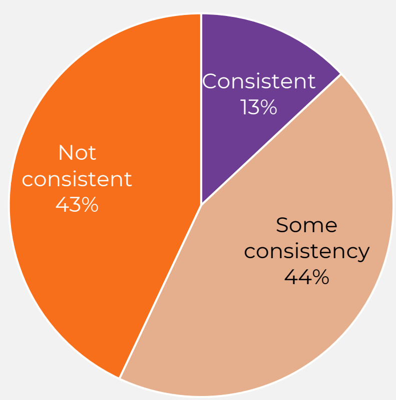
Reaction to Milton Friedman's statement about "one and only social responsibility of business"



Q: How much, if at all, do you agree with the following statement: This year is the 50th anniversary of a statement by Milton Friedman that "there is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits."

Stakeholders think that companies are not fully "walking the talk" on corporate purpose. Just 13% of respondents viewed companies as having consistency between what they proclaim and their actual actions to meet stakeholder needs.

Perceived consistency between company communication and action to meet stakeholder needs



Q: How much, if any, consistency do you see between what companies proclaim (via their purpose, policies, communications, and commitments) and their actual actions in terms of meeting the needs of all their stakeholders (i.e., employees, communities, suppliers, customers, investors, etc.)?

Quantitative Analysis

Research Questions

The purpose of the quantitative analysis is to answer four main research questions around COVID-19 and inequality for a sample of large US and European companies:

1. Has the materiality of social and human capital issues changed during the crisis?
2. Is there any relationship between being a company with aspirations to be 'purpose-driven' (e.g. being a BRT signatory) and how a company performs when put to the test during a crisis?
3. What is the association between proactive ESG strategies before a crisis and performance during a crisis?
4. Does it matter how quickly a company responds to a crisis?

COVID-19 and Inequality Issue Groupings

In the following sections, we refer to COVID-19 and Inequality scores which are created using Truvalue Labs data (derived from their proprietary Insight scores) on COVID-19 and Inequality issues respectively. The groupings were informed by the artificial intelligence capabilities of Truvalue Labs, with weights reflecting the relevance of each ESG issue to the topic of COVID-19 or Inequality. Truvalue Labs is the first data and analytics provider to integrate the Sustainability Accounting Standards Board's (SASB's) market-leading materiality standards. Therefore, our COVID-19 and inequality scores are aligned with SASB standards.

What are the COVID-19 Issues?	Examples of Topics Captured by TVL
Access and Affordability	• Healthcare access and affordability
Customer Privacy	• Cyber-attacks and data security • Data privacy
Data Security	• Cyber-attacks and data security • Data privacy
Employee Health & Safety	• Employee health & safety management
Labor Practices	• Labor and union relations • Opposition to unionization • Minimum and fair wages • Strikes and work stoppages
Product Quality and Safety	• Customer fatalities • Drug and medical device safety • Food safety concerns • Healthcare quality • Cruise line safety

What are the Inequality-related issues?	Examples of Topics Captured
Access and Affordability	• Digital divide • Financial services access and affordability • Food access and affordability • Healthcare access and affordability • Underserved groups • Unethical pricing
Customer Privacy	• Surveillance and censorship
Employee Engagement, Diversity & Inclusion	• Board diversity • Mandatory arbitration clauses • Sexual harassment • Worker discrimination based on race, gender, religion, ethnicity, sexual orientation, and other types of workplace discrimination • Workplace diversity and inclusion • Worker pay gap • Workplace happiness
Human Rights & Community Relations	• Environmental justice • Indigenous people's rights
Labor Practices	• CEO pay gap • Child labor • Fair labor certifications • Forced labor • Labor and union relations • Labor exploitation • Minimum and fair wages
Selling Practices & Product Labelling	• Responsible lending

Has the Materiality of Social and Human Capital Issues Changed?

Background on Materiality

Determining which issues are most important and have the greatest impact on performance is a strategic step for any company – and especially those that are purpose-driven. By doing so, companies can decide where to focus their attention and resources to strategically manage issues. As the sustainability field has matured, so too has the concept of 'materiality', which broadly refers to the identification of the sustainability issues that matter the most to a company's key stakeholders and financial performance. Understanding ESG materiality is key, as the universe of issues that are potentially relevant to any industry or company is large – ranging from social issues such as employee engagement and human rights, to environmental issues such as greenhouse gas emissions and ecological impacts. In recent decades, we have seen a rapidly increasing number of companies perform materiality assessments and design strategies to measure and report their performance on material issues, for instance by publishing annual sustainability reports containing performance data. At the same time, ESG investors have focused on identifying companies that perform well on financially material sustainability issues with the objective of reducing risk and enhancing returns. It is therefore critical that we have a solid understanding of the issues that are material to industries and companies, including how materiality can change over time and during periods of crisis.

In 2020, COVID-19 and the fight for equality have created a new dynamic for companies to operate in. Furlough schemes, PPE, digital meetings, and diversity policies are just some of the topics that have been top of mind for business leaders. In this time of global uncertainty and social change, a solid understanding of the issues that matter in real-time is of vital importance for shaping corporate strategy and enhancing resilience. In the next section, we explore how the materiality of COVID-19 and inequality-related issues has evolved, leveraging news volume data from Truvalue Labs, who have innovated around the concept of dynamic materiality.

Measuring Dynamic Materiality

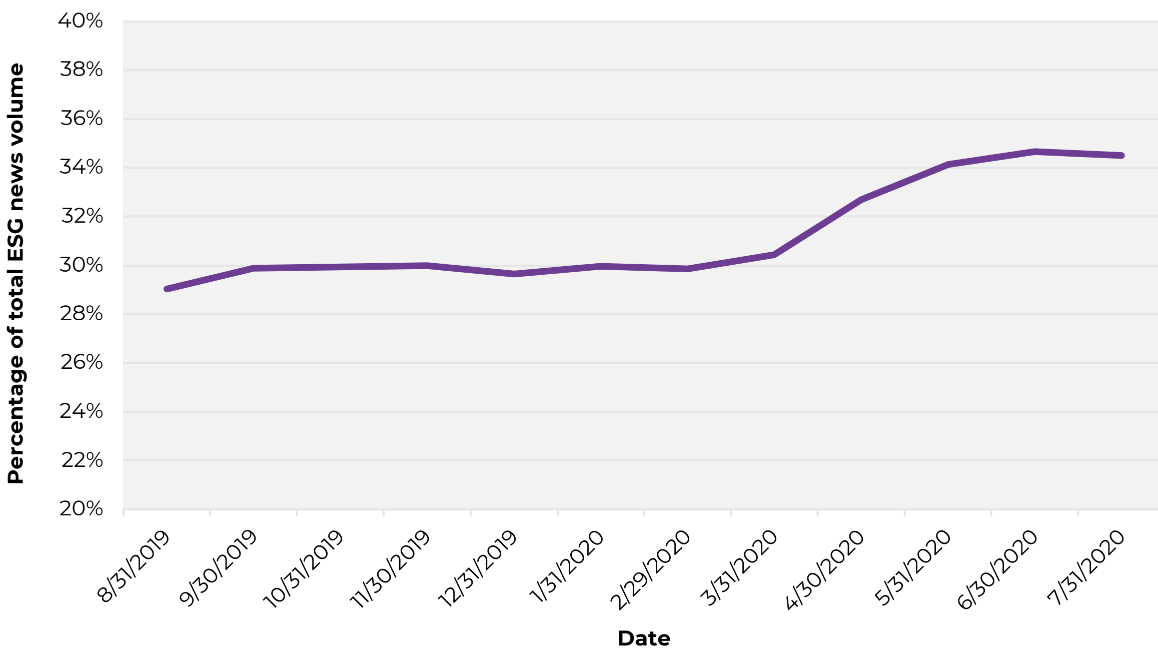
The basic idea of dynamic materiality is that the issues that are considered to be material change over time. Truvalue Labs volume data showcases the number of company-specific news articles mapped to SASB material issue categories that have been published on the internet on a daily basis. As the level of stakeholder interest determines whether an issue is material to any firm, these volume results effectively inform us about the materiality of an issue overall. Since the total volume of articles taken from the internet day to day is highly volatile, we consider the volume of news for each issue category as a percentage of the total news volume across the 26 SASB issue categories in the United States and Europe. This allows us to observe how the interest in each ESG issue has changed through time as a proportion of the overall interest in ESG issues. This approach avoids bias from fluctuations in other factors unrelated to materiality, for instance, daily variations in overall news coverage. Data is shown for the twelve-month period of August 2019 to July 2020.

Dynamic Materiality of COVID-19 Issues

What are the COVID-19 Relevant Issues?
Access and Affordability
Customer Privacy
Data Security
Employee Health & Safety
Labor Practices
Product Quality and Safety

In 2020, COVID-19 quickly became a material issue as country after country went into lockdown, entire industries were disrupted, and a sharp market downturn began. The volume of data on issues relevant to COVID-19 performance - such as Employee Health & Safety practices and Labor Practices – has shown a clear increase since the beginning of the year. The graph below shows how the proportion of articles capturing COVID-19 related social issues increased from around 30% of the total ESG news volume in January 2020 to 35% in June 2020.

Proportion of Articles Capturing Issues Related to COVID-19 - Monthly Trend



The onset of the pandemic led to a range of corporate responses. Using the Spotlight Events data service from Truvalue Labs, we were able to identify major positive and negative events published for US and European companies in our sample:

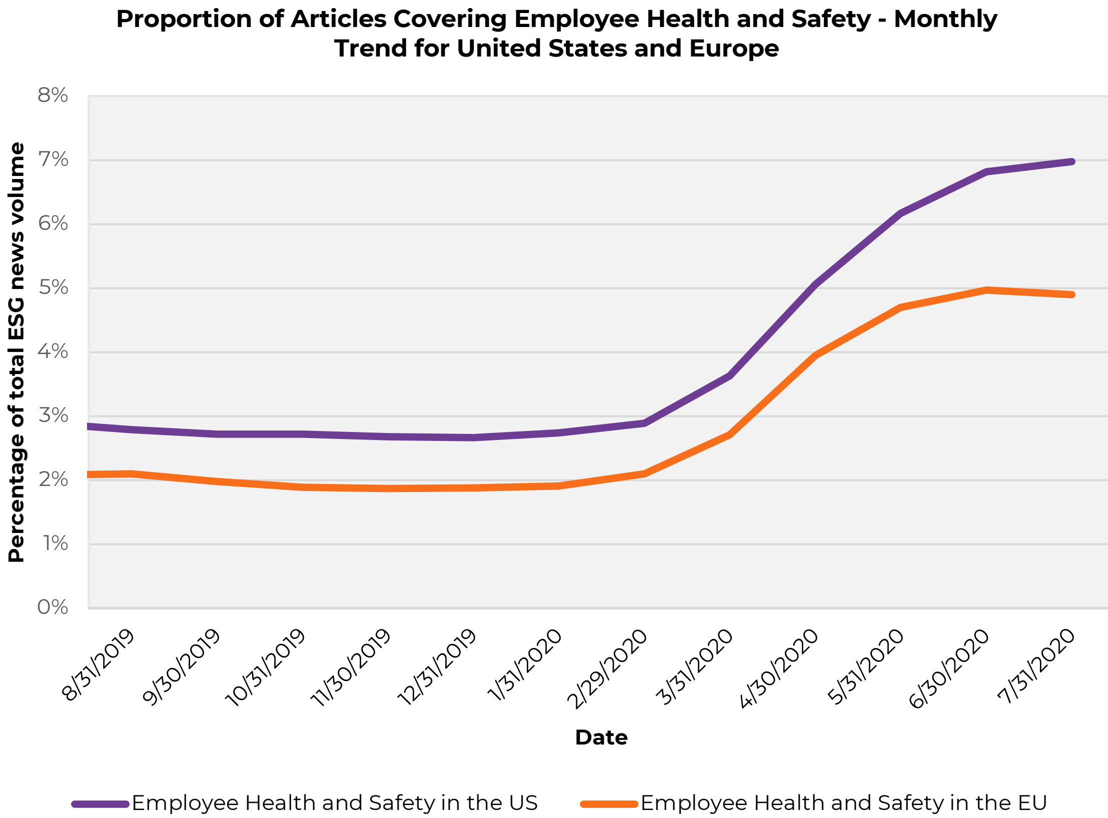
- **United Airlines** announced it was preparing to furlough 16,370 workers when federal aid expires in October 2020 (2nd September).
- **Amazon.com Inc.** announced it would hire 100,000 workers as online orders surged during the pandemic (16th March).

- **Tesco PLC** announced it would create 16,000 new permanent roles as it grows its online business to keep up with the surge in demand for home deliveries (24th August).
- **General Motors Co** developed a new publicly available technology to aid workplace safety during the COVID-19 pandemic, including an automated kiosk for temperature scanning, software for contact tracing and a mobile app for touchless printing (August 12th).
- **Alphabet Inc's** company **Google LLC** decided that most of its 200,000 employees and contractors should work from home until June 2021 (27th July).
- **3M**, the leading manufacturer of N95 masks in the U.S. said it has investigated 4,000 reports of fraud, counterfeiting and price gouging in connection with the product and has filed 18 lawsuits. In one case, 3M accused a company of trying to sell 3M brand N95 respirators at a 75% to 267% markup over the list price (17th July 2020).
- **Siemens AG** and Salesforce.com Inc. announced a strategic partnership to develop a new workplace technology suite that will support businesses globally to safely reopen, with innovations such as a 'touchless office' with mobile employee boarding passes for building and elevator entry, and a safe occupancy management system, which allows employees to reserve conference rooms and desks through an app that sends real-time alerts once thresholds are reached (June 23rd).

Institutional investors also responded to COVID-19 and engaged with companies on managing the crisis. At the end of the first quarter, BlackRock released their investment stewardship report, documenting 150 COVID-19 engagements with portfolio companies. In May, over 300 institutional investors and service providers representing more than $9.2 trillion USD in AUM signed the Investor Statement on Coronavirus Response, urging companies to provide paid leave to employees, prioritize health and safety, and maintain employment. Shareholders of French food company Danone overwhelmingly backed a vote to embed a new legal framework in the company's articles of association that legally commits the company to a social purpose, highlighting the company's mission to operate sustainably through the crisis and beyond.

Key COVID-19 issue: Employee Health and Safety

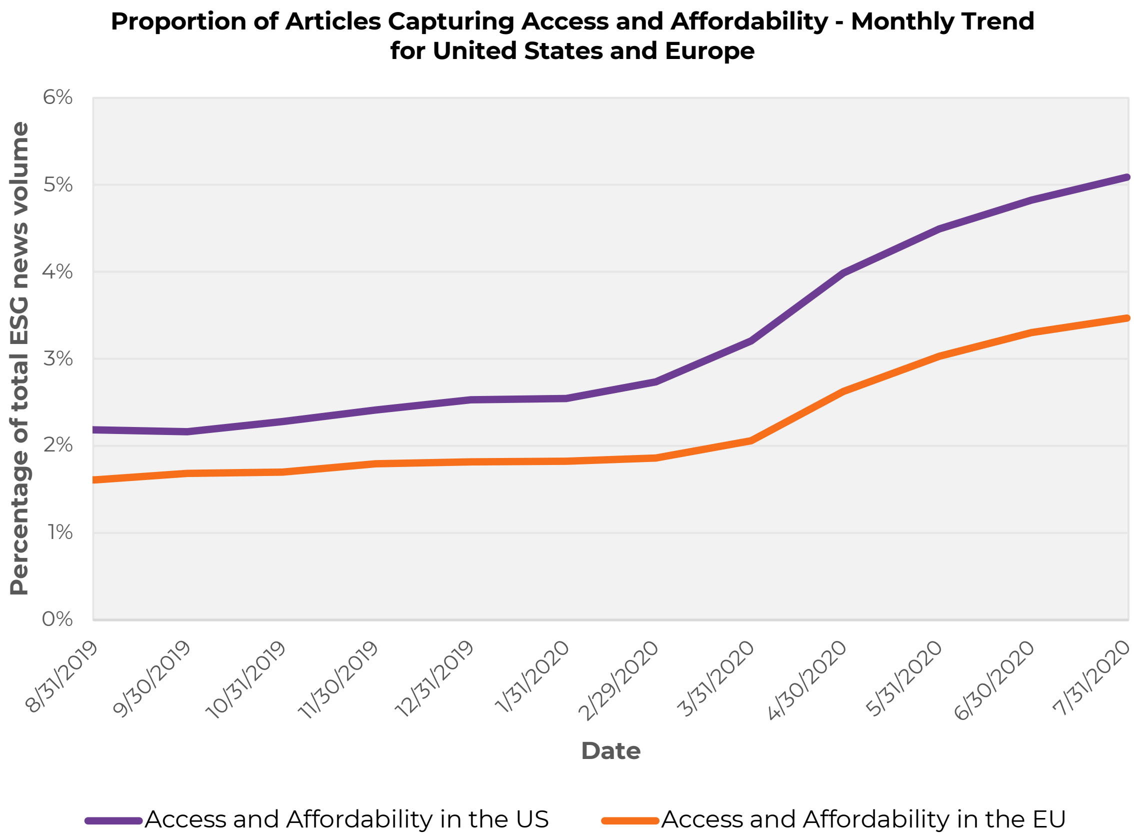
Within the COVID-19 issue grouping, Employee Health and Safety issues stand out for their rapidly increasing materiality. News volume for Employee Health and Safety more than doubled in the United States, rising from under 3% of total US ESG news volume in January to almost 7% of content in July. The trend is similar for Europe, where Employee Health and Safety accounted for 2% of total European ESG news volume in January compared to almost 5% in July.



