Benefit Corporations
A New Kind of Company
for a New Economy
Our Collective Vision

Serve a global movement of entrepreneurs, business leaders, investors, consumers, and policy makers with one unifying goal . . .

Redefine success in business

So that all companies compete to be not only the best in the world, but the best for the world

And society enjoys a shared and durable prosperity
**B Lab: Serving the Entrepreneur**

B Lab is a nonprofit organization that supports the world’s leading entrepreneurs using business to solve social and environmental problems.

**Shine a light on the Entrepreneur**

**Certified B Corporations**

**Remove legal impediments for the Entrepreneur**

**Public Policy**

**Drive capital to the Entrepreneur**

**Impact Investments**
Shine a Light: What is a Certified B Corporation?

Certified B Corporations use the power of business to solve social and environmental problems.
Remove Legal Impediments for Entrepreneurs

Problem: Our current legal system wasn’t designed to meet the needs of mission-driven companies

*By law or custom, businesses feel they must maximize profits*

“Directors cannot defend a business strategy that openly eschews stockholder wealth maximization.”

-- craigslist v ebay decision, Sept. 2010
Why is that problematic?

- **Investment:** Risk of misalignment between entrepreneurs and investors

- **Succession:** What happens post sale or post IPO? What are my options during the sale process?
The Solution: Benefit Corporation

Purpose

• shall create general public benefit
• may create optional specific public benefit

Accountability

• directors and officers shall consider effect of decisions on stakeholders
• shareholders and directors have right of action (no third parties)

Transparency

• publish publically annual Benefit Report in accordance with independent, transparent, third-party standards for defining, reporting, and assessing social and environmental performance
The Solution: Benefit Corporation - Purpose

General Purpose

• One of the purposes of a benefit corporation is to create “general public benefit.”

• Material positive impact on society and the environment, taken as a whole, assessed against a third-party standard, from the business and operations of a benefit corporation.

• Corporation may also elect to create one or more specific public benefits.

• Creation of public benefit is defined as being in the best interests of the corporation.
**Specific Public Benefit:** Eight examples listed in the statute:

1. Providing low-income or underserved individuals or communities with beneficial products or services.

2. Promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business.

3. Preserving the environment.

4. Improving human health.

5. Promoting the arts, sciences or advancement of knowledge.

6. Promoting economic development through support of initiatives that increase access to capital for emerging and growing technology enterprises, facilitate the transfer and commercial adoption of new technologies, provide technical and business support to emerging and growing technology enterprises or form support partnerships that support those objectives.

7. Increasing the flow of capital to entities with a public benefit purpose.

8. The accomplishment of any other particular benefit for society or the environment.

*Non-exhaustive list was meant to be flexible*
The Solution: Benefit Corporation - Accountability

Accountability

Directors MUST consider the interests of certain constituencies, although the weight to be given those interests is not prescribed.

- Shareholders
- Employees and workforce of the corporation and its subsidiaries and suppliers
- Customers (as beneficiaries of the public benefit purposes of the corporation)
- Community and societal considerations
- Local and global environment
- Short-term and long-term interests of the corporation
- Ability of benefit corporation to accomplish its general and specific public benefit purposes
The Solution: Benefit Corporation - Transparency

Transparency

Corporation must prepare an annual benefit report on its creation of public benefit

- Report must be sent to all shareholders within 120 days after fiscal year end and posted on the corporation’s website

Report must contain:

- Explanation of how company pursued general/specific public benefit, the extent to which benefits were actually achieved, and circumstances that hindered achievement.

- Assessment using a “third-party standard” with an explanation of:
  - Process and rationale for selecting the standard that was used
  - Any connection between the corporation and organization that established third-party standard that might affect credibility

- Names of persons owning 5% or more of the Benefits Corporation’s outstanding stock.
- Names of benefit director and benefit officer, if any, and compensation paid to directors
- Report of benefit director, if any
The Solution: Benefit Corporation - Transparency

Third-Party Standard
Assessment of performance using a third-party standard

• Standard must be credible, comprehensive, independent and transparent
• Must apply the standard consistently from one year to the next or explain reasons for inconsistencies
• Statute contains detailed requirements

No requirement that the report be audited or certified

Sample of third-party standards:
  B Impact Assessment (www.bcorporation.net)
  Global Reporting Initiative (www.globalreporting.org)
  Green Seal (www.greenseal.org)
  People4Earth Business Framework (www.people4earth.org)
  Food Alliance (www.foodalliance.org)
  ISO 26000 (www.iso.org/iso/social_responsibility)
  UL Environment - ULE 880 (www.ulenvironment.com)
The Solution: Benefit Corporation - Enforcement

Benefit Enforcement Proceeding

What can be enforced?

