

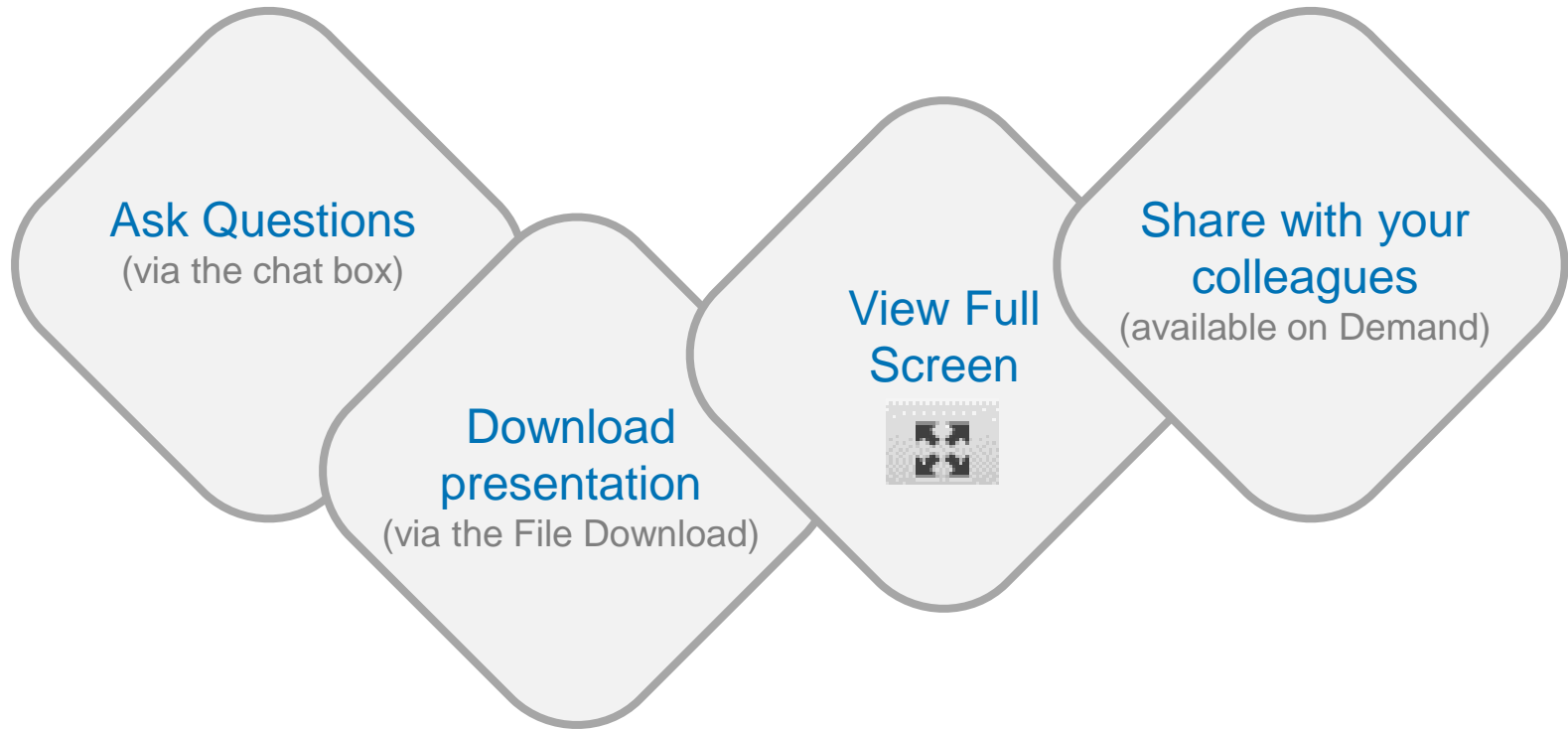


Are Benefit Corporations Beneficial?

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Panelists



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Paul Washington (Moderator)
Executive Director, ESG Center
The Conference Board



**Are benefit
corporations
beneficial?**

Benefit Corporation

A **legal form** that corporations opt into

The legal status enables firms to pursue both a social mission and profit making as corporate interests. It:

- (1) requires a higher level of purpose, transparency, and accountability
- (2) provides protections and permission to consider the firm's impact on all stakeholders, not just shareholders
- (3) does not change how the firm is taxed; it is taxed like a C-corp or S-corp.