Managing Employee Health and Safety risks during the pandemic is highly dependent on the industry profile. For instance, technology companies and digitally enabled businesses embraced the model of employees working from home, enabling business continuity while at the same time protecting workers from any potential exposure to the virus that might arise in the workplace. For other companies, especially those relying on the physical presence of employees in factories and retail stores to generate revenues, safeguarding Employee Health and Safety has been a more complex story. Many faced work stoppages during lockdown periods and required a series of new measures and protocols to protect workers after reopening such as performing temperature checks, providing PPE, and implementing social distancing measures. In this context, business risks linked to Employee Health and Safety have been heightened. Numerous companies have been exposed to significant reputational and legal risks arising from how they have treated their employees.

Key COVID-19 issue: Access and Affordability

The ability of companies to ensure equal access to products and services and maintain their affordability is an issue that significantly increased in importance during the pandemic. News volume related to Access and Affordability in the United States roughly doubled, rising from 2.5% of total US ESG news volume in January to over 5% of content in July. An upward trend was also observed in Europe albeit at a slower rate, rising from just under 2% of European ESG news volume in January to around 3.5% in July.



COVID-19 has shone a spotlight on access to healthcare and medical equipment such as masks and ventilator machines around the world. At a time when demand for healthcare services is high, the affordability of healthcare and the role of companies in delivering health innovations and outcomes will remain a key topic.

Access and Affordability is a material issue for many industries beyond healthcare. Financial services, education, utilities, and telecoms companies are examples of industries that provide critical products and services such as bank accounts, mortgages, water, electricity, internet, and educational tools. Examples of how companies have been impacting the access and affordability of products and services during the pandemic include:

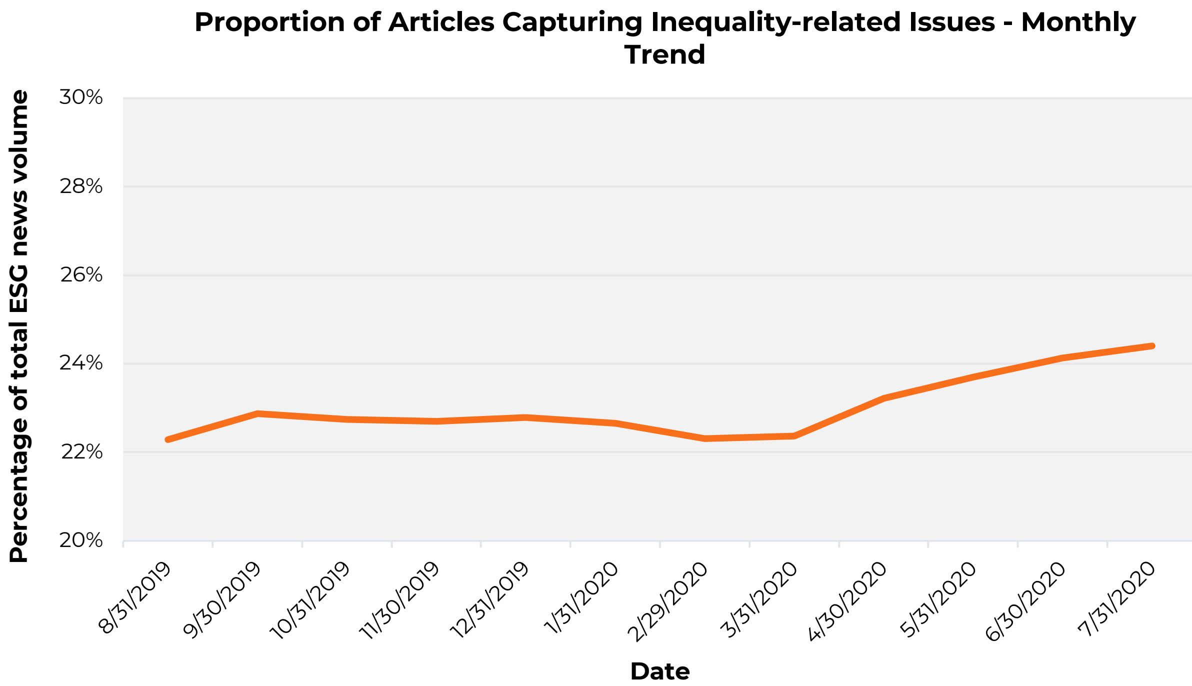
- **JPMorgan Chase & Co.** raised borrowing standards for most new home loans in order to mitigate lending risk stemming from COVID-19 disruption (11th April).
- **Novartis AG** announced a new initiative to help patients in low-income and lower-middle-income countries access affordable medicines to treat the major symptoms of COVID-19. The medicines will be made available to governments, Non-Governmental Organizations (NGOs) and other institutional customers at zero-profit to support financially strained healthcare systems (17th July).
- **Mastercard Inc.** expanded its worldwide commitment to financial inclusion, pledging to bring a total of 1 billion people and 50 million micro and small businesses into the digital economy by 2025. Mastercard outlined that health and economic consequences of COVID-19 have highlighted the critical need to support vulnerable populations, many of whom are disproportionately impacted by the crisis (18th May).
- **Xcel Energy Inc.** announced a proposal for the one of the largest packages of energy investments in Minnesota's history, as part of its response to requests from public authorities asking energy companies to help with job growth and getting the economy on track. Xcel Energy proposed a slate of projects to the Minnesota Public Utilities Commission that would create an estimated 5,000 jobs in the state, while keeping customer bills stable (17th June).

Dynamic Materiality of Inequality-related Issues

What are the inequality-related issues?
Access and Affordability
Customer Privacy
Employee Engagement, Diversity & Inclusion
Human Rights & Community Relations
Labor Practices
Selling Practices & Product Labelling

Inequality is systemic issue that has spanned generations, but its visibility and the widespread concern around this deeply rooted phenomenon are becoming increasingly prominent thanks to social media channels and digital platforms that have broadcast stories of discrimination and persecution to the world.

The signals captured in our dataset show that since August 2019, inequality-related issues have represented more than a fifth of the total ESG news volume. The proportion of articles capturing inequality related issues rose from around 22% in January 2020 to about 24% in June 2020. The incline began in March – likely as a result of COVID-19 linked inequality content – and continued upward in May, following the death of George Floyd.



Again, using Truvalue Labs Spotlight Events data service, we can observe specific company events linked to issues of racial inequality:

- **Facebook Inc.** employees staged a virtual walkout in protest against CEO Mark Zuckerberg's decision to allow President Trump's "When the looting starts, the shooting starts" post to stay on the platform. The employees believed the post violated Facebook's rules about inciting violence and sought for Facebook to have a clear stance on social matters and to condemn violence and discrimination (June 2nd).
- **Bank of America Corp** pledged $1 billion to help communities across the US address economic and racial inequality. The four-year commitment will include programs such as virus testing and other health services, especially focusing on communities of color, support to minority-owned small businesses, and partnerships with historically black and Hispanic educational institutions (2nd June).
- **Netflix Inc.** decided to allocate 2%, or about $100 million, of its cash holdings to financial institutions and organizations that directly support African American communities in the United States (30th June).
- **Moderna Inc.** has been asking sites that are conducting clinical trials of its experimental coronavirus vaccine to focus on enrolling at-risk minorities, even if that slows down the trial speed (5th September).
- 26 companies including **Adidas AG** and **Industria de Diseno Textil SA (Inditex)** signed a joint statement calling for mandatory human rights and environmental due diligence legislation at European Union level (2nd September).

- **Wells Fargo & Co.** agreed to make job offers to 580 applicants and pay $7.8 million in back wages and interest to settle allegations of hiring discrimination by the U.S. Department of Labor's Office of Federal Contract Compliance Programs (OFCCP). OFCCP alleged in a statement that the financial services giant discriminated against 34,193 African American applicants in several types of positions and against 308 female applicants for administrative support positions (3rd September).

Results of the Company Performance Analysis

Research Approach

Sample and Data

We analyze the global sample of companies that constitute the S&P 500 and FTSEurofirst 300 indexes as of July 17th, 2020. In addition, we include all publicly listed companies that are signatories to the BRT Statement on the Purpose of a Corporation. For these companies, we source available ESG data from Truvalue Labs between January 2015 and July 2020 on the SASB Issue Categories mapped to COVID-19 and Inequality. For the purpose of the analysis, we use Truvalue Labs Insight scores, which measure the longer-term public sentiment track record on a company's ESG performance. We perform conservative industry-based imputation to fill in existing data gaps. Every week, we impute missing values with the industry or sector median score, depending on data availability, computed using data from peer companies with a sufficient amount of news coverage or volume on the ESG issue. Post imputation, 40 companies with persistent data gaps on any of the COVID-19 and Inequality issues are excluded from the sample. Finally, we source financial data on a company's size, profitability, valuation, and leverage from Refinitiv.

COVID-19 Response Score and Inequality Score

The purpose of the company performance analysis is to investigate whether a specific set of company characteristics act as a key driver to companies' COVID-19 response and performance on inequality issues. To achieve this, we create a COVID-19 Response Score and Inequality Score by taking the weighted average of Truvalue Labs Insight scores on COVID-19 and Inequality Issues respectively. The weights utilized in the computation of the scores were created by Truvalue Labs and aim to reflect the relevance of each ESG issue to the topic of COVID-19 or Inequality. These are informed by the content of the news articles underlying each issue Insight score. For example, Access and Affordability is a COVID-19 issue, but the proportion of articles and news feeding into the issue Insight score is only partially related to COVID-19, compared to the issue of Employee Health and Safety, where the proportion of COVID-19 related topics is much higher. As a result, Access and Affordability has a lower weight than Employee Health and Safety in the computation of the COVID-19 Response Score. Below we provide an overview of the issue weights used for the computation of the COVID-19 Response Score and Inequality Score.

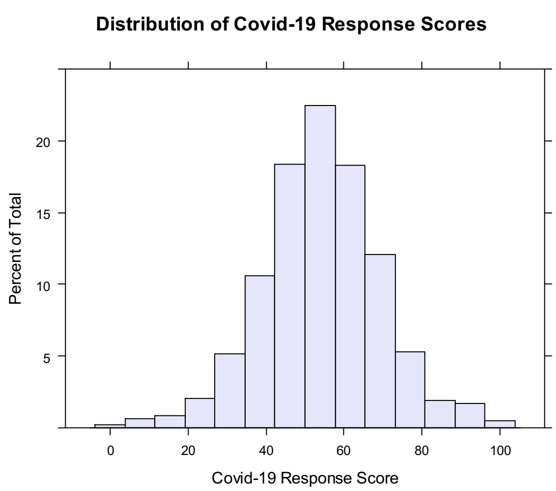
COVID-19 Issues	Issue Weights (Year < 2019)	Issue Weights (Year = 2020)
Access and Affordability	8%	10%
Customer Privacy	19%	19%
Data Security	25%	23%
Employee Health & Safety	25%	23%
Labor Practices	20%	15%
Product Quality and Safety	3%	10%

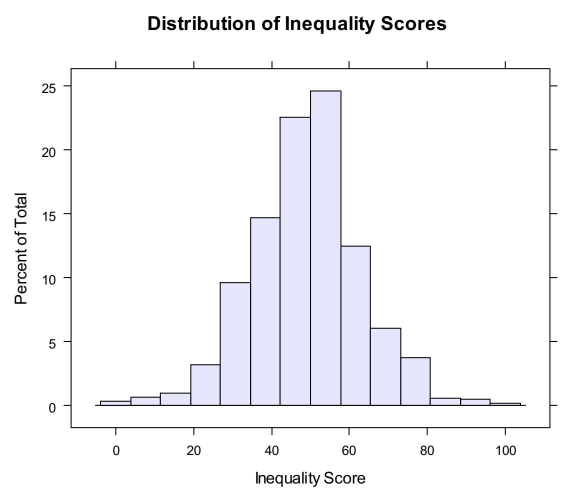
Issue weights in the table have been rounded for illustrative purposes.

Inequality Issues	Issue Weights (Year < 2019)	Issue Weights (Year = 2020)
Access and Affordability	23%	18%
Customer Privacy	7%	7%
Employee Engagement, Diversity & Inclusion	26%	25%
Human Rights & Community Relations	11%	19%
Labor Practices	31%	29%
Selling Practices & Product Labelling	2%	2%

Issue weights in the table have been rounded for illustrative purposes.

Every week between January 2015 and July 2020, we take the distribution of the COVID-19 Response Score and Inequality Score and rescale it between 0 and 100 for ease of interpretation. In performing this standardization, we do not force any particular distribution on the data. Instead, we preserve the original underlying distribution of the scores and the relative distance between companies.





Research Design

We create a balanced panel dataset for the companies in our sample and test their response to COVID-19 and their performance on inequality issues between the onset of the crisis in February 21st 2020 and July 17th 2020, against a set of firm characteristics that allows us to answer our three main research questions.

- To measure a company's **commitment to be purpose-driven**, we create a variable that identifies whether a company in our sample has signed the BRT Statement on the Purpose of a Corporation.
- To measure a company's **proactive ESG strategy**, we create a variable that identifies companies in our sample with a positive track record on COVID-19 or Inequality issues, defined as the top 20% of score distribution for at least three years of the five-year period between January 2015 and February 2020.
- To measure the **speed of response** of a company, we identify companies with positive COVID-19 Response scores (top 40% of distribution) in every week between February

21st, 2020 and March 23rd, 2020, which corresponds to the start of the S&P 500 downfall and the start of the recovery. The goal with this variable is not to identify exceptional, top performers on COVID-19 issues, but rather to identify companies with a positive sentiment around their COVID-19 response during the critical month when the crisis unfolded.

The contribution of these factors on a company's COVID-19 Response Score and Inequality Score is estimated through a linear regression model that also controls for size, return on equity, return on assets, price-to-book, price-to-earnings, dividend yield, leverage, and Beta.[5] We also include industry and country effects as required, as these are factors that could contribute to a company's COVID-19 response and performance on inequality issues during the crisis and historically.

[5] Beta is sourced by Refinitiv and computed over a 5-year rolling window.

Results

Prior to running the regression analysis, we examine the degree of correlation between our main variables of interest, to understand whether there is sufficient variability in our sample to investigate their individual impact on companies' COVID-19 and inequality performance.

Table 1: Correlations Across Explanatory Variables

Variables	BRT Signatory	Positive Track Record (COVID-19)	Positive Track Record (Inequality)	Early Response
BRT Signatory	1	0.013	0.014	-0.010
Positive Track Record (COVID-19)	0.013	1	0.156*	0.219*
Positive Track Record (Inequality)	0.014	0.156*	1	-
Early Response	-0.010	0.219*	-	1

*Table 1 presents univariate correlations and their statistical significance (a */** next to the correlation indicates significance at the 5/1% level).*

Table 1 shows the correlations across variables and their statistical significance. We can see that the *Early Response* and the *Positive Track Record (COVID-19)* variables have a positive correlation of 0.22, indicating that intuitively one in every five companies that are early responders to the COVID-19 crisis tends to have a history of superior performance on relevant social issues. Overall, univariate correlations between candidate explanatory variables remain low, which allows us to investigate the variables at once in the relevant model specifications.

Table 2 below presents the results from the regression analysis performed on companies' COVID-19 and Inequality scores during the period February 21st to July 17th 2020 against our three main variables of interest: (1) whether the company is a signatory to the Business Roundtable's Statement on the Purpose of a Corporation (2) whether the company is historically a best performer on relevant issues, and (3) whether the company was an early responder to the COVID-19 crisis.[6]

[6] The model specifications also included several control variables, including size, profitability, valuation, leverage, and industry/country effects where relevant.

Table 2: Regression Results for COVID-19 Response Score and Inequality Score

	COVID-19			Inequality		
Variables of Interest	**Global**	**US**	**EU**	**Global**	**US**	**EU**
BRT Signatory	-1.27**	-0.82*	-	+1.61**	+2.38**	-
Positive Track Record	+11.34**	+8.89**	+15.97**	+20.93**	+21.07**	+17.51**
Early Response	+21.22**	+22.85**	+18.37**	-	-	-

*Table 2 presents estimated coefficients and their statistical significance (a */** next to the coefficient indicates significance at the 5/1% level). Dependent variable is company COVID-19 Response Score for the COVID-19 analysis, and company Inequality Score for the inequality analysis. BRT Signatory is a dummy variable (taking value of 1 or 0) indicating whether a company is a signatory to the Business Roundtable initiative. Positive Track Record is a dummy variable indicating whether a company has been consistently at the top 20% of the distribution of performance on relevant social issues for at least three years within the five-year period prior to February 2020. Early Response is a dummy variable indicating whether a company has responded positively (top 40% of score distribution) to the COVID-19 crisis between February 21st and March 23rd, 2020, corresponding respectively to the start of the S&P downturn and recovery.*

The Commitment Test

Is there any relationship between being a company with a commitment to be 'purpose-driven' – in this case being a Business Roundtable signatory - and how a company performs when put to the test during a time of crisis?

Since companies based in the United States constitute the majority of the Business Roundtable (BRT) signatories, we examine first the results from the analyses performed on the US sub-sample. Our results show that being a BRT signatory in the United States has a small but negative effect on companies' responses to the COVID-19 crisis (average -0.82 score points), while it has a positive but still small effect on companies' inequality score (average +2.38 score points). Since the representation of BRT signatories in Europe is small and the corresponding data is insufficient for research purposes,[7] any inference on the impact of being a BRT signatory on crises responses can only be robust when investigating signatories in the United States. Looking at the results from the analysis on the global sample, which excludes the handful of European BRT signatories, we find similar results as those from the regional analysis: being a BRT signatory has a small but negative effect on companies' COVID-19 responses (average -1.27 score points), and a slightly positive impact on their inequality performance (average +1.61 score points).

The Track Record Test

What is the association between proactive ESG strategies before a crisis and performance during a crisis?

Our results show that companies that have a consistent, positive track record of effectively managing issues relevant to COVID-19 or Inequality have continued along the same outperformance trend during the crisis. Looking at our global sample, companies with a positive track record on social issues relevant to COVID-19 or Inequality score on average 11.34 points and 20.93 points higher, respectively. These large and positive effects are robust to the region-specific analyses performed separately on the United States and European sub-samples.

