

The Benefit Corporation: A Business Corporation Committed to Creating Public Benefit

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- B Lab has undertaken an initiative seeking amendments to state corporation laws to authorize “benefit corporations” as a form of business corporation.
- B Lab is a nonprofit organization that has developed the B Impact Assessment, which is a tool for measuring the performance of socially and environmentally responsible businesses.
 - A corporation that meets the required minimum score is licensed to call itself a “certified b corporation”™ and use the b corporation logo.
- Note that “benefit corporation” and “certified b corporation”™ are independent concepts.

the change we seek™ A Supplement to Sustainable Industries

2009 B Corporation™ Annual Report

Building
a New Sector
of the Economy

Certification Plus

A New Kind of Corporation

Impact Investing

Profiles of Impact

Profiles of Innovation

An Invitation

B Corp Directory

Certified

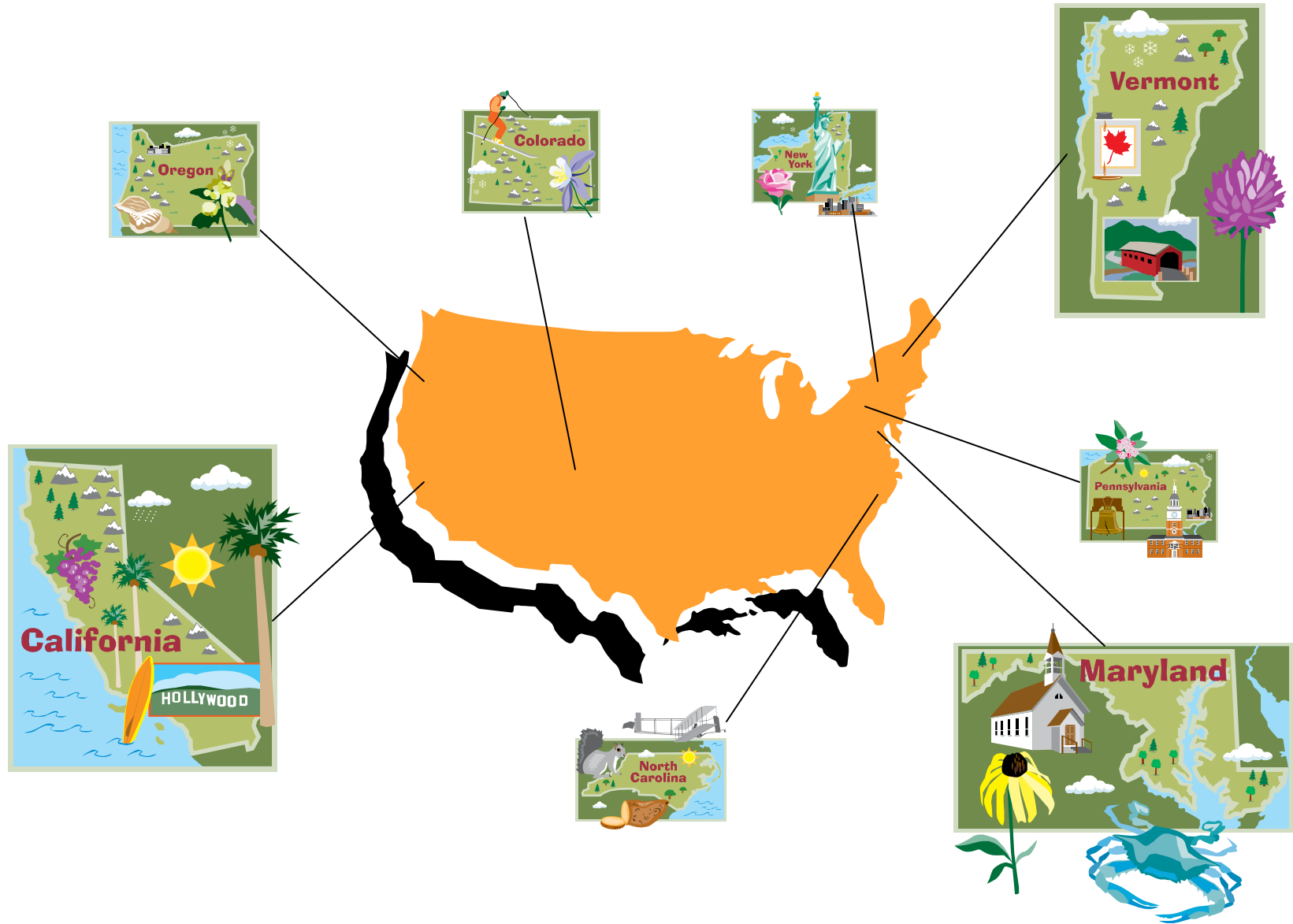
Corporation™

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legislation is in various stages in 8 states




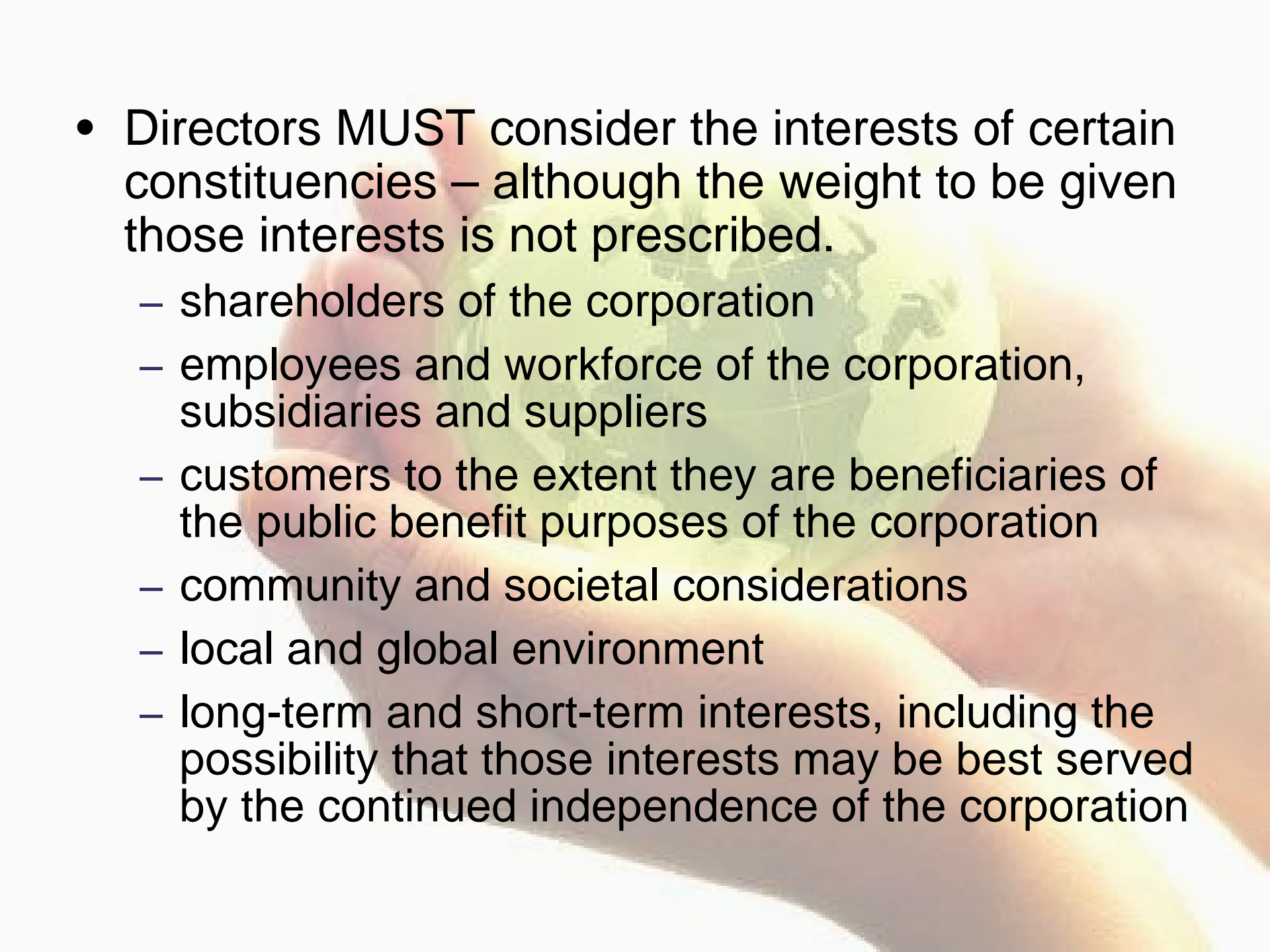
- **California**
 - **Senate Bill 1463**
- **Maryland**
 - **Senate Bill 690**
- **Vermont**
 - **Senate Bill 263**