Available in 38 states and, Puerto Rico, Italy, Canada, Ecuador and Colombia

VS.

Certified B Corporation

A voluntary **certification** conferred by the nonprofit B Lab

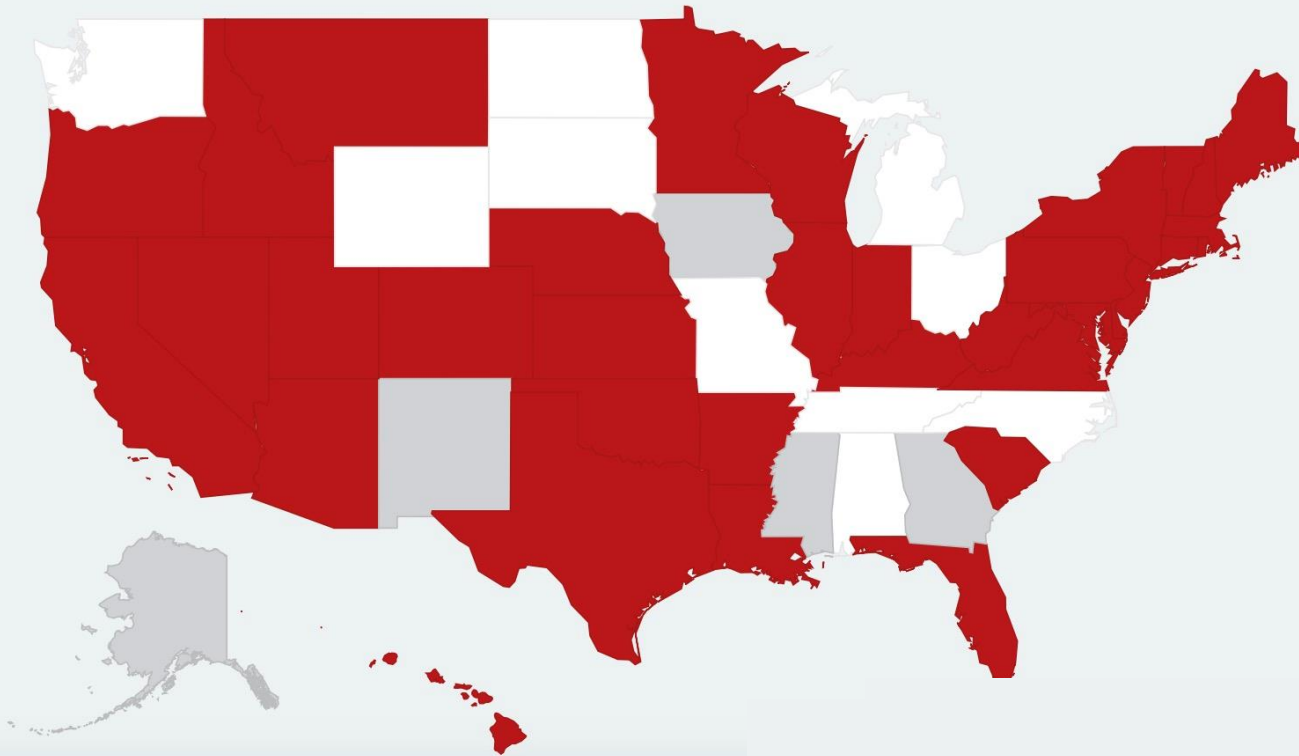
A "B Corps" company:

- (1) meets the standards of verified social and environmental performance through the B Impact Assessment,
- (2) satisfies transparency requirements,
- (3) makes a legal commitment to consider all stakeholders (typically, by becoming a benefit corporation)

Any for-profit company in any country can pursue certification (LLCs included)

State by State Status of Legislation

36 Laws Passed **5** Working on it



Some benefit corporations are high profile companies...

... but what is the broader range of firms?

KICKSTARTER



U.S. benefit corporations

basic facts

7,704+ benefit corporations incorporated across 35 states between Oct. 2010 and Dec. 31, 2017

Most are new, small, privately held firms.

94% created after state legislation went into effect

6% converted to benefit corporations

less than 3% are Certified B Corps

Appx. 50% of benefit corporations are active online.

35% are active online and appear operational

Research design and methods

The study consists of 3 data sets:

- 1. The only compilation of all known U.S. benefit corps, Oct. 2010 - Dec. 2017**
an undercount, limited by state record keeping and data access (n=7,404)
- 2. Organizational characteristics of a nationally representative sample**
Random sample of 10% of all known firms as of Mar. 2017 (n=570)
40% (n=227) had detailed information online; 51% had an online presence.