[7] Approximately 2.5% of firms (8 companies) in our European sub-sample are BRT signatories, against a 27% ratio (131 companies) in the US sub-sample.

The Speed Test

Does it matter how quickly a company responds to a crisis?

Looking at the results from the COVID-19 analysis, we find that companies that have responded positively to the COVID-19 crisis at its onset – between the downfall and recovery of the S&P 500 – continue performing better than late responders during the following months. On average, early responders in our global sample score 21.22 points higher on their COVID-19 Response Score. The large and positive effect is robust to region-specific analysis performed separately on the United States and European sub-samples.

Spotlight Companies

Our results have shown that companies with a strong track record on COVID-19 and Inequality related issues were better positioned to navigate the crisis. But what sets the top performers apart from the rest? We analyzed the top performers and found a common set of traits that tend to set these companies apart. The graphic below displays some of the characteristics that appear regularly among top performing firms. We found that top performers tend to have all or most of the following charecteristics, while the lowest performers tend to be absent of all or most of them. Companies with a poor performance also more frequently face legal issues such as lawsuits related to workers, in addition to shareholder dissatisfaction expressed through the filing of shareholder proposals on social and human capital issues.

- Quantitative Sustainability Disclosures
- Quantifiable Sustainability Targets
- Board Oversight of Sustainability Issues
- Materiality Analysis Highlighting Crisis-Relevant Issues
- Examples of Competitive Advantage Through ESG
- Sustainability Audits
- Engagement with Sustainability Initiatives and Principles - UNGC, OECD, PRI, etc.

Companies Ranking in the Top Quartile on COVID-19 and Inequality Issues

To identify companies for case studies, we combined each company's COVID-19 and Inequality score (as of July 2020) and ranked all companies in quartiles. A selection of companies which overall scored in the top quartile of performance are presented below.

Assa Abloy

Sector: Resource Transformation	**Industry: Electrical & Electronic Equipment**
Country: Sweden	
BRT signatory? No	
In response to the pandemic, Assa Abloy created a taskforce to fight Coronavirus transmission. The team successfully supplied Sweden with 100,000 masks within 24 hours of a COVID-19 outbreak. On the product side, Assa Abloy developed a new mobile hotel check-in service that minimises physical contact, thus reducing the risk of infection. In addition, Assa Abloy implemented a business-wide travel ban until March 31st, 2021 for its 12,000 employees as well as mandatory two-week quarantining for essential travel. Assa Abloy engages in high-quality sustainability reporting with a focus on forward-looking targets that are clearly identified and prioritized. The firm's Code of Conduct which is based on the recommendations of four separate sustainability initiatives and is translated into 28 languages is clearly visible on the company website. Senior management regularly	

conducts sustainability audits of suppliers in low cost countries to ensure compliance. Both the improvement in sustainability metrics and the cost saving from these activities is clearly reported on the company website. The Executive Team is responsible for sustainability risk management relating to the Group's strategy, the Code of Conduct, and other sustainability policies.

Baxter International Inc.

Sector: Healthcare	Industry: Medical Equipment & Supplies
Country: USA	
BRT signatory? Yes	

Not without some past controversies, Baxter International has differentiated itself during the crises through actions on diversity and inclusion, as well as civic engagement in multiple countries where it operates. Through the Baxter International Foundation, the company has committed resources to improve disadvantaged communities' access to health care in Mexico, Haiti, China, and the United States. Baxter International oversees progress on social justice through their specially created Global Inclusion Council (GIC) which consists of 15 key leaders across the business. Its diversity training program offers courses on a number of social issues, including the identification and removal of unconscious biases. In 2018, Baxter published its second gender pay gap report which includes tangible metrics on the firm's performance versus the national average. This was on top of the more traditional forms of integrated ESG reporting that also takes place yearly. In July 2020, Baxter International was placed in the top 10% of firms according to diversity practices.

Invesco Ltd

Sector: Financials	Industry: Asset Management & Custody Activities
Country: USA	
BRT signatory? No	

Employees at Invesco receive a COVID-19 check-in survey at regular intervals. 97% of employees agree that Invesco has prioritized their wellbeing in response to the pandemic and 96% agree that Invesco is doing a great job of keeping employees up to date with critical information. In the Hong Kong office for example, employees that have returned to work are regularly temperature checked when entering lifts or restaurants. Furthermore, an internal website provides employees with information, tools, and resources on how to stay healthy, connected, and productive during lockdown. Invesco has been A+ rated by PRI for 4 Years in a row and is regularly cited in the media as creating new ESG incorporated funds and financial services. Their online stewardship report includes data on the PRI assessment of each Invesco investment category from 2016 onwards. Invesco produces three separate sustainability reports focusing on different areas of corporate responsibility and environmental stewardship.

SAP SE

Sector: Technology & Communications	Industry: Software & IT Services
Country: Germany	
BRT signatory? Yes	

After the death of George Floyd, SAP wrote a memo outlining the company's plans to address racial inequality. The firm has committed to supporting several organisations that are working to tackle racial and economic injustices. In addition, SAP joined the Unite for Our Future campaign, an initiative that encourages large organisations to tackle pressing global challenges. SAP is also growing its economic development programs to strengthen Black-owned businesses and social enterprises by providing them with connections to and advice from SAP employees. SAP SE offers clear and transparent disclosure of diversity and inclusion performance measures; this includes data on their integrated ESG reporting that tracks the firms progress through time. The report incorporates data on women in management, employee retention and engagement, and firm working culture. SAP has been tracking these metrics since 2015 and has seen improvements in all areas of diversity and inclusion that it assesses, particularly in women in management and employee health culture. In 2016 SAP conducted a pay equity analysis and proactively raised the compensation of employees that lacked pay parity and also committed to making sure that 25% of leadership positions were filled by women by 2017. In addition, as of 2020, SAP topped the Forbes America's Best Employers for Diversity list. SAP has also worked to improve digital literacy and STEM training for disadvantaged and underrepresented communities in tech. In 2017, the company partnered with the UN Development Programme on a multi-year digital literacy and software skills development initiative in India. In 2018 the company partnered with a local NGO in Ghana to launch a program that trains young women in coding and robotics in order to open career paths in technology to them. Further, the company was the first European technology company to implement an external AI Ethics Advisory panel.

Trane Technologies PLC

Sector: Resource Transformation	Industry: Electrical & Electronic Equipment
Country: Ireland	
BRT signatory? No	

Trane has responded to the pandemic by focusing innovation policy on indoor climate control in food supply chains, hospitals, and other vital sectors. This includes an air cleaning system with special filtration and UV light systems to remove pathogens and particulates from the air in healthcare facilities. In support of their employees, Trane Technologies has implemented country-specific benefits for employees on leave for quarantine or illness, provided access to back-up child and elderly care assistance for U.S. employees, and created a specially designed fund to assist employee dealing with unexpected financial hardships as a result of COVID-19. Senior management aspire to deeply integrate sustainability into the Trane Technologies business model. The firm actively pursues sustainable innovation and uses this to generate new forms of competitive advantage, particularly in the area of low-emission transportable refrigeration products. On the employee side, Trane promotes a safety-focused culture including regular and in-depth employee health and safety audits. The firm also tracks and publishes metrics relating to employee safety, diversity, and satisfaction. The data suggests that the incident rate in terms of lost employee time is 0.08 hours for every 200,000 worked in 2019 and has been decreasing since 2017.

Willis Towers Watson PLC

Sector: Financials	Industry: Insurance
Country: UK	
BRT signatory? Yes	

Willis Towers Watson seeks to embed ethics and employee rights into the business model. The firm publishes a diversity and inclusion calendar that celebrates key dates for a range of minority groups; this provides a framework to educate and engage employees on diversity-related topics. The firm's materiality matrix highlights ethics and employee rights as material. This, and other material ESG concerns are tackled through the company's membership in a number of national and international sustainability initiatives. In 2017 Willis Towers Watson announced that it would require gender data from the investment funds and portfolio managers with which they do business. In 2018 the company released their own gender pay gap data along with steps they were implementing to reduce the gap. In 2019, Willis Towers Watson was selected to be part of Bloomberg's gender-equality index, recognising the company's commitment to transparency in gender reporting and advancing women's equality. Through the development of the Thinking Ahead Institute, Willis Towers Watson has explored topics like diversity in the investment management industry for a number of years. After the death of George Floyd, Willis Towers Watson solidified its position as a thought leader on race and social issues through such pieces as 'How to have conversations on race with African American and Black employees.' Outside of recognition in areas of diversity and inclusion, Willis Towers Watson responded proactively to COVID-19 by launching a tool to help risk managers assess exposure in real time in order to better understand possible business interruption and worker exposure.

Companies Ranking in the Bottom Quartile on COVID-19 and Inequality Issues

To identify companies for case studies, we combined each company's COVID-19 and Inequality score (as of July 2020) and ranked all companies in quartiles. A selection of companies that overall scored in the bottom quartile of performance are presented below, featuring major controversy events sourced from Truvalue Labs' Spotlight Events data service.

Tyson Foods Inc.

Sector: Food & Beverage	Industry: Meat, Poultry & Dairy
Country: USA	
BRT signatory? No	
An April 11th complaint to the Iowa Occupational Safety and Health Administration alleged that employees at the Tyson Foods processing plant in Iowa, were spreading the virus as they worked "elbow to elbow." The complaint asserted that social distancing was not taking place in any of the production areas or the cafeteria (18th May). By the end of the month, the firm had closed the plant and 555 workers had tested positive for coronavirus. The positive workers accounted for 22% of the total workforce at the facility (29th May). The families of three of the workers who died after contracting COVID-19 filed a lawsuit against Tyson Foods, alleging that company officials were aware the virus was spreading in the workplace and failed to implement safety measures (26th June). In early June 2020, Tyson Foods returned to its pre-pandemic absentee policy, which includes punishing workers for missing work due to illness. The company preserved an exception to the policy for those workers who had COVID-19 symptoms or had tested positive for the SARS-CoV-2 virus. In mid-March, the company said it was "relaxing attendance policies in our plants by eliminating any punitive effect for missing work due to illness," but in June reverted back to its policy that uses a point system to discourage absenteeism. Tyson Foods was one of several meatpacking companies that were found to have lobbied regulators to keep plants open and relax safety guidance even as the SARS-CoV-2 virus was spreading widely among workers. Several worker advocacy organizations filed a civil rights complaint with the U.S. Department of Agriculture alleging that the firm engaged in racial discrimination during the pandemic. The complaint alleges the operating procedures have a disparate impact on Black, Latino, and Asian workers, who make up a large share of production workers at the companies' plants, representing a pattern or practice of racial discrimination (10th July).	

Amazon Inc.

Sector: Consumer Goods	Industry: E-Commerce
Country: USA	
BRT signatory? Yes	
Prior to the COVID-19 pandemic, unions in the UK claimed that hundreds of Amazon warehouse workers had been injured due to "hellish" conditions (18th Feb). In March, a dozen Amazon warehouse employees told a major U.S. news outlet that they were "terrified of working during the pandemic" and that "they're putting us all at risk". Workers	

cited inadequate social distancing and employee protection measures. In April, workers around the country staged a "mass call out" to call for the immediate closure of more than 50 warehouses with positive cases (April 20th). Amazon responded by firing at least six employees that spoke out against the firm's practices citing a variety of reasons, from vulgar language to breaking social distancing protocols. All of the fired employees were women and/or belonged to a minority group (April 22nd). Soon after, VP Tim Bray quit "in dismay", writing a detailed blog post explaining the factors leading up to his decision and described a "vein of toxicity running through the company culture". Amazon has since attempted to beef up its response, including more stringent social distancing measures and onsite testing facilities, however in June, three employees filed a lawsuit against the firm claiming that the firm had sought "to create a façade of compliance"(June 6th). By mid-May, Amazon was linked to the deaths of at least 7 of its warehouse workers as well as over 400 positive cases. This number rises to 900 when going by unofficial records (16th May). After the death of George Floyd, Whole Foods, a subsidiary of Amazon, was sued by employees who accused the upscale grocery chain of punishing workers who wear "Black Lives Matter" face masks on the job (20th July).

Ryanair Inc

Sector: Transportation	**Industry: Airlines**
Country: Ireland	
***BRT signatory?* No**	
Ryanair has a long history of negative labour practice issues that were further exacerbated by the COVID-19 crisis. Outside of all the issues the company faces regarding labor relations, Ryanair has also been accused of charging customers more for rebooking flights cancelled by COVID-19, compared to booking as a completely new customer (26th March). A Which? survey also found that just 5% of Ryanair passengers were refunded their flights cancelled by COVID-19 within a legal time frame (28th May).	

eBay Inc

Sector: Consumer Goods	**Industry: E-Commerce**
Country: USA	
***BRT signatory?* No**	
As far back as 2016, eBay has been criticized for mismanagement of its site. In February, the firm refused to fix a security bug that lets cybercriminals distribute phishing and malware campaigns (Feb 2019). While in 2019, both Amazon and eBay were accused of failing to take 'basic steps' to stop dangerous toy sales (Nov 2019). During the pandemic, lawmakers urged online retailers such as Amazon and eBay to take action on counterfeit goods (3rd March). However, the firm was reprimanded by the Environmental Protection Agency in the US for continuing to allow the sale of pesticide and pesticide devices claiming to kill coronavirus on their website (11th June). An investigation revealed major eCommerce sites were taking up to two weeks to remove harmful COVID-19 products (23rd April). A lobby	

group has since been set up aimed at pressuring e-commerce sites to take more pro-active measures against the sale of fake or counterfeit goods amidst the pandemic (14th Aug). eBay has also faced price gouging accusations related to hand sanitizer, masks, and cleaning products in Europe and the US. This included an investigation by the Italian antitrust watchdog for price spikes during the peak of the crisis (12th May). This led the firm to eventually banning the sale of masks and hand sanitizer on their website (6th March). In relation to inequality, eBay has in the past been pressured by a shareholder proposal to report on female pay disparity within the company (Sept 2016).

Gilead Sciences Inc

Sector: Consumer Goods	**Industry: E-Commerce**
Country: USA	
***BRT signatory?* No**	

Gilead Sciences Inc, the producer of the drug Remdesivir, one of the only drugs that has been shown to treat COVID-19, was priced by the company at $2,240 to $3,120 for a 5-day course (29th June). The leader of the public advocacy group Public Citizen stated that the pricing was “a display of hubris and disregard for the public”. This was not the first time Gilead had attracted controversy for access and affordability of life saving drugs. In 2018, patients sued Gilead, saying the company intentionally delayed safer HIV medicine. Gilead is accused of cutting anti-competitive deals to extend profit on HIV drug cocktails (May 2019). The US government filed a patent infringement lawsuit in November 2019 against Gilead Sciences in federal district court, accusing the drug maker of “willfully and deliberatively” infringing on Department of Health and Human Services patents for pre-exposure prophylaxis, or PrEP, for HIV prevention.

Monster Beverage Corp

Sector: Food & Beverage	**Industry: Non-Alcoholic Beverages**
Country: USA	
BRT signatory? No	

A past shareholder proposal filed against Monster Beverage Corp called on the company to report on plans to increase gender and racial diversity on its board (Jan 2015). Five women who used to work for Monster Beverage have sued the company, alleging that their careers were derailed after speaking up about gender discrimination (Jan 2018). In 2018, shareholders asked Monster Beverage to address its lack of transparency regarding slavery and human trafficking in its supply chain. The production of cane sugar – the primary ingredient in most of Monster Beverage’s products – is known for the use of child or forced labour in Bolivia, Brazil, Dominican Republic, Guatemala, Pakistan, and other countries.

Easy Jet

Sector: Transportation	Industry: Airlines
Country: UK	
BRT signatory? No	

EasyJet has a history of disputes with workers unions. In 2019, Unite warned of severe delays if pay disputes are not resolved with a firm under contract with EasyJet. It was alleged that workers employed by other companies were paid 20% more for doing the same job while EasyJet employees worked unpaid overtime, experienced staffing issues, and lack of basics, such as drinking water during their long shifts (26th June). EasyJet made drastic cuts to the number of flights to reduce expenses during the pandemic (16th March). Soon after, pilots and cabin crew were asked to agree to sweeping changes in their employment terms and conditions. This included the cancellation of pay rises until 2021, changes to working patterns, delayed pay rises for newly promoted captains, and a requirement to take three months unpaid leave. The airline also stated that they would no longer provide food to their employees during shifts, only water (19th March). In the same week, EasyJet paid out a £170m dividend to shareholders while simultaneously asking the UK government for assistance to help save the airline (19th March). In May, EasyJet announced it would reduce its workforce by 30%, taking action to "remove cost and non-critical expenditure from the business at every level". Members claimed that the firm was using the pandemic as a cover to shed employees unnecessarily (28th May). EasyJet has since faced protests from remaining employees due to the closure of bases in Stansted and Southend (19th Aug). In addition, the airline is being sued for discrimination by a British-Israeli woman after she was asked to move seats, following a request from a male passenger and his son to not sit next to a woman for religious reasons (27th Aug).

Walt Disney Co.