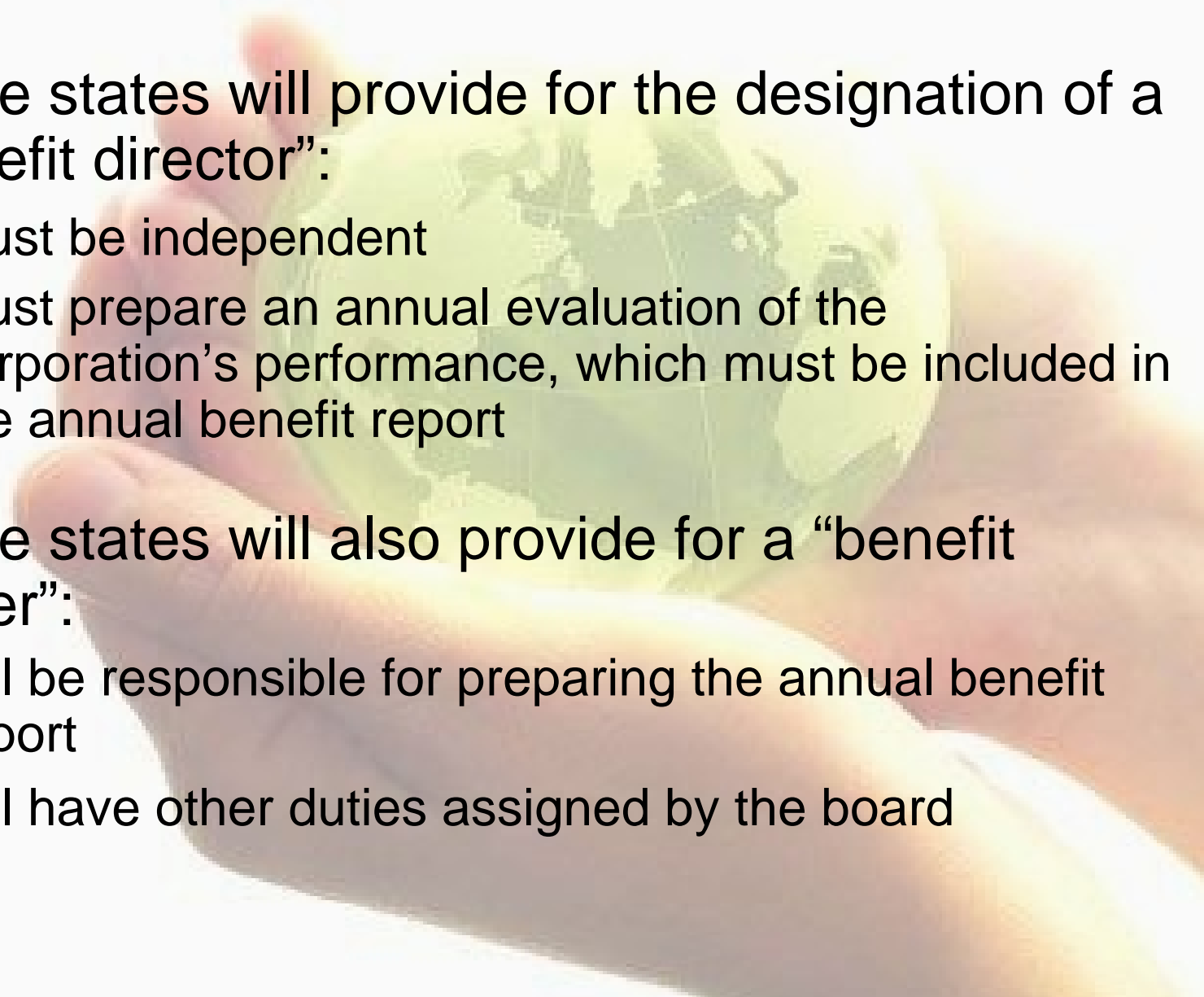
Benefit Corporations

- One of the purposes of a benefit corporation is to create general public benefit as measured by an independent third-party standard.
- The corporation may also elect to create specific public benefits.
- Creation of public benefit is defined as being in the best interests of the corporation.
- Note that benefit corporations are a type of business corporation and are for-profit.

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- The specific public benefits that a benefit corporation may elect to create include:
 - providing low-income or underserved individuals or communities with beneficial products or services
 - promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business
 - preserving the environment
 - improving human health
 - promoting the arts, sciences or advancement of knowledge
 - increasing the flow of capital to entities with a public benefit purpose
 - accomplishment of any other particular benefit for society or the environment

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- A background image showing a hand holding a globe of the Earth. The hand is positioned in the center, with fingers wrapped around the globe. The globe is semi-transparent, showing the continents and oceans. The overall tone is warm and professional.
- Directors **MUST** consider the interests of certain constituencies – although the weight to be given those interests is not prescribed.
 - shareholders of the corporation
 - employees and workforce of the corporation, subsidiaries and suppliers
 - customers to the extent they are beneficiaries of the public benefit purposes of the corporation
 - community and societal considerations
 - local and global environment
 - long-term and short-term interests, including the possibility that those interests may be best served by the continued independence of the corporation

