In 2019, 181 CEOs sought to rewrite corporate priorities through the Business Roundtable’s (BRT) restatement of purpose. These companies were expected to make clear that serving shareholders was no longer the paramount duty and that they would pursue a stakeholder management approach prioritizing customers, employees, suppliers, and communities in addition to shareholder value. However, a recent paper by Harvard Law School (HLS) stated that “the BRT Statement was mostly for show and [companies] did not intend or expect it to bring about any material changes in how they treat stakeholders.”

These findings do not come as a surprise. The Denny Center’s Inaugural Report on the Health of Democratic Capitalism found that 87% of executives and directors feel pressure to demonstrate strong financial results in 2 years or less, thereby favoring short-term results at the expense of long-term stakeholder concerns. And yet, some businesses such as the multinational consumer goods company Unilever, have been able to balance long- and short-term priorities and serve as an example for others seeking to advance the sustainable practices posited by the BRT. This raises the question of what is holding the BRT signatories back, and what best practices can we learn from Unilever?

Focusing on long-term sustainability efforts, we used Unilever’s climate goals and sustainability efforts as a case study to compare with those of its BRT signatory competitors: The Clorox Company (Clorox), Johnson & Johnson (J&J), and Proctor & Gamble (P&G). On paper, the BRT signatories have expanded their corporate purpose to include all stakeholders but in practice, we could not find evidence of tangible action. We argue that this is in part due to the signatories’ limited ESG reporting thus preventing stakeholders from holding them accountable for integrating corporate purpose into their business strategies. Without timely reporting frameworks and disclosures, confirming fulfillment a meaningful pledge around reductions is nearly impossible. While the BRT companies in question mention sustainability and community values in their mission statements and have adopted climate goals, Unilever proves to be the most transparent in its reporting on sustainability goals. Transparent and accurate reporting is a critical step in pursuing corporate accountability and full implementation of the BRT corporate purpose pledge.

Corporate Purpose as a Tool for Value Creation
According to a recent FCLTGlobal (FCLT) study, businesses with a clear corporate purpose outperform their peers on a range of financial metrics - including growth, profitability, and market valuation. Unilever’s corporate purpose is to “make sustainable living commonplace.” While quite general, this commitment to purpose is further emphasized and extrapolated under every sector of their business (Beauty & Personal Care, Foods & Refreshment, Home Care, etc.). Unilever echoes FCLT’s findings that “top-performing brands also happen to be those with the most clearly defined – and powerfully articulated – commitment to purpose as a driver of brand growth.” While Clorox, J&J, and P&G all hint to sustainability in their mission statements, it is
never clearly linked to present or future value creation. This is in line with FCLT's finding that out of the 100 companies assessed, only 19% discussed how climate change affected corporate strategy in their annual report, and 1% referenced how climate change impacts corporate purpose in long-term strategic plan presentations to investors. Despite commitments made to the BRT, its signatories have failed to turn corporate purpose into action while Unilever has integrated its mission into all sectors.

Corporate Purpose and ESG Reporting
J&J, P&G, and Clorox have somewhat incorporated sustainability into their mission statements. However, this commitment is not equally reflected in their broader climate goals and more importantly, there is no or limited tracking and/or reporting of these goals in each company’s annual report. J&J has not yet included its climate commitments in its long-term strategic plan, and as of August 2022, has not disclosed its progress towards its stated goals. P&G has five clear climate goals, but is only reporting on the two successful ones – reducing scope 1 & 2 greenhouse gas (GHG) emissions by 50% compared to 2010 levels and purchasing 100% renewable electricity globally. In its 2021 Annual Report, Clorox announced a new ambitious target of net zero GHG emissions by 2050 as part of a larger IGNITE strategy. While promising, the IGNITE strategy is relatively new, and thus, the company has yet to announce any reporting as of August 2022.

On the other hand, Unilever’s climate goals and tracking are more robust than its three BRT competitors. With specific pillars in its long-term strategy focused on climate change and regenerative practices, Unilever’s commitments are not only more ambitious but are measured and tracked effectively. This transparency may be a factor leading to greater corporate accountability and purpose.

1 J&J’s mission statement is “improve access and affordability, create healthier communities, and put a healthy mind, body and environment within reach of everyone, everywhere.” P&G’s mission statement is to “provide branded products and services of superior quality and value that improve the lives of the world’s consumers, now and for generations to come.” Clorox’s mission statement is to “champion people to be well and thrive every single day.”