Sector: Services	Industry: Media & Entertainment
Country: USA	
BRT signatory? No	

In 2018, US Sen. Bernie Sanders (I-Vt.) lambasted Walt Disney Co. for making billions of dollars in profits while failing to pay workers "a living wage" (June 2018). Around the same time, John Lasseter, the co-founder of Pixar Animation Studios and the Walt Disney Company's animation chief, said he would leave the company following a sexual harassment scandal. In a statement, the company omitted to acknowledge the reasons for Lasseter's departure, and did not give any indication that the company investigated his conduct (June 2018). The following year, two employees filed a class action alleging that its studio entertainment division systemically underpaid women, compared with men (April 2019). This year, the California Department of Fair Employment and Housing filed a discrimination lawsuit against Disney and CBS Studios for allegedly allowing a cinematographer to create a culture of sexual "harassment, discrimination and retaliation" on set for 14 years (26th May). Just two weeks after the death of George Floyd, an ABC News executive was put on administrative leave due to comments about Black colleagues

(13th June). In April, Disney stopped paying around 100,000 workers in order to save $500m a month, the cuts were significantly more severe than other theme parks and newspapers reported significant "reputational risk". In addition, Disney World workers had to petition to delay the reopening of their Florida park due to concerns around the number of coronavirus cases (24th June). Protests then broke out a few days later as workers called for more stringent health and safety measures (28th June).

Wells Fargo

Sector: Financials	Industry: Commercial Banks
Country: USA	
BRT signatory? Yes	
Wells Fargo agreed to pay the Navajo Nation $6.5 million to settle allegations the bank preyed on the Native American tribe by using "predatory" practices, including opening fake accounts and pressuring elderly citizens who did not speak English to enroll in services they did not need (Aug 2019). Wells Fargo agreed to pay the US City of Philadelphia $10 million to settle a federal lawsuit that alleged the bank discriminated against minority borrowers — an issue that has gained more attention in recent years as studies and investigations have repeatedly revealed barriers to fair housing that exist for minorities across the country (Dec 2019). Wells Fargo also agreed to pay $3 billion to settle potential federal criminal and civil charges that, for more than a decade, the bank's aggressive sales goals led to widespread consumer abuses, including millions of accounts opened without customers' consent. Under its settlement with the US Justice Department and the US Securities and Exchange Commission, Wells Fargo acknowledged that it had collected millions of dollars in fees as employees falsified records, forged signatures and misused customers' personal information to open fake accounts in order to meet unrealistic sales goals. Bank leaders knew of the misbehaviour, including "violations of federal criminal law", as early as 2002 but did not intercede until 2016 (21st February). US prosecutors are investigating the former head of the company's community banking division for her role in the scandal (April 2020). Wells Fargo in August paid $7.8 million to settle past allegations of hiring discrimination. The US Department of Labor alleged that the firm had discriminated against about 34,500 applicants nationwide including 34,193 Black applicants and 308 female applicants (25th Aug).	

Companies That Responded Early to COVID-19

Examples of companies that had a positive early response to COVID-19 issues (observed between the downfall and recovery of the S&P 500 between February 21st, 2020 and March 23rd, 2020) are presented below.

American Express

Sector: Financials	Industry: Consumer Finance
Country: USA	
BRT signatory? Yes	
In relation to the firm's pandemic response, American Express has committed to no layoffs in 2020 caused by COVID-19 and is continuing to cover the wages of ill or quarantining employees. At the peak of the crisis, American Express provided over 500,000 free meals to frontline care staff across the UK. For its customers, the firm has waived late fee payments for personal and business cardholders. This is on top of a financial relief program for customers in financial distress that lowers monthly payments and interest rates for those that enroll. Since 2018, American Express has powered 100% of its operations using renewable energy. This is a minimum standard of operation that the firm has set for itself. On top of this, the firm has made progress on employee health, 96% of employees had access to an internal program on healthy living and 98% were covered by their healthy minds program. American Express focuses the majority of their efforts on environmental performance, setting ambitious targets for waste, water, and electricity reduction by 2025.	

Blackrock Inc

Sector: Financials	Industry: Asset Management & Custody Activities
Country: USA	
BRT signatory? Yes	
Blackrock has allocated around $50 million for pandemic related emergency assistance. This includes organising the delivery of meals to frontline care staff, matching equipment and facilities with responders and hospitals, and financing vital but underfunded poverty-fighting organisations. BlackRock's CEO Larry Fink outlined in his annual letter that the firm would "exit investments that represented a high sustainability-related risk". He has also previously stated that "firms needed to have a purpose beyond profit". Fink's annual letter is highly influential in the corporate and financial community. In April, Blackrock launched a $9.4 billion ESG fund the goal of which is to tilt investments towards sustainable impact, particularly those firms focusing on the Sustainable Development Goals and combating the pandemic. In terms of ESG policy within BlackRock, their Sustainable Investing Team works with members of the board to oversee and coordinate firm wide ESG integration. In addition, the group has released new research into ESG investments. Their findings suggest that ESG-focused investments tended to be more resilient during the coronavirus downturn.	

Pfizer Inc

Sector: Healthcare	**Industry: Biotechnological & Pharmaceuticals**
Country: USA	
BRT signatory? No	
Alongside the donation of $40 million in medical and cash grants to governments and NGOs since the start of the pandemic, Pfizer is one of the lead firms developing a SARS-CoV-2 vaccine, publishing regular progress updates which are followed with interest by the world's media. Pfizer was the first biotech firm to roll out a sustainability bond worth $1.25 billion in March 2020. Proceeds from the bond will be used to increase the provision of medicines and vaccines to underserved populations around the world and manage the company's environmental impact. Pfizer displays a clearly visible mission and statement of purpose on the company website with SDG linked targets, including achieving universal health coverage and affordable access to medicines worldwide. Progress on sustainability targets is overseen by members of the firm's board through its Corporate Governance & Sustainability Committee. Pfizer is a key member of the roadmap to combat antimicrobial resistance (AMR), an initiative set up by the world's largest pharmaceutical companies. Pfizer has tracked key employee and supply chain performance metrics on a yearly basis since 2014. Metrics include the employee injury rate and the proportion of suppliers aligned to the pharmaceutical supply chain initiative.	

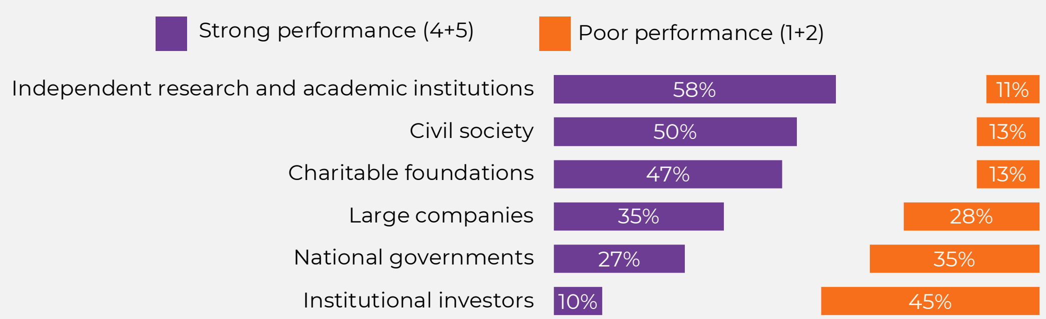
The Stakeholder View on COVID-19 and Inequality Performance

This section draws insights from a stakeholder survey conducted by GlobeScan in July-August 2020. For more information about the survey and who responded, see the Appendix.

Investors, national governments, and large companies are viewed as underperforming in their efforts to address current crises. 28% of stakeholders thought that large companies are performing poorly in addressing the COVID-19 crisis, while 35% said governments are doing poorly. Nearly half (45%) of the stakeholders surveyed thought institutional investors are performing poorly in addressing COVID-19. Instead, it has been academia, civil societies and charities that are considered to have shown strong performance to tackle present issues.

Performance of each institution's contribution to addressing COVID-19

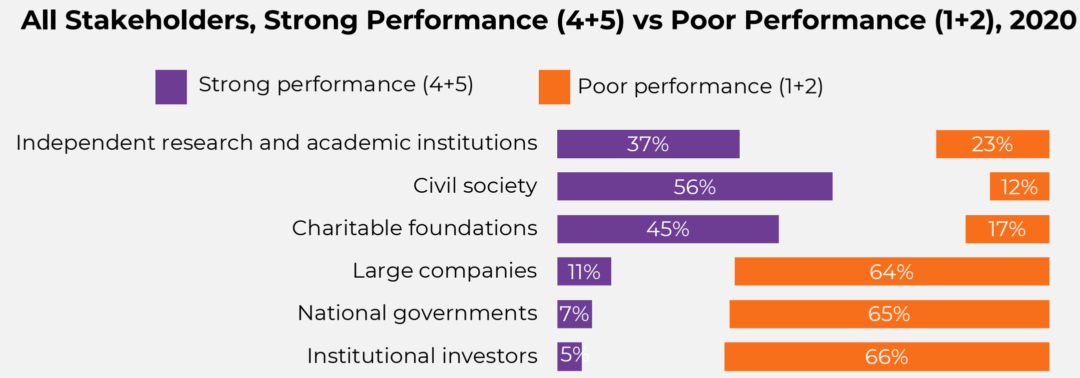
All Stakeholders, Strong Performance (4+5) vs Poor Performance (1+2), 2020



Q: How would you rate each of the following types of organizations in terms of their contribution to addressing the COVID-19 crisis?

When it comes to addressing inequality, only civil society is seen by the majority as having a strong performance. More than half of the stakeholders surveyed viewed institutional investors, national governments, and large companies as performing poorly in addressing inequality. Another striking finding was that less than half of respondents though charitable foundations – which are typically expected to fill in the gaps on social issues - are performing strongly in addressing inequality, while 17% thought they are performing poorly.

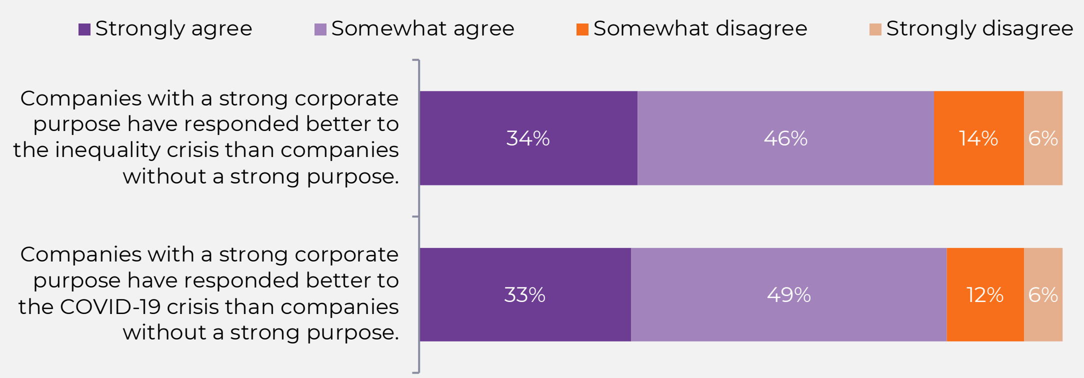
Performance of each institution's contribution to addressing inequality



Q: How would you rate each of the following types of organizations in terms of their contribution to addressing the inequality crisis?

At least eight in ten stakeholders agreed that companies with a strong corporate purpose are responding better to both the inequality and COVID-19 crises.

Perceptions of crisis response by companies with a strong purpose



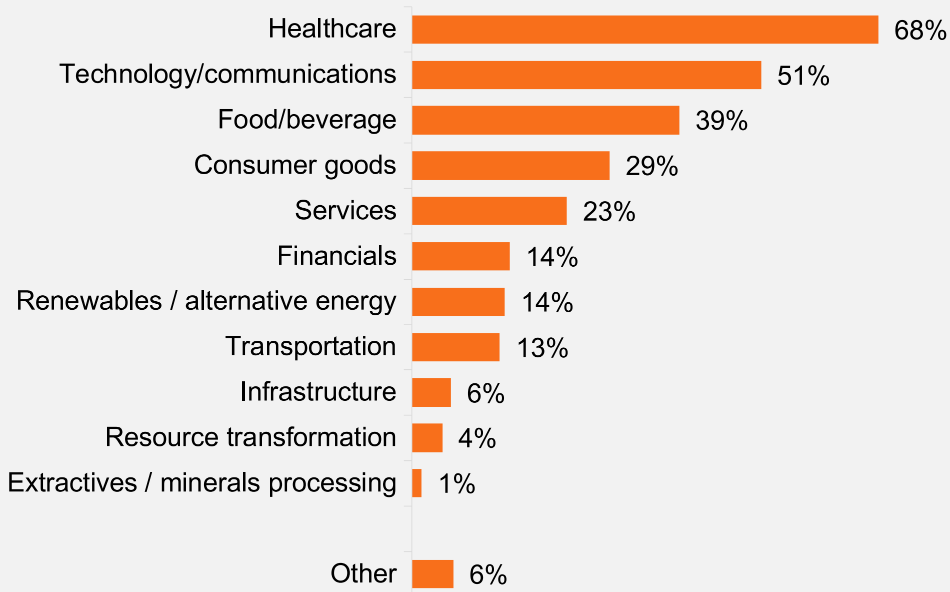
Q: For each of the following statements, please indicate if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree:

- *Companies with a strong corporate purpose have responded better to the COVID-19 crisis than companies without a strong purpose.*
- *Companies with a strong corporate purpose have responded better to the inequality crisis than companies without a strong purpose.*

Respondents identified the healthcare and technology/communications sectors as performing best in response to stakeholder needs.

Performance of sectors in responding to stakeholder needs during challenging times

Percentage of stakeholders selecting each sector, Multiple sectors allowed, 2020



Q: Which corporate sectors do you think have performed best in terms of being responsive to stakeholder needs throughout these challenging times? Please choose up to three sectors.

Call to Action

Based on our data-driven analysis of company performance, we recommend that companies take the following actions:

- **Track and disclose performance metrics related to your purpose and stakeholders –** The ability to quantify performance through clear metrics is critical for measuring progress against your purpose. Companies can start by identifying material issues that will be tracked over time, identifying quantifiable metrics that relate to these issues, and analyzing the performance trend.
- **Focus on understanding how your purpose drives value creation** – For instance, companies that protect their employees during a crisis can maintain high levels of employee engagement and productivity. Companies that focus on generating business solutions that address emerging social needs may experience greater innovation and identify new market opportunities that can drive revenue.
- **Embed purpose throughout your organization** – To be effective, every employee needs to know and drive forward your purpose. At the top of the organization, the board of directors should oversee the company's purpose and seek to institutionalize it through structures such as board level committees, corporate policies, and incentive systems. New employees should be made aware of the company's purpose, while middle managers should reinforce purpose and encourage teamwork to achieve strategic targets.
- **Communicate your purpose to shareholders** – Investor interest in how you perform against your purpose is higher than ever. Today, mainstream investors are integrating ESG data in the investment decision-making process, with companies ranked and assessed on a range of issues including diversity, employee health and safety, and data security measures. Companies should seek to understand which issues their investors deem material and proactively engage in dialogue on these issues.

Companies exist within a wider capital market ecosystem including a range of actors and institutions that can catalyze a purpose-driven economy. Real-world problems linked to the pandemic and global inequality, in addition to environmental issues such as carbon emissions and biodiversity loss, represent both major sources of economic risk and major sources of reward if we can solve them. Below are some groups that are key players in accelerating system change:

- **Asset owners –** Sitting at the top of the investment chain, asset owners have the power to allocate capital to sustainable investment opportunities. Asset owners can embed social targets alongside environmental goals within investment mandates and select asset managers based on how well they fulfill these targets. For instance, in recent years we have seen major asset owners stepping up to decarbonize their portfolios and requiring asset managers to integrate ESG issues in the investment process, activities which have had a ripple effect in the investment world.
- **Asset managers –** Asset managers have a critical role in embedding social data in their investment portfolios and engaging with companies on their performance. Asset

managers can voice their expectations to companies through a variety of channels including private dialogue, letters, and shareholder proposals that can push companies to disclose and perform better.

- **Data providers –** Data is powerful. In recent decades, the volume and quality of data on ESG issues has increased rapidly and mainstream investors have used the data to inform their decision-making and construct new and more sustainable financial products. Data providers can continue to increase the supply of meaningful information that responds to investor needs and generates greater insights on the social impact of companies. Leveraging technology and artificial intelligence to generate new signals from data is one promising area of future innovation.
- **Policy-makers** – A strong and effective policy landscape will complement and fast-track market progress on social issues. Policymakers must create rules and incentives that strengthen economic resilience and create an enabling environment for companies to pursue strategies that benefit society and drive a sustainable economy. One example is the EU Sustainable Finance Action Plan, which aims to reorient capital towards sustainable and inclusive growth opportunities.

Future Progress Areas

List of Relevant Initiatives to Watch

As the effort to transform corporate purpose advances, a range of initiatives are emerging to provide practical solutions and work collaboratively with businesses. Below, we have listed a selection of key organizations and initiatives to watch that are driving progress.

Aspen Institute

The Aspen Institute has earned a reputation for gathering diverse, nonpartisan thought leaders, creatives, scholars and members of the public to address some of the world's most complex problems. The institute is working on the Purpose project, which is a series of off-the-record and public dialogues among scholars, business leaders, and investors to explore this divergence and broaden thinking about the corporate objective function beyond shareholder wealth maximization.

B Lab

B Lab, a nonprofit that serves a global movement of people using business as a force for good, by requiring businesses to undergo an actual assessment of how significant a company's current impact is across social impact areas to receive the B Corp certification standard. It has also recently developed a Business & Worker Resource Center to COVID-19 providing guidance for businesses during this difficult time.

Capitals Coalition

The Capitals Coalition unites the Natural Capital Coalition and the Social & Human Capital Coalition to transform the way decisions are made by including the value provided by nature, people & society. The coalition hosts over 370 leading organizations to accelerate the use of capitals thinking and transform our understanding of value. The coalition uses a capitals approach to enable business, finance and governments to identify and measure the value of their dependencies and impacts on natural, social, human and produced capital.

CECP

The Chief Executives for Corporate Purpose (CECP) is a CEO-led coalition that believes that a company's social strategy — how it engages with key stakeholders including employees, communities, investors, and customers —determines company success. CECP helps companies transform their social strategy by providing customized connections and networking, counsel and support, benchmarking and trends, and awareness building and recognition.

