

THE BETTER BUSINESS ACT

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ACT

TO

Amend the Companies Act 2006 to provide that the duty of a director of a company is to promote the purpose of the company, and operate the company in a manner that benefits the members, wider society, and the environment.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Amendment to s172 of the Companies Act 2006

Section 172 of the Companies Act 2006 shall be amended and replaced in its entirety as follows:

172 Duty to advance the purpose of the company

- (1) A director of a company must act in the way the director considers, in good faith, would be most likely to advance the purpose of the company, and in doing so must have regard (amongst other matters) to the following considerations—
 - (a) the likely consequences of any decision in the long term,
 - (b) the interests of the company's employees,
 - (c) the need to foster the company's business relationships with suppliers, customers and others,
 - (d) the impact of the company's operations on the community and the environment,

- (e) the desirability of the company maintaining a well-deserved reputation for trustworthiness and high standards of business conduct, and
 - (f) the need to act fairly as between members of the company.
- (2) The purpose of a company shall be to benefit its members as a whole, whilst operating in a manner that also—
- (a) benefits wider society and the environment in a manner commensurate with the size of the company and the nature of its operations; and
 - (b) reduces harms the company creates or costs it imposes on wider society or the environment, with the goal of eliminating any such harm or costs.
- (4) A company may specify in its Articles a purpose that is more beneficial to wider society and the environment than the purpose set out in subsection (2).
- (5) The duty imposed upon directors by this section—
- (a) has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company; and
 - (b) is owed solely to the company and not to any other interested parties.

2 Amendment to s414CZA of the Companies Act 2006

Section 414CZA of the Companies Act 2006 shall be amended and replaced in its entirety as follows:

414CZA Section 172(1) statement

- (1) A strategic report for a financial year of a company must include a statement (a “section 172(1) statement”) which describes how the directors when performing their duty under section 172 —
- (a) have advanced the purpose of the company, and
 - (b) have had regard to the matters set out in section 172(1)(a) to (f).

- (2) Subsection (1) does not apply if the company qualifies as medium-sized in relation to that financial year (see sections 465 to 467).

3 Extent, commencement and short title

- (1) This Act extends to the whole of the United Kingdom.
- (2) This Act comes into force on the day on which it is passed.
- (3) This Act may be cited as the Companies Act 2006 (Amendment) (Company Purpose) Act 2019.