2 For this study we looked specifically at climate goals as one example of stakeholder interests.

3 J&J has put in place three climate goals: 1) by 2025, source 100% of our electricity needs from renewable sources, 2) by 2030, achieve carbon neutrality for their operations, going beyond our Science Based Target to reduce absolute Scope 1 and 2 emissions 60% from 2016 levels, and 3) by 2030, reduce absolute upstream value chain (Scope 3) emissions 20% from 2016 levels.

4 P&G’s five climate goals: 1) reduce Scope 1 & 2 GHG emissions by 50% vs. 2010 baseline, 2) purchase 100% renewable electricity globally, 3) make all P&G manufacturing facilities carbon neutral for the decade (2020–2030), 4) improve global upstream finished product freight emissions by 50% vs. 2020 baseline, 5) reduce supply chain emissions from priority categories by 40% per unit of production by 2030 vs. 2020 baseline. As of August 2022, P&G has reduced Scope 1 & 2 GHG emissions by 56% and is currently purchasing 98% of their global energy needs from renewable sources.

5 This is in addition to their previous targets to reduce absolute scopes 1 and 2 GHG emissions 50% by 2030 from a 2020 baseline and to reduce absolute scope 3 GHG emissions from purchased goods and services and use of sold products 25% by 2030 from a 2020 baseline.
ESG Reporting and Current Thought Leadership

Many criticize BRT signatories for lack of progress, claiming the document is too general or that it does not provide shareholders sufficient incentives to protect stakeholders beyond what would serve shareholder value or produce a material benefit. However, our analysis indicates that we must also consider the impact of corporate ESG disclosures and reporting, or lack thereof.

A main difference between the BRT signatories and Unilever rests on the transparency of their ESG climate goal reporting. ESG reports are a crucial communication tool to keep investors and stakeholders up to date on business activities. The benefits of these reports are two-fold. On the one hand, according to a Business Wire survey, companies should increasingly rely on ESG reporting as “more than a third of global consumers are willing to pay more for sustainability.” On the other, they enable stakeholders to hold companies accountable for their commitments.

Investors have long called for more robust ESG reporting mechanisms, often citing this lack of data as the key factor preventing ESG implementation. This lack of reporting limits the BRT signatories’ accountability to stakeholders and thus the signatories lack motivation to actively incorporate their corporate purpose into their long-term strategy. However, while ESG reporting may encourage corporate accountability, it still lacks standardization.

Alex Edmans offers an alternative explanation for the inconsistencies between Unilever and its BRT competitors. He contends that it may not be the lack of reporting, but the ESG reports themselves. Edmans argues that ESG metrics are inherently incomparable. While “do no harm” metrics such as carbon emissions, water usage, and workplace injuries are comparable across companies, ESG is more about “actively doing good.” This means that ESG metrics depend on a company’s business model and are much more complex to measure and track. For example,
Unilever measures the number of people it has reached with its handwashing campaigns. This raises the question of whether we should even try to measure sustainability in the same way that we do financial metrics, or whether ESG-related outcomes should focus on qualitative metrics. While public opinion remains divided, focusing on qualitative metrics may lengthen the horizon of shareholder value and executives evaluated according to long-term shareholder value have more incentive to invest in their stakeholders thereby promoting corporate purpose.

In practice, all the above concepts overlap and intertwine, highlighting the complexity and difficulty of balancing the needs of all stakeholders while keeping profits in focus. The increase in ESG disclosure frameworks, the SEC’s proposed ESG rule, and its full-agency approach highlight the industry’s push for increased reporting from a variety of actors. Where this momentum will land is unclear; however, a tangible commitment to ESG climate reporting for BRT signatories and other companies is more relevant now than ever.

Areas for Further Research

- What are the similarities and differences between the many ESG reporting frameworks (SASB, TCFD, UN PRI, etc.)? Are some better suited to certain materiality issues than others?
- What are the growth stages of ESG reporting within a business? Can we create rubrics/gradations of ESG action?
- What are other ways to expand corporate purpose to all stakeholders? The European Commission is considering redefining directors’ duties away from shareholders towards stakeholders, whereas some US companies are voluntarily doing so by becoming Public Benefit Corporations, with a number recently going public (Vital Farms, Lemonade, Veeva Systems, Appharvest, etc.).
- How do corporate boards view the various ESG frameworks and/or push for innovative corporate forms? Even if easy answers are elusive, what questions should boards be asking to challenge management teams to think longer-term about the health of the business?