Ceres

Ceres is a sustainability non-profit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Ceres has pioneered research on board oversight of sustainability and has recently launched the SEC Sustainability Disclosure Search, which provides data on companies tackling material risks and the opportunities they face from sustainability issues.

Corporate Human Rights Benchmarking Initiative

Corporate Human Rights Benchmark is a not for profit company created to publish and promote the Corporate Human Rights Benchmark. The Corporate Human Rights Benchmark is a unique collaboration led by investors and civil society organizations dedicated to creating the first open and public benchmark of corporate human rights performance.

Future Fit

Future-Fit Foundation is the non-profit developer, promoter and steward of the Future-Fit Business Benchmark that uses tools designed to help business leaders, investors and policy makers respond authentically and successfully to today's biggest challenges. The Future-Fit Business Benchmark is a strategic management tool that offers a holistic framing for companies and investors to assess, measure and manage all their social and environmental impacts.

High Meadows Institute

High Meadows Institute is a Boston-based think tank and policy institute focused on the role of business leadership in creating a sustainable society. The Business Leadership in Society (BLiS) Database profiles leading industry and civil initiatives working to set standards for responsible business and address Environmental, Social and Governance (ESG) issues. The database is designed to provide investors, business leaders and academics with easy access to information on initiatives relevant to their industry and material issues.

Human Rights Campaign

The Human Rights Campaign is the largest LGBTQ advocacy group and political lobbying organization in the United States. The Human Rights Campaign Foundation's Corporate Equality Index is the national benchmarking tool on corporate policies, practices and benefits pertinent to lesbian, gay, bisexual, transgender and queer employees.

Imperative 21

Imperative 21 is a business-led network of coalitions driving economic system change with the vision and mission to encourage leaders to act consistent with 21st century leadership principles; to shift the cultural narrative about the role of business and finance in society; and to realign incentives in a supportive policy environment. The six founding members of Imperative 21 – B Lab, B Team, CECP, Coalition for Inclusive Capitalism, Conscious Capitalism and JUST Capital – have been working independently for years to manifest a new vision of the economy that puts humanity at the center.

International Corporate Governance Network

The International Corporate Governance Network (ICGN) is an investor-led organization with the mission to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. ICGN has published a range of resources on corporate governance during COVID-19 19, for instance, Governance Priorities During the COVID-19 Pandemic and COVID-19 and Executive Remuneration outline the specific governance responsibilities of this time .

Investor Alliance for Human Rights

The Investor Alliance for Human Rights is a collective action platform for responsible investment focusing on the investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard-setting activities that push for robust business and human rights policies.

JUST Capital

JUST Capital is an independent organization that measures and ranks companies on the issues Americans care about to promote an economy that works for all Americans by helping companies improve how they serve all their stakeholders. JUST Capital has launched a range of initiatives capturing corporate purpose, for instance, the COVID-19 response tracker was recently released to rank and measure corporations' responsiveness to the pandemic.

Principles for Responsible Investment

The UN Principles for Responsible Investment (PRI) is an international organization that works to promote the incorporation of environmental, social, and corporate governance factors (ESG) into investment decision-making through the voluntary disclosure of relevant information by signatories. The UNPRI is in the process of developing a five-year programme for its signatories to ensure their investment processes incorporate human rights.

Rights CoLab

Rights CoLab advances human rights by fostering collaboration among experts across the fields of civil society, technology, business, and finance. The Ringo Project is a systems change initiative that seeks to transform global civil society and the INGO sector to respond to today's challenges both externally and internally.

SASB

SASB connects businesses and investors on the financial impacts of sustainability and establishes industry-specific standards for the recognition and disclosure of material environmental, social and governance impacts by public companies. Recently SASB released an article on Human Rights Management during COVID-19. Additionally, SASB has held webinars on *Sustainability During the COVID-19 Crisis* providing businesses with the necessary resources to navigate through these precarious times.

ShareAction

ShareAction is a charity focused on promoting an investment system that truly serves savers and communities and protects our environment for the long term. ShareAction launched the Workforce Disclosure Initiative to address the lack of transparency around workforce policies and practices in companies' direct operations and supply chain by creating a data set on publicly listed companies and covers freedom of association, human rights due diligence, diversity, pay ratios and more.

World Benchmarking Alliance

The World Benchmarking Alliance (WBA) seeks to generate a movement increasing the private sector's impact towards a sustainable future by developing transformative benchmarks for companies' performance on the SDGs. WBA has developed several projects as part of this effort such as the Social Transformation initiative to assess 2,000 global keystone companies on relevant social issues. WBA is also developing the Gender Benchmark, which assesses and compares how companies promote gender equality and women's empowerment across their entire value chain.

Appendix I – Company Rankings

Below we provide the quartile rankings of companies with sufficient data for us to create a COVID-19 Response Score and an Inequality Score. By taking the average of the two scores – which we refer to as the Total Score – we rank companies on their overall performance on the relevant social and human capital issues analyzed in the research. The rankings are quartiles (Q1 and Q4 indicating, respectively, top and bottom quartiles) based on the distribution of Total Scores as of July 17th, 2020. Company names are presented alphabetically within each quartile. Since the Truvalue Labs data underlying the rankings is dynamic and continuously changing, the rankings provided are best interpreted as a snapshot in time of the company's average performance on COVID-19 and inequality issues, not as a reflection of companies' absolute long-term performance. For example, some of the companies that were identified as early responders to the COVID-19 crisis between February 21st and March 23rd may fall to lower ranking quartiles in the table due to data changes, improved performance of other companies, or because of relatively inferior performance on inequality issues. Additionally, given that the Total Score is computed as the average of companies' COVID-19 and Inequality scores, in order to present a composite ranking, there may be instances where a company's exceptional performance on one issue is not visible due to relatively inferior performance in other areas. Specific instances where performance disclaimers apply are reported in the "Disclaimer" column. Overall, we observe a high degree of clustering of companies in the underlying scores, further reinforcing the fact that the table of rankings below does not reflect the absolute quality of a company's response to COVID-19 or performance on inequality, but rather the relative position of a company's Total Score compared to the rest of the analyzed sample. Companies falling in neighbouring quartiles could have a very similar underlying score and comparable practices on relevant human capital and social issues.

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
A. O. Smith Corp	Q1	
Accenture PLC	Q1	
Accor SA	Q1	
Adobe Inc	Q1	
Aegon NV	Q1	
Ageas SA	Q1	
Agilent Technologies Inc	Q1	
Air Products and Chemicals Inc	Q1	
Alexandria Real Estate Equities Inc	Q1	
Alfa Laval AB	Q1	
Allegion PLC	Q1	
Allstate Corp	Q1	
Amgen Inc	Q1	
Analog Devices Inc	Q1	
Anheuser Busch Inbev NV	Q1	
Aptiv PLC	Q1	
Assa Abloy AB	Q1	
Assicurazioni Generali SpA	Q1	
Autodesk Inc	Q1	
Automatic Data Processing Inc	Q1	
Avery Dennison Corp	Q1	
AXA SA	Q1	
Banco Bilbao Vizcaya Argentaria SA	Q1	
Bank of New York Mellon Corp	Q1	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Baxter International Inc	Q1	
Biogen Inc	Q1	
BNP Paribas SA	Q1	
Bristol-Myers Squibb Co	Q1	
Bureau Veritas SA	Q1	
Charles Schwab Corp	Q1	
Cigna Corp	Q1	
Cintas Corp	Q1	
Citizens Financial Group Inc	Q1	
Citrix Systems Inc	Q1	
CMS Energy Corp	Q1	
CNH Industrial NV	Q1	
Compagnie Generale des Etablissements Michelin SCA	Q1	
Compass Group PLC	Q1	
Diageo PLC	Q1	
DTE Energy Co	Q1	
Duke Realty Corp	Q1	
E.ON SE	Q1	
Eastman Chemical Co	Q1	
Eaton Corporation PLC	Q1	
Ecolab Inc	Q1	
Edison International	Q1	
EOG Resources Inc	Q1	
Equinix Inc	Q1	
Evergy Inc	Q1	
Evonik Industries AG	Q1	
Experian PLC	Q1	
Fiserv Inc	Q1	
FLIR Systems Inc	Q1	
FMC Corp	Q1	
Fortive Corp	Q1	
Garmin Ltd	Q1	
Gartner Inc	Q1	
General Mills Inc	Q1	
HanesBrands Inc	Q1	
Hewlett Packard Enterprise Co	Q1	
Hexagon AB	Q1	
Howmet Aerospace Inc	Q1	
Huntington Bancshares Inc	Q1	
Illumina Inc	Q1	
Interpublic Group of Companies Inc	Q1	
Intertek Group PLC	Q1	
Intuit Inc	Q1	
Invesco Ltd	Q1	
Iron Mountain Inc	Q1	
Jack Henry & Associates Inc	Q1	
Jacobs Engineering Group Inc	Q1	
Johnson Matthey PLC	Q1	
Juniper Networks Inc	Q1	
Kellogg Co	Q1	
KeyCorp	Q1	
Keysight Technologies Inc	Q1	
Kingfisher PLC	Q1	
Koninklijke DSM NV	Q1	
L3harris Technologies Inc	Q1	
Lam Research Corp	Q1	
Lincoln National Corp	Q1	
Linde PLC	Q1	
Loews Corp	Q1	
Mapfre SA	Q1	
Marks and Spencer Group PLC	Q1	
Mastercard Inc	Q1	
MetLife Inc	Q1	
Mylan NV	Q1	
NetApp Inc	Q1	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Nextera Energy Inc	Q1	
Nielsen Holdings PLC	Q1	
Northern Trust Corp	Q1	
Northrop Grumman Corp	Q1	
NortonLifeLock Inc	Q1	
Novartis AG	Q1	
Novo Nordisk A/S	Q1	
Owens Corning	Q1	
Paycom Software Inc	Q1	
Philip Morris International Inc	Q1	
Pinnacle West Capital Corp	Q1	
Pitney Bowes Inc	Q1	
Prudential Financial Inc	Q1	
Prudential PLC	Q1	
PVH Corp	Q1	
Ralph Lauren Corp	Q1	
Randstad NV	Q1	
Red Electrica Corporacion SA	Q1	
Regions Financial Corp	Q1	
Relx PLC	Q1	
Resmed Inc	Q1	
Rockwell Automation Inc	Q1	
Rollins Inc	Q1	
Salesforce.Com Inc	Q1	
SAP SE	Q1	
Schneider Electric SE	Q1	
Schroders PLC	Q1	
ServiceNow Inc	Q1	
SES SA	Q1	
Sherwin-Williams Co	Q1	
Skanska AB	Q1	
Societe Generale SA	Q1	
Standard Life Aberdeen PLC	Q1	
State Street Corp	Q1	
SVB Financial Group	Q1	
Swatch Group AG	Q1	
Swisscom AG	Q1	
Sysco Corp	Q1	
T. Rowe Price Group Inc	Q1	
Tapestry Inc	Q1	
TE Connectivity Ltd	Q1	
Telephone and Data Systems Inc	Q1	
Texas Instruments Inc	Q1	
Thales SA	Q1	
Thermo Fisher Scientific Inc	Q1	
Tractor Supply Co	Q1	
Trane Technologies PLC	Q1	
Vertex Pharmaceuticals Inc	Q1	
VF Corp	Q1	
Visa Inc	Q1	
Welltower Inc	Q1	
Westinghouse Air Brake Technologies Corp	Q1	
Willis Towers Watson PLC	Q1	
Xylem Inc	Q1	
Yara International ASA	Q1	
Zebra Technologies Corp	Q1	
3M Co	Q2	
Abb Ltd	Q2	
Adecco Group AG	Q2	
AES Corp	Q2	
Albemarle Corp	Q2	
Alliant Energy Corp	Q2	
Allianz SE	Q2	
Alpha Bank SA	Q2	
Alstom SA	Q2	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
American Express Co	Q2	
AMETEK Inc	Q2	
ANSYS Inc	Q2	
Anthem Inc	Q2	
Aon PLC	Q2	
Apartment Investment and Management Co	Q2	
Applied Materials Inc	Q2	
Arista Networks Inc	Q2	
Atlas Copco AB	Q2	
BAE Systems PLC	Q2	
Banco Santander SA	Q2	
Bank of Ireland Group PLC	Q2	
BHP Group PLC	Q2	
BlackRock Inc	Q2	
Booking Holdings Inc	Q2	
Boston Properties Inc	Q2	
Brenntag AG	Q2	
Broadridge Financial Solutions Inc	Q2	
BT Group PLC	Q2	
Burberry Group PLC	Q2	
Cabot Oil & Gas Corp	Q2	
Caixabank SA	Q2	
Capgemini SE	Q2	
Carmax Inc	Q2	
Ceconomy AG	Q2	
Celanese Corp	Q2	
Centrica PLC	Q2	
Centurylink Inc	Q2	
Cerner Corp	Q2	
Church & Dwight Co Inc	Q2	
Clorox Co	Q2	
CME Group Inc	Q2	
Coca Cola HBC AG	Q2	
ConocoPhillips	Q2	
Copart Inc	Q2	
Corning Inc	Q2	
Coty Inc	Q2	
Crown Castle International Corp	Q2	
Cummins Inc	Q2	
Daimler AG	Q2	
Dassault Systemes SE	Q2	
Deere & Co	Q2	
Dell Technologies Inc	Q2	
DexCom Inc	Q2	
Discover Financial Services	Q2	
Discovery Inc	Q2	
Dominion Energy Inc	Q2	
Dover Corp	Q2	
Dow Inc	Q2	
Dupont De Nemours Inc	Q2	
EDP Energias de Portugal SA	Q2	
Edwards Lifesciences Corp	Q2	
Enel SpA	Q2	
Engie SA	Q2	
Equinor ASA	Q2	
Erste Group Bank AG	Q2	
Eversource Energy	Q2	
Extra Space Storage Inc	Q2	
F5 Networks Inc	Q2	
First Republic Bank	Q2	
FirstEnergy Corp	Q2	
Fleetcor Technologies Inc	Q2	
Fresenius Medical Care AG & Co KGaA	Q2	
General Dynamics Corp	Q2	
General Motors Co	Q2	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Genuine Parts Co	Q2	
Hannover Rueck SE	Q2	
Hargreaves Lansdown PLC	Q2	
Healthpeak Properties Inc	Q2	
Henkel AG & Co KgaA	Q2	
Henry Schein Inc	Q2	
Hugo Boss AG	Q2	
Humana Inc	Q2	
Huntington Ingalls Industries Inc	Q2	
Iberdrola SA	Q2	
IHS Markit Ltd	Q2	
Illinois Tool Works Inc	Q2	
Infineon Technologies AG	Q2	
Ingersoll Rand Inc	Q2	
International Business Machines Corp	Q2	
Intesa Sanpaolo SpA	Q2	
Intuitive Surgical Inc	Q2	
Investor AB	Q2	
IPG Photonics Corp	Q2	
J M Smucker Co	Q2	
Johnson Controls Inc	Q2	
Johnson Controls International PLC	Q2	
Klepierre SA	Q2	
Kohls Corp	Q2	
Kone Oyj	Q2	
Koninklijke Ahold Delhaize NV	Q2	
Koninklijke Philips NV	Q2	
Kroger Co	Q2	
Air Liquide S.A.	Q2	
Legrand SA	Q2	
Lennar Corp	Q2	
L'Oreal SA	Q2	
Lowe`s Companies Inc	Q2	
LVMH Moet Hennessy Louis Vuitton SE	Q2	
LyondellBasell Industries NV	Q2	
M&T Bank Corp	Q2	
MAN SE	Q2	
Marathon Oil Corp	Q2	
Marsh & McLennan Companies Inc	Q2	
Medtronic PLC	Q2	
Merck & Co Inc	Q2	
Merck KGaA	Q2	
Motorola Solutions Inc	Q2	
MSCI Inc	Q2	
Munich Re Group	Q2	
Natwest Group PLC	Q2	
Nokia Oyj	Q2	
Nordea Bank Abp	Q2	
NVIDIA Corp	Q2	
Oracle Corp	Q2	
Parker-Hannifin Corp	Q2	
Paychex Inc	Q2	
Pentair PLC	Q2	
PepsiCo Inc	Q2	
Pernod Ricard SA	Q2	
Pfizer Inc	Q2	
PPG Industries Inc	Q2	
Procter & Gamble Co	Q2	
Prologis Inc	Q2	
Proximus NV	Q2	
Publicis Groupe SA	Q2	
Qualcomm Inc	Q2	
Raiffeisen Bank International AG	Q2	
Raytheon Co	Q2	
Raytheon Technologies Corp	Q2	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Roche Holding AG	Q2	
Roper Technologies Inc	Q2	
RTL Group SA	Q2	
RWE AG	Q2	
S&P Global Inc	Q2	
Safran SA	Q2	
Sanofi SA	Q2	
Sempra Energy	Q2	
SGS SA	Q2	
Siemens AG	Q2	
Skandinaviska Enskilda Banken AB	Q2	
Solvay SA	Q2	
Southern Co	Q2	
Svenska Cellulosa SCA AB	Q2	
Svenska Handelsbanken AB	Q2	
Swiss Re AG	Q2	
Telefonaktiebolaget LM Ericsson	Q2	
Telefonica SA	Q2	
Telia Company AB	Q2	
Textron Inc	Q2	
TransDigm Group Inc	Q2	
Tyler Technologies Inc	Q2	
Ucb SA	Q2	
UniCredit SpA	Q2	
United Rentals Inc	Q2	
Varian Medical Systems Inc	Q2	
Ventas Inc	Q2	
Verisign Inc	Q2	
Vistra Corp	Q2	
Vodafone Group PLC	Q2	
Western Union Co	Q2	
Xcel Energy Inc	Q2	
Zions Bancorporation NA	Q2	
AB SKF	Q3	
Abbvie Inc	Q3	
Activision Blizzard Inc	Q3	
AECOM	Q3	
Aflac Inc	Q3	
Airbus SE	Q3	
Alaska Air Group Inc	Q3	
Allergan Inc	Q3	
Ameren Corp	Q3	
Ameriprise Financial Inc	Q3	
Amphenol Corp	Q3	
Aramark	Q3	
ArcelorMittal SA	Q3	
Archer-Daniels-Midland Co	Q3	
Assurant Inc	Q3	
AstraZeneca PLC	Q3	
Avalonbay Communities Inc	Q3	
Banco de Sabadell SA	Q3	
Bankia SA	Q3	
Barclays PLC	Q3	
BASF SE	Q3	
Bayer AG	Q3	
Bayerische Motoren Werke AG	Q3	
Beiersdorf AG	Q3	
Best Buy Co Inc	Q3	
Boston Scientific Corp	Q3	
British Land Company PLC	Q3	*COVID-19 Early Responder*
Cadence Design Systems Inc	Q3	
Capita PLC	Q3	
Capital One Financial Corp	Q3	
Carnival Corp	Q3	
Carnival PLC	Q3	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Carrefour SA	Q3	
Centene Corp	Q3	*COVID-19 Early Responder & COVID-19 Quartile 2*
CF Industries Holdings Inc	Q3	
Charter Communications Inc	Q3	
Chevron Corp	Q3	
Chipotle Mexican Grill Inc	Q3	
Christian Dior SE	Q3	
Cisco Systems Inc	Q3	
Citigroup Inc	Q3	
CNP Assurances SA	Q3	
Coca-Cola Co	Q3	
Compagnie de Saint Gobain SA	Q3	
Costco Wholesale Corp	Q3	
Credit Agricole SA	Q3	
CSX Corp	Q3	
CVS Health Corp	Q3	
Danone SA	Q3	
Danske Bank A/S	Q3	
Deutsche Lufthansa AG	Q3	
Deutsche Post AG	Q3	
Deutsche Telekom AG	Q3	
Dollar General Corp	Q3	
Electronic Arts Inc	Q3	
Eli Lilly and Co	Q3	
Endesa SA	Q3	
Equity Residential	Q3	
Estee Lauder Companies Inc	Q3	
Exelon Corp	Q3	
Expedia Group Inc	Q3	
Fastenal Co	Q3	*COVID-19 Early Responder & COVID-19 Quartile 1*
Federal Realty Investment Trust	Q3	
Fifth Third Bancorp	Q3	
Fortinet Inc	Q3	
Gap Inc	Q3	
General Electric Co	Q3	
Gjensidige Forsikring ASA	Q3	
GlaxoSmithKline PLC	Q3	
Glencore PLC	Q3	
Globe Life Inc	Q3	
Goldman Sachs Group Inc	Q3	
Grifols SA	Q3	
Heineken Holding NV	Q3	
Heineken NV	Q3	
HP Inc	Q3	
HSBC Holdings PLC	Q3	
IDEX Corp	Q3	
Intel Corp	Q3	
J B Hunt Transport Services Inc	Q3	*COVID-19 Early Responder & COVID-19 Quartile 2*
J Sainsbury PLC	Q3	
Jeronimo Martins SGPS SA	Q3	
Johnson & Johnson	Q3	
JPMorgan Chase & Co	Q3	
KBC Groep NV	Q3	
Kinder Morgan Inc	Q3	
Kraft Heinz Co	Q3	
Laboratory Corporation of America Holdings	Q3	
Legal & General Group PLC	Q3	
Leidos Holdings Inc	Q3	
Live Nation Entertainment Inc	Q3	
Lloyds Banking Group PLC	Q3	
Macy's Inc	Q3	
Marathon Petroleum Corp	Q3	
Marketaxess Holdings Inc	Q3	
Marriott International Inc	Q3	
MGM Resorts International	Q3	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Microchip Technology Inc	Q3	
Microsoft Corp	Q3	
Mid-America Apartment Communities Inc	Q3	*COVID-19 - Quartile 2*
Moelis & Co	Q3	
Mondelez International Inc	Q3	
National Bank of Greece SA	Q3	
Natixis SA	Q3	*Inequality - Quartile 1*
Nestle SA	Q3	
NRG Energy Inc	Q3	
Occidental Petroleum Corp	Q3	
Omnicom Group Inc	Q3	
OMV AG	Q3	
Paccar Inc	Q3	
PayPal Holdings Inc	Q3	
Pearson PLC	Q3	
PerkinElmer Inc	Q3	
Pioneer Natural Resources Co	Q3	
Piraeus Bank SA	Q3	
PNC Financial Services Group Inc	Q3	
PPL Corp	Q3	
Progressive Corp	Q3	*Inequality - Quartile 2*
Prosiebensat 1 Media SE	Q3	
Public Service Enterprise Group Inc	Q3	
Qorvo Inc	Q3	
Realty Income Corp	Q3	
Regency Centers Corp	Q3	
Regeneron Pharmaceuticals Inc	Q3	
Renault SA	Q3	
Repsol SA	Q3	
Ross Stores Inc	Q3	
Royal Dutch Shell PLC	Q3	
Sandvik AB	Q3	
Sodexo SA	Q3	
SSE PLC	Q3	
Standard Chartered PLC	Q3	
Stanley Black & Decker Inc	Q3	
Starbucks Corp	Q3	
Steris plc	Q3	
Stryker Corp	Q3	
Swedbank AB	Q3	
Take-Two Interactive Software Inc	Q3	
Target Corp	Q3	*Inequality - Quartile 2*
Teledyne Technologies Inc	Q3	
Terna Rete Elettrica Nazionale SpA	Q3	
Thyssenkrupp AG	Q3	
T-Mobile US Inc	Q3	
Total SE	Q3	
Truist Financial Corp	Q3	
U.S. Bancorp	Q3	
UDR Inc	Q3	
Ulta Beauty Inc	Q3	
Unibail-Rodamco-Westfield SE	Q3	
Unilever PLC	Q3	
United Airlines Holdings Inc	Q3	*COVID-19 - Quartile 2*
United Airlines Inc	Q3	
United Parcel Service Inc	Q3	
Veolia Environnement SA	Q3	
Verizon Communications Inc	Q3	
Vivendi SA	Q3	
Volkswagen AG	Q3	
Volvo AB	Q3	
W W Grainger Inc	Q3	*Inequality - Quartile 2*
Walgreens Boots Alliance Inc	Q3	
Wartsila Oyj Abp	Q3	
Weir Group PLC	Q3	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Whitbread PLC	Q3	
WPP PLC	Q3	
Xerox Holdings Corp	Q3	
Xilinx Inc	Q3	
Yum! Brands Inc	Q3	
Abbott Laboratories	Q4	
Adidas AG	Q4	*COVID-19 Early Responder*
Advance Auto Parts Inc	Q4	*Inequality - Quartile 2*
Advanced Micro Devices Inc	Q4	
Aeroports de Paris SA	Q4	
Alexion Pharmaceuticals Inc	Q4	
Alphabet Inc	Q4	
Altria Group Inc	Q4	
Amazon.com Inc	Q4	
American Airlines Group Inc	Q4	
American International Group Inc	Q4	
American Tower Corp	Q4	*COVID-19 Early Responder & COVID-19 Quartile 1*
Anglo American PLC	Q4	
Antofagasta PLC	Q4	
Apache Corp	Q4	
Apple Inc	Q4	
Arthur J Gallagher & Co	Q4	
AT&T Inc	Q4	
Autozone Inc	Q4	
Bank of America Corp	Q4	
Becton Dickinson and Co	Q4	
Berkshire Hathaway Inc	Q4	
Bio Rad Laboratories Inc	Q4	
Boeing Co	Q4	
Bollore SE	Q4	
Bouygues SA	Q4	
BP PLC	Q4	
Broadcom Inc	Q4	
Campbell Soup Co	Q4	
Cardinal Health Inc	Q4	
Caterpillar Inc	Q4	
CenterPoint Energy Inc	Q4	
CH Robinson Worldwide Inc	Q4	
Chocoladefabriken Lindt & Spruengli AG	Q4	
Chubb Corp	Q4	
Chubb Ltd	Q4	
Cincinnati Financial Corp	Q4	
Cognizant Technology Solutions Corp	Q4	
Colgate-Palmolive Co	Q4	
Comcast Corp	Q4	
Commerzbank AG	Q4	
Conagra Brands Inc	Q4	
Consolidated Edison Inc	Q4	
Credit Suisse Group AG	Q4	
Danaher Corp	Q4	
Darden Restaurants Inc	Q4	
Delta Air Lines Inc	Q4	
Deutsche Bank AG	Q4	
DISH Network Corp	Q4	
Dollar Tree Inc	Q4	
Domino's Pizza Inc	Q4	
Duke Energy Corp	Q4	
DXC Technology Co	Q4	
Easyjet PLC	Q4	
eBay Inc	Q4	
Electricite de France SA	Q4	
Emerson Electric Co	Q4	
Entergy Corp	Q4	
Equifax Inc	Q4	
Exxon Mobil Corp	Q4	

