

Benefit Corporations and B Corps

Subjects: Economics

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Benefit Corporations and B Corps represent alternative models of enterprise, often referred to as hybrid companies that bridge the for-profit and not-for-profit models. In particular, such firms need to manage their dual mission, integrate social and environmental goals in their business model, and incorporate accountability mechanisms, all while scaling up and garnering the necessary resources to be economically competitive.

Keywords: Benefit Corporations ; B Corps ; Benefit Impact Assessment

Benefit Corporations are for-profit companies that are committed to creating a benefit in addition to their for-profit motive ^[1]. The Benefit Act introduced by Maryland in 2010 gives directors and officers the legal protection to pursue a public benefit while expanding the obligations of boards, requiring them to consider environmental and social factors as well as the financial interests of shareholders ^[2]. In states and countries where the law is still not active, B Lab, a third party such as the U.S. Green Building Council, Underwriters Laboratory, Green Seal, or Global Reporting Initiative is present with its certification process ^[3].

Although their goal remains the same—using business as a force for good—these two phenomena are separate: The Benefit Corporation status is a legal form of a corporation, while the B Corp B Lab certification is a seal of fitness to the standards ^[4]. To become certified B Corps, companies have to achieve a score of 80 or above (which indicates value creation on top of profits) on the Benefit Impact Assessment (BIA) . The process involves inserting company data into the algorithm developed by B Labs' standards advisory council, a committee of independent members—respected in the field for their wisdom and with full industry or stakeholder expertise that adequately represents the diverse interests covered by the assessment—that holds itself above B Lab ^[5].

The BIA, measures impact on the following areas: workers, community, environment, customers, and governance. These areas, evaluated through questions, weighted averages, and calculations, consider the impact that the company may generate, the standards and certifications it has obtained, implemented in-house practices, community involvement, and value chain activities ^[6]. Once the process evaluates the general impact of the business, the company that completes the assessment process (which lasts about six weeks) can add the B Corp certification to its products and website. Results can also be utilized to help prepare the annual Benefit Report, which Benefit Corporations are required to make available to the public (except in Delaware), as the BIA is also one of the third-party standards that meets the statutory requirements for such a report. Lastly, the B Corp Benchmarks can be used to compare and improve a company's social and environmental performance ^[7].

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