
A BILL FOR AN ACT

RELATING TO CORPORATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that corporations play an
2 increasingly dominant role in our society. While they often
3 provide important goods and services, in doing so they have the
4 potential -- and sometimes the incentive -- to cause harm to
5 workers, the environment, consumers, public health and safety,
6 human rights, and the communities in which they operate. This
7 occurs because the management of a corporation has a fiduciary
8 duty to act in the best interest of the corporation, which is
9 measured, for the most part, as maximizing profit for
10 shareholders. Unfortunately, the interests of "stakeholder"
11 constituencies that are deeply entwined with and affected by the
12 corporation's activities, such as employees, consumers,
13 creditors, the environment, and the local community, fall
14 outside the corporate structure.

15 The legislature also finds that, to protect the interests
16 of stakeholders and the public, the legislative response
17 historically has been to draft a new law or regulation that
18 responds to the harm caused by corporate conduct. Important



1 legislation, including minimum wage requirements, labor laws
2 protecting worker rights to unionize, environmental regulations,
3 and consumer protection statutes, all establish standards for
4 protecting fundamental public interest values and ensuring a
5 safe and productive society. However, because the profit motive
6 and duty to shareholders governs corporate decision-making,
7 corporate decision-makers can be put in the challenging position
8 of having their duty to maximize profit run at odds with
9 societal interests, such as living wages and pensions for
10 employees or a clean environment.

11 The legislature further finds that it is time to consider
12 moving away from the regulatory approach to protecting the
13 public interest by addressing the structural problems of the
14 corporation that are at the heart of the tension between
15 business and stakeholder interests. Creating an alternative
16 corporate model that would integrate the interests of
17 stakeholders and the public interest into the structure and
18 duties of businesses would still allow corporations to generate
19 profit for shareholders. Companies incorporating under this
20 model would be required to have employee and public interest
21 representatives on the board of directors. Further, directors
22 of a such companies would evaluate the best interests of the



1 corporation based on its financial performance, as well as the
2 long- and short-term interests of employees, customers, the
3 state and local economy, and community and general public
4 interests. The structural incentives that, in the current model
5 of corporate law, create tension between private and public
6 interests would be transformed to align private and public
7 interests.

8 The purpose of this Act is to establish a task force to
9 determine how to authorize the establishment of corporations
10 structured to recognize, as corporate interests, the interests
11 of employees and of the public in areas such as wages, the
12 environment, and consumer protection, and provide incentives for
13 incorporation of responsible companies that not only consider
14 the public interest in doing business but integrate the public
15 interest into the structure and duties of the business.

16 SECTION 2. (a) There is established within the department
17 of commerce and consumer affairs the responsible corporation
18 task force.

19 (b) The responsible corporation task force shall include
20 as members:



- 1 (1) The director of commerce and consumer affairs, or the
- 2 director's designee, who shall serve as the
- 3 chairperson;

- 4 (2) The commissioner of securities of the department of
- 5 commerce and consumer affairs, or the commissioner's
- 6 designee;

- 7 (3) The chair of the business law section of the Hawaii
- 8 State Bar Association, or the chair's designee, and
- 9 another member of the business law section to be
- 10 designated by the President of the Hawaii State Bar
- 11 Association;

- 12 (4) The dean of the William S. Richardson School of Law,
- 13 or the dean's designee; and

- 14 (5) The dean of the school of business of the University
- 15 of Hawaii, or the dean's designee, and a member of the
- 16 faculty of the school of business as designated by the
- 17 dean.

- 18 (c) The task force shall:

- 19 (1) Consider how best to authorize the establishment of
- 20 corporations structured to recognize, as corporate
- 21 interests, the interests of employees and of the
- 22 public in areas such as wages, the environment, and

1 consumer protection and provide incentives for
2 incorporation of responsible companies that not only
3 consider the public interest in doing business but
4 integrate the public interest into the structure and
5 duties of the business, including specific:

6 (A) Incentives for incorporation as a responsible
7 corporation;

8 (B) Standards for determining whether the corporation
9 will meet and continues to meet the requirements
10 for receiving the incentives; and

11 (C) Procedures by which the standards can be
12 enforced, including penalties to be imposed;

13 (2) Use as a starting point in its deliberations, to the
14 extent feasible, the intent and provisions of House
15 Bill No. 3118, S.D.1, Regular Session of 2006;

16 (3) Conform provisions for the establishment and operation
17 of these responsible corporations, to the extent
18 feasible, to existing Hawaii law on corporations,
19 including chapter 414, Hawaii Revised Statutes;

20 (4) Identify specific provisions of chapter 414, Hawaii
21 Revised Statutes, that would not be applicable to the
22 establishment and operation of these responsible



1 corporations and specify in detail the alternative
2 provisions that would apply in each instance;

3 (5) Identify the resources, including funding, necessary
4 to implement registration of responsible business
5 corporations; and

6 (6) Determine a timetable for the implementation of
7 registration of responsible business corporations by
8 the department of commerce and consumer affairs.

9 (d) The task force shall submit its findings and
10 recommendations to the legislature, including proposed
11 legislation, no later than twenty days prior to the convening of
12 the regular session of 2007.

13 (e) The members of the task force shall serve without
14 compensation but shall be reimbursed for expenses, including
15 travel expenses, necessary for the performance of their duties.

16 (f) The department of commerce and consumer affairs shall
17 provide support services necessary to assist the task force in
18 achieving its purposes under this Act.

19 (g) The task force shall cease to exist on June 30, 2007.

20 SECTION 3. This Act shall take effect upon its approval.



HB 3118
HD1
SD1
CD1

Report Title:

Corporations; Responsible Business Corporation Act

Description:

Establishes a task force to determine how to provide for incorporation of responsible companies that consider the public interest in doing business. (HB3118 CD1)