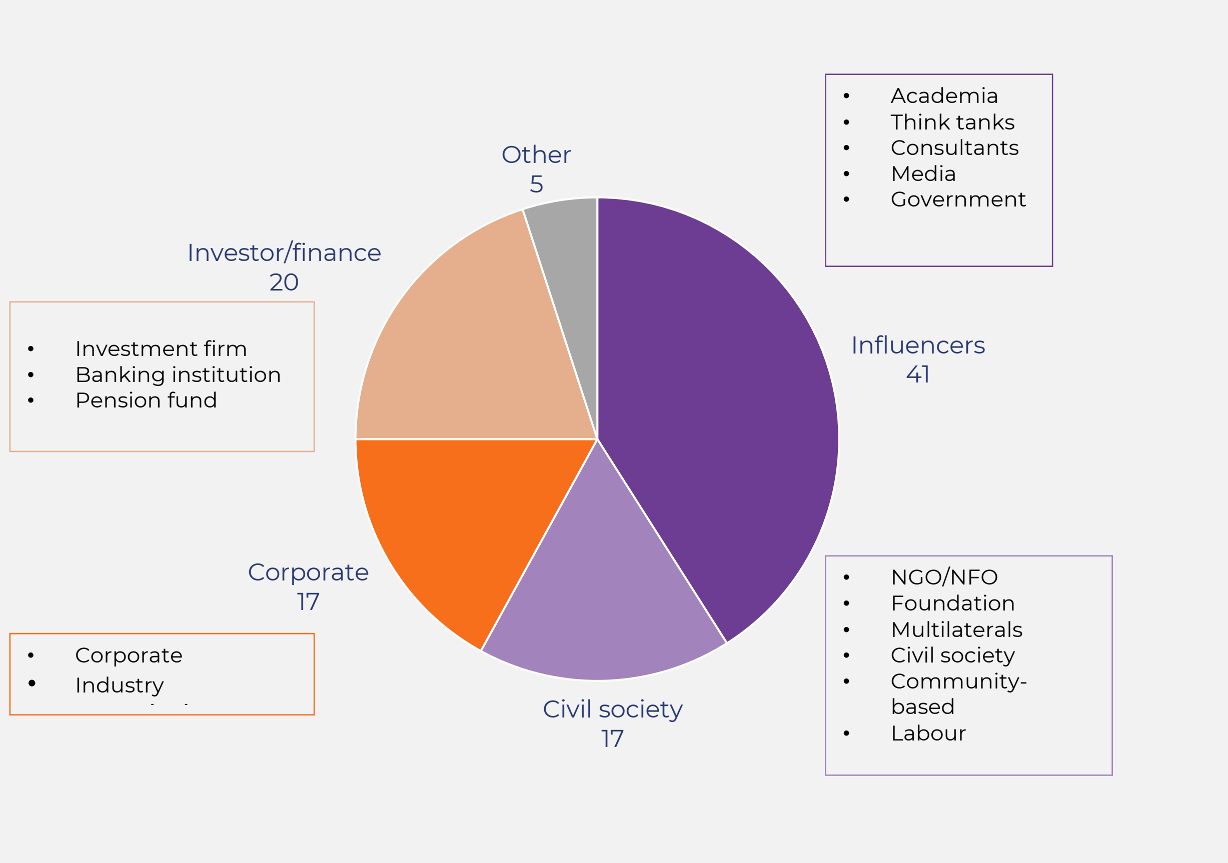
Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Facebook Inc	Q4	
FedEx Corp	Q4	
Ferguson PLC	Q4	*COVID-19 - Quartile 2*
Fiat Chrysler Automobiles NV	Q4	
Ford Motor Co	Q4	
Fox Corp	Q4	
Franklin Resources Inc	Q4	
Galp Energia SGPS SA	Q4	
Gilead Sciences Inc	Q4	
H & M Hennes & Mauritz AB	Q4	
H & R Block Inc	Q4	
Halliburton Co	Q4	
Hartford Financial Services Group Inc	Q4	
Hasbro Inc	Q4	
Hershey Co	Q4	
Hilton Worldwide Holdings Inc	Q4	
Home Depot Inc	Q4	
Honeywell International Inc	Q4	
Industria de Diseno Textil SA	Q4	
InterContinental Hotels Group PLC	Q4	
International Consolidated Airlines Group SA	Q4	
International Paper Co	Q4	
IQVIA Holdings Inc	Q4	*Inequality - Quartile 2*
ITV PLC	Q4	
Julius Baer Gruppe AG	Q4	
Kering SA	Q4	
L Brands Inc	Q4	
Las Vegas Sands Corp	Q4	
LKQ Corp	Q4	
Lockheed Martin Corp	Q4	
Mallinckrodt PLC	Q4	
Mcdonald's Corp	Q4	
Mckesson Corp	Q4	
Micron Technology Inc	Q4	
Monster Beverage Corp	Q4	
Morgan Stanley	Q4	
National Grid PLC	Q4	
Netflix Inc	Q4	
News Corp	Q4	
Nike Inc	Q4	
Noble Energy Inc	Q4	
Norfolk Southern Corp	Q4	
Nucor Corp	Q4	
Old Dominion Freight Line Inc	Q4	*COVID-19 - Quartile 2*
Orange SA	Q4	*Inequality - Quartile 2*
O'Reilly Automotive Inc	Q4	
People's United Financial Inc	Q4	*Inequality - Quartile 2*
Porsche Automobil Holding SE	Q4	
Public Storage	Q4	
Raymond James Financial Inc	Q4	
Reckitt Benckiser Group PLC	Q4	
Royal Caribbean Cruises Ltd	Q4	
Ryanair Holdings PLC	Q4	
Saipem SpA	Q4	
Seagate Technology PLC	Q4	
Simon Property Group Inc	Q4	
SL Green Realty Corp	Q4	
Southwest Airlines Co	Q4	
Synchrony Financial	Q4	
Telecom Italia SpA	Q4	
Telenor ASA	Q4	
Tesco PLC	Q4	
Tiffany & Co	Q4	
TJX Companies Inc	Q4	
Tullow Oil PLC	Q4	

Company Name	Total Score Ranking - Quartile (as of July 17th)	Disclaimer
Twitter Inc	Q4	
Tyson Foods Inc	Q4	
Under Armour Inc	Q4	*COVID-19 Early Responder*
ViacomCBS Inc	Q4	
Vornado Realty Trust	Q4	
Walmart Inc	Q4	
Walt Disney Co	Q4	
Wells Fargo & Co	Q4	
Western Digital Corp	Q4	
Wynn Resorts Ltd	Q4	

Appendix II – About the GlobeScan Survey

In collaboration with TCP, GlobeScan designed and conducted a multi-stakeholder survey to gather opinions on corporate response to the COVID-19 pandemic and social inequality around the world. The survey was conducted from the 17th of July to the 14th of August, and responses were gathered from 53 countries. Through 10-minute consultations, the survey gathered 561 responses across stakeholders such as investors, corporates, civil society, influencers and academics. A further breakdown of respondents can be seen in the figure below.

Breakdown of respondents by stakeholder type



Q: Which of the following best describes the sector where you work?

Appendix III – Expert Perspectives on TCP

Stakeholder Capitalism Check: Have We Accounted for *All* Stakeholders?

by Joanne Bauer, CoFounder, Rights CoLab

The August 2019 stakeholder capitalism manifesto of the Business Roundtable has been widely criticized as all talk and no action. While we may not see many concrete changes in corporate conduct yet, the Business Roundtable statement is a manifestation of real attitudinal shifts among consumers, millennial and Gen Z job seekers, and, yes, even shareholders, which will drive significant corporate governance reforms in the near future. The fallout from the COVID-19 pandemic has only reinforced the necessity of these reforms.

But there is another cause for caution about the revolutionary potential of "stakeholder capitalism." Is the shiny brass ring of a new capitalism that we are reaching for looking out for *all* stakeholders -- or only some?

This is just another expression of an inherent problem with the concept of corporate social responsibility, a problem that also applies to "ESG investing" – who decides what responsibility entails? When there are no clear standards, even if it is citizens rather than businesses who decide, we are left only with what can be called "discretionary CSR."

It was this "business decides, anything goes" version of CSR that gave rise in the 1990s to the call for mandatory standards. The field of business and human rights (BHR) was born in response, pointing to international human rights law as the hard benchmark against which corporate conduct should be assessed. In contrast to CSR, which focuses on the benevolent intentions of the corporation, the BHR corrective trained our attention on the impact of corporate conduct on vulnerable people and communities – the neglected stakeholders of CSR.

The danger inherent in the emerging stakeholder capitalism debate is that they remain neglected stakeholders. This is not a problem that can be fixed by civil regulation, which takes place in ways that favor consumers with purchasing power and employees who have a voice, at the expense of politically and economically marginalized members of society. The hazard of civic regulation is that it replicates the inequities within society so that the results will skew away from the interests of those affected.