- An officer must also consider those interests when:
 1. the officer has discretion to make a decision, and
 2. the decision will have a material impact on the creation of public benefit
- The corporation must prepare an annual benefit report on its creation of public benefit:
 - report must be given to the shareholders
 - report must be filed with the Secretary of State or, in states where the Secretary of State cannot handle the processing of the report, the report must be given to a member of the public on request
 - report must be posted on the public portion, if any, of the corporation's website

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- Some states will provide for the designation of a “benefit director”:
 - must be independent
 - must prepare an annual evaluation of the corporation’s performance, which must be included in the annual benefit report
 - Some states will also provide for a “benefit officer”:
 - will be responsible for preparing the annual benefit report
 - will have other duties assigned by the board

Evolution of a capitalist businessman



Illustration by: Tim Gough

colonial

industrial

shareholder

stakeholder

postscript: an irony of corporate law

- In 1983, Pennsylvania was the first state to authorize directors to consider interests other than those of the shareholders.
 - Was purely discretionary.
 - Purpose was simply to provide for excuses to reject hostile takeovers.
- Since 1983, 30 other states have followed Pennsylvania and adopted “constituency statutes.”
 - Like Pennsylvania, all are permissive.
 - Maryland is actually honest enough to provide that its constituency statute only applies in the takeover context.



- The benefit corporation statutes will make the consideration of other interests mandatory.
- What began as a purely self-interested protection of management has become the basis for an outward focus on the interests of others.