- Failure to pursue or create general and any specific public benefits
- Failure of directors or officers to perform benefit corporation obligations

Only the Benefit Corporation, its directors and shareholders, and other specified individuals can enforce.

No monetary damages or personal liability for directors or officers.

- Equitable/injunctive relief
When is this relevant?

Start Up
→ Bake mission into the DNA of the company to indicate to customers and employees that you’re a different kind of company

Growth Without Compromise
→ Legal commitment to consider stakeholders reduces risk of mission creep
→ Makes your company more attractive to impact focused investors

Succession
→ Provides *more options* when choosing a buyer in case of sale
→ Baked-in values can last through an IPO
Value of Benefit Corporation

• Provides **clarity** to directors

• Offers **legal protection** to directors and officers

• Creates **alignment** with investors

• Helps **maintain mission** over time

• Creates a **marketing/press opportunity** for early adopters
Certified B Corporation is a certification conferred by B Lab. It provides companies with independent verification of their impact, as well as a suite of marketing and support services. Any kind of company can become certified (LLC’s, corporations). Depending on several factors, some Certified B Corps must elect benefit corporation status in order to meet the legal requirement for certification.

Benefit corporation is a legal status administered by the state. Benefit corporations do NOT need to be certified. Benefit corporations may choose to use the B Impact Assessment as a third party standard for their annual impact report, but they are not required to.
Where is this happening?

Creating a New Kind of Corporation for a New Economy

20 LAWS PASSED 18 WORKING ON IT

the change we seek™ B Corporations - Public Policy - Impact Investing
There are over 500 registered benefit corporations

patagonia®

- Ventura, CA
- Apparel and Outdoor Wear Company
  - Pioneer in organic and PCR textiles
  - Founded 1% for the Planet
  - Leader in supply chain transparency

Yonkers, NY
- Baked Goods – found in Ben & Jerry’s Ice Creams
  - Open hiring policy = opportunities for individuals with barriers to employment
  - 100% profits to community development
  - 100% facilities LEED Certified
There are over 500 registered benefit corporations

- **Emeryville, California**
- **Healthy Children Snacks**
  - Second fastest growing food company in 2012
  - Third largest baby food provider
  - Revolutionized industry with BPA-free pouches

→ **Became a benefit corporation post sale to Campbell**

- **San Francisco, CA**
- **Home and Personal Care Company**
  - Pioneer of Cradle to Cradle companies
  - Bottles made from 100% recycled plastic
  - Plant based products
  - Pay-it-forward incentives for sustainable supply chain
Why register now?

Press Opportunities for early adopters

Bloomberg  Chicago Tribune
The New York Times  FT Financial Times
Daily Kos  The Boston Globe
the change we seek™  B Corporations  -  Public Policy  -  Impact Investing
Why register now?

Lead a movement

“Five years from now, ten years from now, we’ll look back and say this was the start of the revolution. The current system doesn’t work – this is the future.”

-Yvon Chouinard, Patagonia
What resources are available?

BENEFIT CORP INFORMATION CENTER

- For Businesses
- For Attorneys
- For Directors
- Selecting a Third Party Standard
- State by State
- Find a Benefit Corp

Quick FAQ's
What Makes Benefit Corp Different?
Interested In Passing Benefit Corp Legislation?
About B Lab

WHAT IS A BENEFIT CORPORATION?
Benefit Corporations are a new class of corporation that 1) creates a material positive impact on society and the environment; 2) expands fiduciary duty to require consideration of non-financial interests when making decisions; and 3) reports on its overall social and environmental performance using recognized third party standards. - Read More

STATE BY STATE STATUS

Passed
Pending

LATEST NEWS
Creating A Class of Do-Good Companies. The Washington
Questions?

www.benefitcorp.net

Bart Houlanan bart@bcorporation.net
Holly Ensign-Barstow holly@bcorporation.net