If stakeholder capitalism is to redress systemic racism and structural economic inequality, it must get its stakeholders right. It must attend to the rights of the most vulnerable people, who are most impacted by each corporation's business activities, especially in times of crises.

The TCP project has made a start on this project by teaming up with the big ESG data provider, TruValue Labs (TVL). TVL distinguishes itself from the growing marketplace of ESG information providers by purveying “alternative data” that capture signals of “sentiment” – in other words, data derived through natural language processing and machine learning processing of written sources generated by civil society, including social media and NGO reports. In this way, TVL offers a corrective to a CSR ecosystem that has long relied solely on corporate self-reporting.

But for a project focused on reducing inequality, it is essential to ask: Do the sources upon which TVL relies capture the experience of the right stakeholders and capture it fully? Do these sources fully reflect the experiences of child laborers in the agricultural fields in the U.S., or workers in the factories in Bangladesh, Vietnam, and Cambodia supplying the big brands? Do they tell us about communities displaced by a mining project in Guinea that supplies bauxite to the companies that make our cars and soda cans?

Sometimes they do. Abuses may be brought to light through civil society organization (CSO) reports that data science can then pick up. But extremely sensitive issues, such as land rights or abusive working conditions of migrant laborers, often do not appear in media or CSO reports because the victims are afraid or unable to report, or because advocates who know the facts must proceed carefully, knowing that publicity can bring further harm to the community or the worker. As a result, investors often receive only spotty or outdated information.

There is no easy fix for this hole in our data, but we must expand our efforts to redress it. To avoid replicating societal inequities in our efforts to revise the role of corporations in society, investors, corporations, and data providers must bring more human rights expertise in house and engage meaningfully with human rights defenders who have access to the facts.

The Work that Lies Ahead: Data on Racial Equity

by Margot Brandenburg, Senior Program Officer, Mission Investments, Ford Foundation

We increasingly hear business leaders, investors and politicians talk about the need for "stakeholder capitalism," but it is often invoked in very general terms. The TCP project provides a unique and fascinating set of data that seeks to measure the performance of large companies vis-à-vis their stakeholders. TCP is a moment in time snapshot, but it captures company behavior at arguably the most critical moment we've lived through in decades. Among other things, TCP found that BRT signatories were no more likely than other companies to create value for their stakeholders.

It is encouraging, but not surprising, that both the GlobeScan stakeholder opinion poll and the TVL sentiment analysis of corporate performance placed significant weight on issues of racial equity. Indicators of inequality, including racial inequality, were ranked the second most important indicator by poll respondents, after worker health and safety. TVL's analysis similarly treated inequality as a major stress test for companies. If issues of racial equity were not top of mind for companies and investors before the mass protests that followed the murders of George Floyd and Breonna Taylor, they are now.

And indeed, over the past few months we've seen promising examples of companies trying to lead – or at least do better – on issues of race. PayPal committed to invest $530M in Black and minority businesses and communities; State Street Global Advisors issued a strong statement promising to triple its Black and Latinx leadership, among other commitments; AirBnB worked with Color of Change to undertake a civil rights audit and make ensuing improvements – the list of commitments is long and varied. But how can we move past press releases and anecdotes toward a more comprehensive and meaningful assessment of companies' performance on issues of racial equity? How can we benchmark companies against their peers, and understand whether we are making progress?

Unfortunately, data on race is almost entirely absent from most ESG data sets, making holistic or comparative analysis difficult. The best data we have is on public company directors, and it is very sobering – 37% of S&P 500 companies, for example, have no Black directors. Even those data, however, are not available in a comprehensive or accessible database. No other demographic data, which companies are required to report to regulators, are required to be publicly disclosed. As a result, only 4% of Russell 1000 companies share detailed data on their workers' gender and race. One ESG data expert told me they would have to manually examine the LinkedIn profiles of individual company executives in order to guess at and quantify the percentage of Fortune 500 executives who are Black or Latinx. In an era of big data, that is insane. Even the Sustainability Standards Accounting Board (SASB), increasingly the go-to standard for disclosure of sustainability issues, only considers data on race and gender to be financially material in 12 out of 77 industries.

And demographic data is only the tip of the iceberg when it comes to companies' performance on racial equity. We know that Black and Latinx people are disproportionately represented among frontline workers, so a company's wages, benefits, profit-sharing and related policies are important parts of how it performs on racial equity. The ways it manages suppliers, protects customers, engages in campaign finance and lobbying, and makes other sector-specific business decisions are also critical components of its racial equity profile. Unfortunately, none of these data are yet available.

The TCP project brings important new data to bear on the conversation about stakeholder capitalism. It also highlights critical gaps in our understanding and points toward the work that lies ahead if companies are to fulfill their promise to all of their stakeholders.

Stakeholder Capitalism Calls for Focused Accountability

by Nili Gilbert, Co-Founder and Portfolio Manager, Matarin Capital

2020's "triple threat" of a global pandemic, economic crisis and widening inequity has raised the bar on demands for corporations to play a broader role in addressing societal needs. Modern companies are increasingly asked to take account of their relationships with groups beyond their shareholders, with a focus on stakeholders such as employees, customers, communities, and partners in the supply chain and the natural world. Some corporations have heard this call. Perhaps most notably, BRT members issues their statement of corporate purpose, but some are unconvinced by this statement.

Milton Friedman's shareholder primacy article raised the concern that corporate directors and managers might merely claim to be pursuing stakeholder value as a way of camouflaging the fact that they are only pursuing their own best interests. A similar concern over agency risk was raised in an open letter from the Council of Institutional Investors, an influential group of large shareowners, released the day after the BRT's historic 2019 pledge: "Accountability to everyone means accountability to no one."

The question raised in these debates is whether corporations will genuinely be able to focus on a broader range of beneficiaries, and 2020's complex circumstances elevate this question. Can leaders be genuinely successful in seeking to serve on multiple fronts – responding to issues such as the COVID-19 pandemic and social justice and to the needs of multiple stakeholders, all in tandem?

(TCP was organized to answer just this question. The GlobeScan survey results reveal that this sort of strategic multitasking, advancing on multiple fronts, is exactly what is expected of businesses today, with 85% of stakeholders disagreeing with Friedman's assertion that "the sole purpose of business is to increase profit." TCP's research reveals that only one in eight stakeholders feel companies are actually "walking the talk" in line with their lofty communications about stakeholder needs. Perhaps what is more surprising is TCP's finding that U.S. BRT signatories are viewed to have performed no better on COVID-19-related response than the average company, and little better on inequality. These companies have made a formal statement of corporate purpose to serve a broad group of stakeholders, but the stakeholders aren't seeing the evidence of that intention in real results.

The critique that stakeholder capitalism may place corporations in an impossible position of seeking to serve too many masters represents a misperception of the goals of this movement. Robert Eccles and Timothy Youmans, experts in integrated corporate reporting and materiality, are leaders of the Statement of Purpose initiative, which asserts that successful intention-setting for purposeful corporations is all about making clear choices among stakeholders – not trying to serve them all. Eccles has said that Statements of Purpose specifically ask that "the board declare what limited number of audiences it perceives to be important." In this sense, purposeful corporations are very clear about which stakeholders they intend to serve, and how. Corporate purpose is not about making blanket platitudes or promising the world to all parties.

2020's "triple threat" has brought a rising call for systemic change. The reality is that public health, equality, prosperity, and many other ideals to which we aspire all depend on one another. So today, the skill of being able to understand interconnected systems and make focused choices – systems thinking – has become critical for success. This is what stakeholder capitalism and corporate purpose are all about. In essence, stakeholder capitalism merely asks business leaders to see and engage with the complex, challenging and interdependent world as it really is, and to plan accordingly.

Fit for (Corporate) Purpose? Analyzing ESG issues in a fast-moving world

by Thomas Kuh, Head of Index, Truvalue Labs

Is the BRT rhetoric is backed up by deeds? Will it make a difference?

COVID-19 and its aftermath exposed deep-seated problems of racial inequality. TCP was designed to evaluate how companies responded to these epochal events. To analyze company behavior, the project required current information on fast-moving events. TCP relied on Truvalue Labs' technology-based ESG analysis for timely analysis of material issues related to COVID-19 and inequality.

Shareholder Value

Over the past 50 years, globalization of trade and finance and government deregulation have contributed to corporations becoming increasingly powerful – institutions with global reach in a world governed by nation states. In the realm of finance, these developments coincided with the rise of shareholder capitalism, with its singular focus on maximizing shareholder value.

This worldview is expressed in Friedman's 1970 article. More polemic than economic analysis, Friedman's manifesto was a response to nascent shareholder activism. Campaign GM submitted proxy proposals aimed at creating accountability by adding directors representing external stakeholders and creating a shareholder committee on corporate responsibility. This proxy battle inaugurated shareholder engagement, today a core ESG strategy. It also provoked a backlash.

In the article, Friedman counterposed the interests of shareholders with those of society: "The use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society." Ultimately, "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game..."

Friedman is silent about who gets to play, who sets the rules and who referees the "game." The argument is rooted in the fantasy world of perfectly competitive markets – free from market failure caused by externalities and corporate capture of the political process – where outcomes magically reward all participants fairly.

This paradigm has contributed to the financialization of the economy, widening unequal distributions of wealth and income, a narrow definition of fiduciary duty and a myopic focus on short-term results by corporate management. It comes at the expense of long-term investment decisions, ignores externalities, and discounts the impacts of today's actions on the quality of life of future generations.

Milton's Paradise Lost: Corporate Purpose and Stakeholder Value

Stakeholder capitalism is the counterpoint to shareholder primacy. After 50 years of shareholder capitalism, with the convergence of climate change, a pandemic and systemic inequality, it is inadequate for resolving fundamental challenges. Indeed, it is part of the problem.

In recent years, Robert Eccles and others have advocated to make *corporate purpose* the basis for integrating the interests of corporate stakeholders alongside those of shareholders. A recent publication provides guidance for boards to "put purpose *intent* into *practice*, demonstrating how purpose informs strategic choices and delivers value for a range of stakeholders."

The premise is that the "the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems." Purpose is existential – defining *why* a corporation exists – preceding the articulation of values, mission and vision. It also drives the formulation of strategy, not *vice versa*. This view has credence in Europe but has been anathema in the U.S. until recently.

ESG Research: The linchpin between companies and investors

ESG investors seek accountability on sustainability issues at companies in their portfolios. ESG research is the connective tissue in this process, providing information and analysis linking corporate behavior with sustainability objectives. Connecting the dots on behavior, impact and investment effectively incorporates the interests of other stakeholders into shareholder capitalism.

With ESG-related data growing exponentially, AI is an essential tool for understanding what is happening at companies, which issues matter most, and why. Technology-driven ESG research measures stakeholder perspectives in real time to form a current view of the sustainability profile of a company derived from its digital footprint. In contrast, traditional ESG analysts operate with time lags ranging from weeks for event analysis to a year (or more) for ratings. A large team of analysts would need months to review the 115,000+ sources Truvalue Labs monitors daily.

Surging demand for ESG investment has focused attention on the lack of currency and salience in traditional ESG research. Today, technology is a prerequisite for tracking and analyzing ESG issues. The TCP project substantiates that Truvalue Labs' AI-driven ESG research is fit for purpose in our fast-moving, data-rich world.

Reimagining Fiduciary Duty: Why Institutional Investors Should Strategically Engage on Corporate Purpose to Mitigate Systemic Risk

by Bhakti Mirchandani, Director of Responsible Investing, Trinity Church Wall Street

The COVID-19 pandemic continues to destroy American lives and livelihoods. More than 6.5 million Americans have been infected, more than 195,000 have died, and more than 40 million filed for unemployment in May, with the recovery slowing. University of Virginia researchers estimate the private cost of an individual infection to be $80k and the true social cost to be more than three times higher. The pandemic and widening inequality have long-term implications for stakeholder capitalism.

Within a year of the BRT statement, the public health and economic crises have been testing these commitments. The TCP's finding that companies with consistent and positive track records of effectively managing issues relevant to COVID-19 or inequality have continued the outperformance during the crisis makes sense. Prioritizing worker health and safety and customer access and affordability are like muscles—strengthened by exercise.

The pandemic demonstrates why institutional investors must go beyond security selection and portfolio construction to optimize risk-adjusted returns. Investors must also consider the systemic risk that lack of health insurance, sick leave, and consistent employment create. 27.5 million Americans are uninsured and may avoid medical attention because they cannot afford it. Increasing unemployment can create a downward spiral as the unemployed reduce expenses. By mitigating these systemic risks, sustainable investing can enhance risk-adjusted returns beyond what diversification alone offers. One might argue that the duty of care includes considering sustainability. ESG fund outperformance during the pandemic is a case in point.

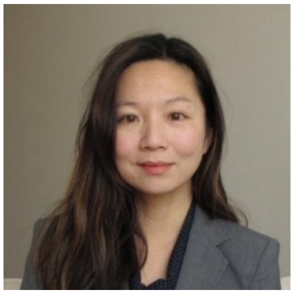
More important than ESG integration for investors seeking impact is the investor-investee dialogue on sustainability. Strategic engagement is the most reliable form of sustainable investing in that its impact has been clearly demonstrated empirically. Institutional investors recognize this: strategic engagement on sustainability is widespread and growing. $9.8 trillion in assets under management use strategic engagement, and investors filed 429 ESG shareholder resolutions during the 2020 proxy season.

This research shows that COVID-19 has heightened focus on employee health and safety, labor practices, and access and affordability. We encourage investors to urge companies to consider these key issues as they translate stakeholder capitalism commitments into action or risk reputational and performance issues.

Research supports these marketplace trends. Aspen Institute research finds that employees who have benefits, good wages, and opportunities to advance are more productive and stay in their jobs longer. In addition, a Harvard survey of 92 empirical studies concluded that human capital is material to financial performance. Prioritizing worker health and safety is critical to corporate success. According to California Congressman Ro Khanna, almost 60 million employees are working to care for the sick, deliver groceries, and maintain the internet and electrical grids. According to OSHA, an agency of the U.S. Department of Labor, employee trust in their employers to provide a healthy and safe workplace reduces absenteeism during a pandemic. Clear communication promotes confidence in the employer's ability to protect workers and increases the likelihood of employees reporting to work.

Focusing on the well-being of employees and affordability and access to a broad spectrum of customers may be just the right approach that companies need to navigate these choppy waters. This study demonstrates that what matters most is whether a company has a strong track record of proactively managing issues and is an early responder on relevant issues during a crisis. Sustainable and other long-term investors may be just the right stakeholders to help companies become proactively early responders.

Turning Words into Deeds: CEOs and Black Lives Matter



by Yumi Narita, Executive Director of Corporate Governance, Office of New York City Comptroller Scott M. Stringer, Bureau of Asset Management

Friday the 13th (of March) was the day that we at the Comptroller's Office of New York City began working remotely from our homes. Who could have predicted what would happen during the next six months – months that have felt like *years*? The pandemic and its disproportionate toll on communities of color, and the murder of George Floyd, which resulted in protests for racial justice in the streets, have highlighted the extreme shortcomings of our society. In the absence of leadership and empathy from the tenants of the White House, business leaders have been given not just the green light but the spotlight in terms of their public commitments to their stakeholders.

A big takeaway from the TCP stakeholder survey results is that the business world is underperforming when it comes to managing the issue of inequality. CEOs need to be held accountable for the comments that they made in support of racial justice. We commend leaders who made announcements about racial inequality in our society, and more broadly, about the importance of diversity and inclusion. In the absence of data, however, their companies' performance is impossible to measure, and no amount of aspirational text or photos of happy employees can be a proxy for evidence that is quantifiable and, more importantly, comparable.

To that end, our Corporate Governance team – made up of individuals who reflect the broad diversity of New York City – wrote letters to 67 of the S&P100 companies that had made such public commitments but were not disclosing their EEO-1 reports.[8] We urged these companies to take action in the area in which they have the most direct impact: their own employees. Although not perfect (but what is?), the EEO-1 report is already compiled, and its release would thus not impose additional costs on the company. It is also standardized – every company submits the same form – which circumvents any uncertainty about which acronymic framework might be most appropriate for each company. Our goal is that with this small step toward transparency, investors, data aggregators, employees and the public can begin to monitor, assess and benchmark any company's performance in hiring, retaining and promoting black employees, other employees of color, and women in the United States.

[8]The EEO 1 Report is an annual compliance survey mandated by federal statute and regulations. The survey requires company employment data to be categorized by race/ethnicity, gender and job category. Both the U.S. Equal Employment Opportunity Commission (EEOC) and Office of Federal Contract Compliance Programs use the EEO-1 Report data, among other things, to analyze employment patterns including the representation of minorities and women within companies, industries or regions.

Thus far, many of the companies we contacted in July are now disclosing their EEO-1 report or have committed to doing so in the near future. This speaks to many investors' focus on inequality and, more broadly, need for quantifiable and comparable human capital management data. It is also encouraging that many companies are willing to be held accountable to their stakeholders by increasing transparency in this area. Will other companies follow, and "walk the talk"?

When It Comes to Corporate Purpose, Watch What They Do, Not What They Say

by John Streur, President & CEO, Calvert Research and Management

The wide-reaching crises that have unfolded throughout 2020 have revealed shortcomings in our collective ability to address the needs of all individuals in society. However, while the unprecedented nature of the events has been widely recognized, I believe these events, coupled with data analytics and new investor tools, bring about an equally unique opportunity for capitalism to strengthen society that shouldn't be wasted.

The BRT letter publicized a major redefinition of the purpose of the corporation. No longer would churning out profits for shareholders be the sole or primary goal. Instead, the letter explicitly stated a fundamental commitment to deliver value to all stakeholders (customers, employees, suppliers, communities, and shareholders) and to therefore push for an economy that serves all of society.

Only months later, the inevitable tests arrived with a suddenness and ferocity none could have imagined, in the form of the COVID-19 pandemic and the long overdue spotlight on racial injustice in the United States. These events quickly prompted society at large to ponder how companies were delivering on stated stakeholder commitments in the face of real need, giving rise to the TCP initiative.

