

TO BE A “B”: BENEFIT CORP AND B CORP—WHAT DOES ALL THIS MEAN ANYWAY?

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Frequently entrepreneurs ask us about “B Corps” and if being a “B” makes sense for their business. At a high level, here is what that means and the considerations for your business. If this sounds good to you, let’s continue the conversation.

1. The Difference Between a “Benefit Corporation” and a Certified “B Corp”

Benefit Corporation – This is a special type of legal entity structure meant to create value for a broader group of stakeholders and not just shareholders. Under traditional corporate law principles, a corporation and its directors have a duty to maximize profit and make shareholder returns a priority. A benefit corporation, on the other hand, makes a commitment to consider not just shareholders, but also its impact on society and the environment, as a whole. This includes considerations of the community, employees and customers, among other things. A benefit corporation is formally established under state law and does not need to be a certified B Corp. In Pennsylvania, you may also establish a benefit limited liability company.

Certified B Corps – This can be any legal entity or organization that has gone through a special assessment process with B Lab, a non-profit certifying body (go to www.bcorporation.net). To obtain certification, the applying entity or organization must pass a number of criteria and meet a high level of social and environmental impact. These criteria could include energy efficiency, employee benefits, social impact and much more. The applying entity or organization may also need take steps to ensure it becomes a benefit corporation (or benefit LLC) if permissible under its state law.

2. What are the Pros and Cons of a Benefit Corporation or a Certified B Corp?

Pros – There is an increasing interest in companies that are making a positive social and environmental impact. Investors, employees and customers may view your company in a more positive light. Either or both of the “B” classifications may enhance your brand and generate more loyalty—and provide authentic credibility in the face of what is often called “greenwashing” by companies who claim to have social or environmental missions but, in fact, do not. In addition, there is research that shows that over the long term companies that focus on these issues may be more successful.

Cons – To be a certified B Corp, the company must invest time and resources to go through the lengthy assessment process. To be a benefit corporation, the company must consider the interests of all of the company’s stakeholders and prepare a report each year describing how the company has met its public benefit purposes.

3. How Does This Impact Investment?

Many of you reading this will be seeking investment. Although there may be some investors who are hesitant to invest in a company that doesn't hold shareholder value as paramount, there are an increasing number of investors who are interested in enterprises that have a social and environmental impact and view the "B" status as a positive (or even required) attribute.

4. Summing Up

Many of us want to make a difference and have a positive impact on our society, our employees, our community and our environment. While you can take into account these values while forming and growing your business to some extent under existing structures, your credibility and commitment to these values may be better served and protected for years to come under the "B" status. So let's talk further.

PROFESSIONALS

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CAPABILITIES

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