The resulting analysis indicates that companies that signed the BRT letter are not perceived to have done a superior job for their stakeholders. At first, this may be hard to fathom – they just signed the letter, accompanied by a global PR campaign, and then had a tremendous opportunity to deliver during the ongoing crises. However, this is not the crux of the analysis. In my opinion, the most significant finding of the analysis is the characteristics of companies that did do superior jobs for their stakeholders. This important finding sheds light on the key question: "How did companies miss this opportunity?"

The companies that performed well for all shareholders (as measured by TVL sentiment scores) during this time of crisis[9] were those that since 2015 consistently exhibited above-average performance on the relevant environmental and social risk management areas that impact all of their stakeholders. These are the companies with a robust history of developing policies, procedures, measurement systems, quality control systems and governance structures to manage their operations to deal with such issues. Managing a large corporation to continuously and consistently evolve in a positive and profitable way is detailed, time-intensive work. Said simply, making bold statements, in and of itself, does not prepare a

[9] February 21, 2020 – July 17, 2020

company to meet vast new challenges. This is consistent with findings from an MIT Sloan research project on corporate mission and values statements and their impact on employees' opinion of culture. This research "reveals a gap between official values and the cultural reality on the ground in most organizations."[10] Culture is about what a company does and believes in, not merely what it says.

The key goal for corporations today is to be able to deliver for all stakeholders, financial and non-financial, with a fully integrated strategy. As the TCP analysis indicates, this requires robust processes, measurement, management and governance systems. Many tools have recently been developed to help companies progress along this pathway, with notable efforts made by SASB, the Task Force on Climate-related Financial Disclosures (TCFD) and the cutting-edge Impact Weighted Accounts Project. All of these initiatives provide guidance to help corporations transition from the aspirational words of Mission Statements or Statement of Corporate Purpose to operational strategy implementation needed to drive positive social and environmental change along with long term shareholder value.

Corporations certainly know that the world is changing, and that most stakeholders expect corporations to play a vastly expanded role in solving our greatest social and environmental challenges. For most, statements to address this expectation are truly aspirational, and reflect the company they seek to become. The difference between the ones who actually achieve on the aspiration and those that only deliver to one or two stakeholders is found in the hard work of strategy, process, measurement, governance – the successful implementation of culture and purpose. Most of the corporations that signed the BRT letter will probably not achieve on the goals across the board, but those that do will achieve excellence.

The views expressed are those of the author and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Calvert disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Calvert are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Calvert strategy. Past performance is no guarantee of future results.

[10] Donald Sull, Stefano Turconi, and Charles Sull, "When It Comes to Culture, Does Your Company Walk the Talk?", MIT Sloan Management Review, July 21, 2020.

Dismantling Shareholder Primacy: Seizing the COVID-19 Moment

by Allen White, Vice President and Senior Fellow, Tellus Institute

Can, and should, the COVID-19 crisis signify an inflection point in dismantling shareholder primacy?

Decades after Milton Friedman invoked profits as the raison d'être of a corporation, debates over corporate purpose continue unabated. Friedman's credo has proved remarkably durable. It lay the groundwork for both shareholder primacy and its allies, financial economics and principal-agent theory. The deregulation, free market ethos of the 1980s further enshrined the concept as foundational to corporate purpose.

Nonetheless, a new chapter of purpose debates unfolded in the 1990s, driven in part by the Bhopal (India) chemical spill and Exxon Valdez oil spill tragedies. These seminal events, coupled with rising concern over supply chains, labor standards and human rights, stoked new debates centered on corporate transparency and, more broadly, global capitalism and the financial system upon which it depends.

A new vocabulary began to emerge. "Team production," "redesign" and "multi-capitalism" laid the groundwork for rethinking the architecture of corporations amidst early 21st century exigencies. Concurrently, the "dot-com bubble," the Enron collapse and the Great Recession exposed the structural flaws in a system dominated by the demands – and metrics – of finance capital.

Since 2000, increasingly contentious debates spawned a wave of challenges to the legal underpinnings of shareholder primacy which Lynn Stout, a leading academic dissident, famously termed a "myth." Initiatives such as the U.S.-based "Corporation 20/20" and the European-based "Purpose of the Corporation Project" assembled multi-stakeholder processes to challenge the hegemony of shareholderism.

Enter COVID-19. Amidst the insurgent pandemic, corporations have been scrutinized and rated relative to their role in the escalation and mitigation of the public health crisis: pharmaceutical companies for raising prices of drugs related to COVID-19 treatment, meat-packing plants for unsafe working conditions, and the hospitality industry for unfair treatment of full- and part-time workers. At the same time, critics point to companies' stock buybacks and out-sized executive compensation in tandem with layoffs and downsizing.

As the economy has contracted, the disconnect between stock performance and the lived experience of the unemployed and food insecure has widened. This gulf between the financial economy and real economy was summarized in a recent *New York Times* headline: "Stocks are soaring. So is misery." While this divergence is not new, COVID-19 has brought it to a historic extreme.

Through the lens of corporate purpose, COVID-19 shone a laser light on the consequences of financialization and the skewed interpretation of prosperity it fosters. When purpose is equated to share price, finance capital rules at the expense of human, social and natural capital. In the aggregate, across thousands of firms, shareholder primacy drives wealth disparities as capital owners claim a disproportionate share of the surplus. In fact, it is the collectivity and interdependence of all capitals that lies at the heart of long-term value creation. The deification of share price is a recipe for undermining both strategy and operations, distorting executive compensation, undermining worker compensation and benefits and diverting expenditures on R&D indispensable to a firm's long-term competitiveness.

The COVID-19 crisis is a crucible for the corporate character. Research findings in this report are revelatory. Companies that historically have demonstrated a commitment to multi-stakeholder capitalism have excelled in their response to the pandemic. Further, those that responded earlier responded better. These findings suggest a virtuous circle is in play. Firms with a more holistic, anticipatory approach to value creation are outperforming those lacking such approach. This, in turn, lays the groundwork for greater resilience in a turbulent, uncertain world.

By some indications, investors are seeing these dynamics at work acting accordingly. While ESG integration in investment strategies has steadily increased in both the U.S. and globally, recent data suggest superior returns of actively managed ESG funds that have outperformed traditional funds by 15 percent. Taken together, these trends suggest further unraveling of the misplaced and discredited assumption that for investors, doing good and doing well are inherently at odds.

The economic and social havoc wrought by the pandemic should serve as a moment of reckoning for corporate purpose. COVID-19 is forcing challenges to conventional assumptions about essential workers, work at home, living wages, paid and sick leave, the efficacy of online vs. in-person convenings and a host of other work/life practices. In the same vein, it should prompt soul-searching among corporations, encouraging boards, executives and workers alike to reconsider purpose in ways that confront the deleterious effects of shareholder primacy in favor of a more nuanced, holistic view of the enterprise.

Professor Colin Mayer of Oxford University, the Chair of the British Academy's FUTURE OF THE CORPORATION Project, argues that "Corporations ...do not and should not revolve around their shareholders any more than the planets revolve around the earth..." COVID-19 is a once-in-a-generation opportunity to make good on this maxim.

Appendix IV – Truvalue Labs Methodology & Categories Summary

How Truvalue Platform Works

The artificial intelligence technology behind Truvalue Platform augments human decision making by extracting meaningful sustainability signals from large volumes of unstructured data. Truvalue Platform supports on-demand analytics and provides instant access to underlying data.

AGGREGATE

115,000+
Multi-language sources

- Local, National, and International News
- NGO Sources, Watchdogs
- Trade Journals, Industry Specific Publications, Twitter ESG Articles

EXTRACT

1 million+
Data points processed monthly

- Entity Detection
- Industry Specific Signal Detection
- Signal Sentiment Scoring

ANALYZE

300,000+
Signals generated monthly

- Event Detection
- Spotlight Events
- Materiality

GENERATE

4 x 26
4 key scores and 26 ESG metrics

- Company Scorecards and Trends
- Portfolio Monitoring
- Investment Opportunities
- Alpha

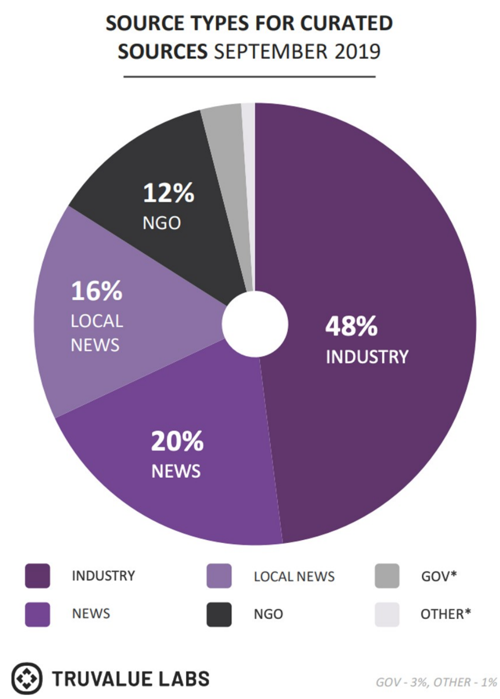
DELIVER

12 years
Of history on 19,000+ monitored companies

- Truvalue Platform
- Truvalue Data
- Truvalue Index
- Truvalue Cloud

Step 1. Collects unstructured data from more than 115,000 sources

Truvalue Platform aggregates a variety of data sources into a continuous stream of relevant ESG data for monitored companies and sectors. The scalable nature of the technology behind our product allows effectively limitless expansion of sources. Truvalue Platform evaluates both semantic and quantitative content, and its flexible architecture lets subscribers incorporate their own proprietary data sources. Language coverage includes English, French, Spanish, German, Chinese, Japanese, Portuguese, Italian, Dutch, Danish, Finnish, Norwegian, and Swedish. Chinese sources are only used for Chinese company coverage, not companies based outside of China.



Step 2. Extracts relevant metrics

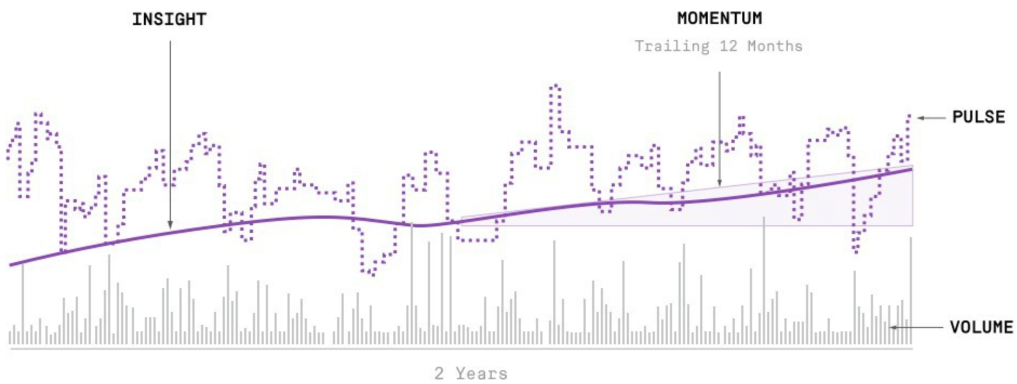
Truvalue Platform sorts content flows by data type, then establishes the context around each data point to extract and categorize sustainability content. Items are tagged to multiple categories if a particular data point has relevance to each. Truvalue Platform Standard Edition classifies data points within 14 commonly used ESG categories. Truvalue Platform SASB Codified Edition sorts data into the 26 categories defined by the Sustainability Accounting Standards Board. In the SASB materiality view, the data shown is a subset within categories that SASB considers financially material for the company based on its industry.

Step 3. Normalizes data and generates sustainability performance analytics

All monitored companies have dynamic scorecards that display ESG trends. Data points are factored into a company's scores. For corporate entities that are subsidiaries of parent companies, data exists independently for the subsidiary and also rolls up to the level of the parent company, contributing to its scores. Each data point is weighted according to its timeliness and intensity in scoring formulas that reveal short-term and long-term performance.

Corporate actions are recorded so that data is attributed to companies on a point-in-time basis: Before Amazon acquired Whole Foods, Whole Foods data was its alone. Afterwards, the data rolled up to the acquirer, becoming part of Amazon's data.

Types of Truvalue Platform Scores



What makes the Insight, Pulse, and Momentum scores unique?

- The **Insight Score** is a measure of a company's longer-term ESG track record, similar to a ratings system. Scores are less sensitive to daily events and reflect the enduring performance record of a company over time. Scores are derived using an exponentially weighted moving average of the Pulse, defined below, and the half-life of an event's influence on the overall score is 6 months.
- The **Pulse Score** is a measure of near-term performance changes that highlights opportunities and controversies, enabling real-time monitoring of companies. It focuses on events of the day and provides a responsive signal to alert investors to dynamic moves.
- The **Momentum Score** measures the trend of a company's Insight score. It is a unique ESG metric in the industry that gives investors a high-precision view of the trajectory of a company's ESG performance, relative to peers. It does so by precisely articulating upward or downward movement, relative to that of all others in the universe, making it a measure that enhances quantitative workflows.

Category Scores and Aggregate Scores

Category scores are derived from all scores a company receives in that category. Aggregate scores like overall scores or materiality scores are produced by combining the relevant category scores, volume-weighted, by using a running sum average. To produce aggregate scores, Truvalue Labs filters out companies with low or no data (i.e., four articles or fewer in the trailing 12-month period) from rankings and aggregate calculations. Therefore, rankings, percentiles and aggregate scores for industries, sectors, and portfolios are not affected by companies with little or no events.

How Spotlight Events are determined

When applied to Truvalue Labs' ESG data flow, an algorithm distills critical, significant "Spotlight Events" characterized by score change intensity, the volume of similarly resonant news items, and the duration of their appearance.

All of the scores use the same underlying data and 100-point scale

The cognitive computing system behind Truvalue Platform uses natural language processing to interpret semantic content and generate analytics. It does so by applying criteria that are consistent with established sustainability and ESG frameworks, scoring data points on performance using a 0 to 100 scale. A score of 50 represents a neutral impact. Scores above 50 indicate positive performance, and scores below reflect negative performance.

Truvalue Labs recognizes corporate entities within unstructured text, identifies which categories are relevant, and calculates the direction and magnitude for the category and entity.

The same category may apply differently across industries, within the framework established by the Sustainability Accounting Standards Board. One example is the category of Access & Affordability. For Financials sector firms, the category includes the topic of financial inclusion. For the Healthcare sector, financial inclusion is not a topic within that category, but the topic of addressing priority diseases, does apply, within the same category of Access & Affordability.

In addition to the three scores above, two additional scores measure the information flow about a company or category and the impact thereof.

- The **Volume Score** measures the information flow or number of articles about a company over the past 12 months. Within the Truvalue Platform we represent company volume as one of the following: High, Medium, Low, or No Data. This score is displayed using an intuitive three-bar scale. Each company's volume score can be found on the Company, Portfolio, Industry and Sector views. We also provide our Data Services clients direct access to volume counts daily, as well as over a trailing twelve months period of time.
- The **Category Impact %** reveals the specific categories that drive a company's overall score. Higher Category Impact % values indicate higher volume of articles related to specific categories.

Truvalue Platform Sustainability Categories

Truvalue Platform SASB Codified Edition and Truvalue Platform Standard Edition have different categories. On both platforms, an event may be scored in multiple categories.

Truvalue Platform SASB Codified Edition's 26 Categories

Truvalue Platform SASB Codified Edition classifies data into the 26 categories defined by the Sustainability Accounting Standards Board. Those categories, drawn from the SASB Materiality Map, make up SASB's universe of ESG issues.

Environment

- Air Quality
- Ecological Impacts
- Energy Management

- GHG Emissions
- Waste & Hazardous Materials Management
- Water & Wastewater Management

Social Capital

- Access & Affordability
- Customer Privacy
- Customer Welfare
- Data Security
- Human Rights & Community Relations
- Product Quality & Safety
- Selling Practices & Product Labeling

Human Capital

- Employee Engagement, Diversity & Inclusion
- Employee Health & Safety
- Labor Practices

Business Model & Innovation

- Business Model Resilience
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change
- Product Design & Lifecycle Management
- Supply Chain Management

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Critical Incident Risk Management
- Management of the Legal & Regulatory Environment
- Systemic Risk Management
- Materials Sourcing
- Supply Chain Management

Information contained in this Report is intended to be used for informational purposes only. Readers should not rely on the information in the report as an alternative to legal, financial or investment advice from an appropriately qualified professional. If you have any specific questions about any legal or financial matter you should consult an appropriately qualified professional as past performance does not necessarily predict future results. Furthermore, the opinions expressed in this Report may not necessarily reflect the views of the TCP Advisory Board members (who serve in their individual capacity); TCP's research firm, KKS Advisors; TCP data provider, Truvalue Labs, Inc.; or the TCP management team ("TCP Partners').

Information provided in the report is provided 'As Is' and on an 'As Available' Basis. Neither TCP nor its partners makes any warranties, expressed or implied, statutory or otherwise, including but not limited to warranties merchantability, fitness for a particular purpose, title or noninfringement. TCP and its partners make no representations about the quality or usefulness for any purpose of the research, data or rankings. TCP and its partners have no responsibility or liability for the use of the data being provided. TCP and its partners should not be considered an 'expert' under the securities act of 1933.

User of the data acknowledges that: (i) the data is provided for information purposes only and is not intended for trading purposes; (ii) the data may include certain information taken from stock exchanges and other sources from around the world; (iii) TCP or its partners does not guarantee the sequence, accuracy, completeness, or timeliness of the data, including any content therein; (iv) none of the information contained on the data constitutes a solicitation, offer, opinion, or recommendation to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment; and (vi) the data is not intended for use by any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation.

© Copyright 2020, TCP