Systematic analysis of content of websites, social media, benefit reports
captures firms' own representations of their work, not an audit
- 3. Descriptive data on state-level process of filing as a benefit corporation**

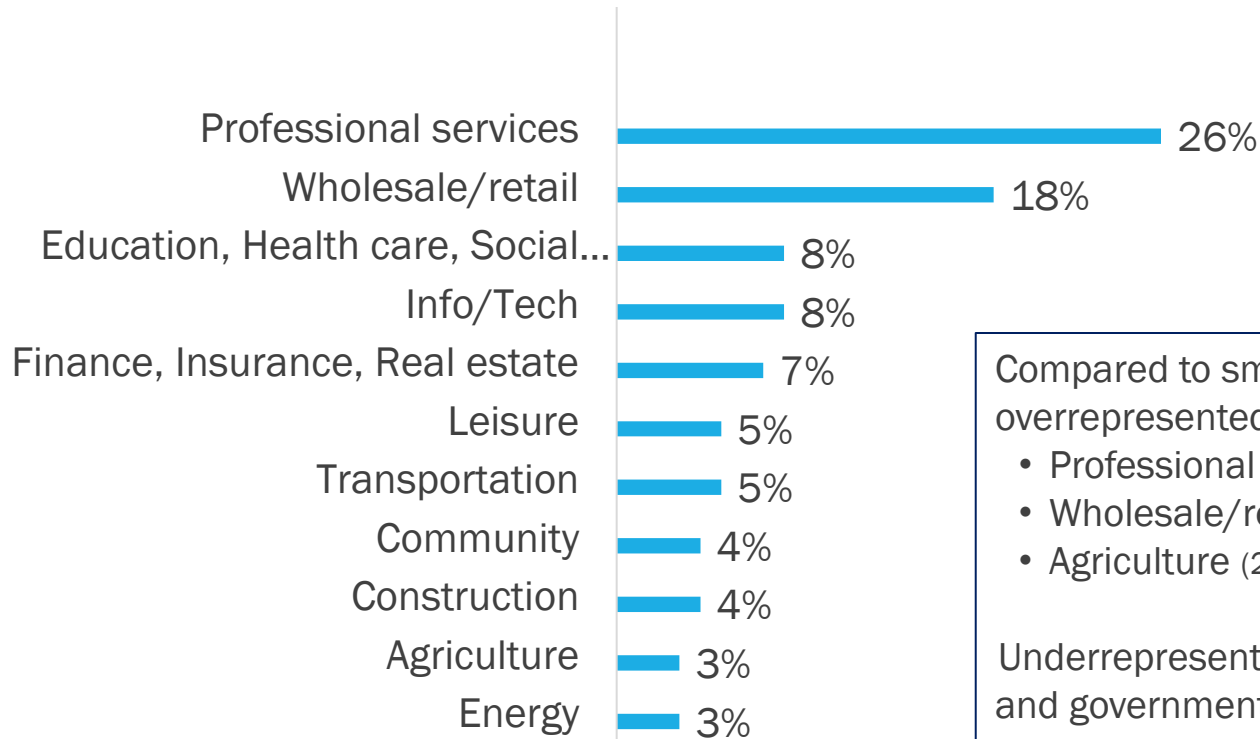
Where are U.S. benefit corporations located?

prevalence does not mirror small U.S. firms

	Proportion of benefit corps	Proportion of small U.S. firms*
Oregon	26%	1%
New York	19%	7%
Nevada	18%	1%
Delaware	16%	.3%
Colorado	8%	2%
California	3%	13%
Maryland	2%	2%
Other states	9%	74%

n= 7,704

What industries do benefit corporations represent?



Compared to small U.S. firms, benefit corps are overrepresented in:

- Professional services (13 percentage points)
- Wholesale/retail (7 percentage points)
- Agriculture (2+ percentage points)

Underrepresented in industries that non-profits and government dominate.

Benefit corporations sell a wide range of products, services, and technologies: *examples*



Patagonia (California)– *eco-minded outdoor apparel*



Zuloo, Inc. (Utah) - *investment in affordable toilets for the poor*

Healthy Markets (Maryland)– *organizes two farmers markets*



Kinesis (Oregon) – *business marketing*

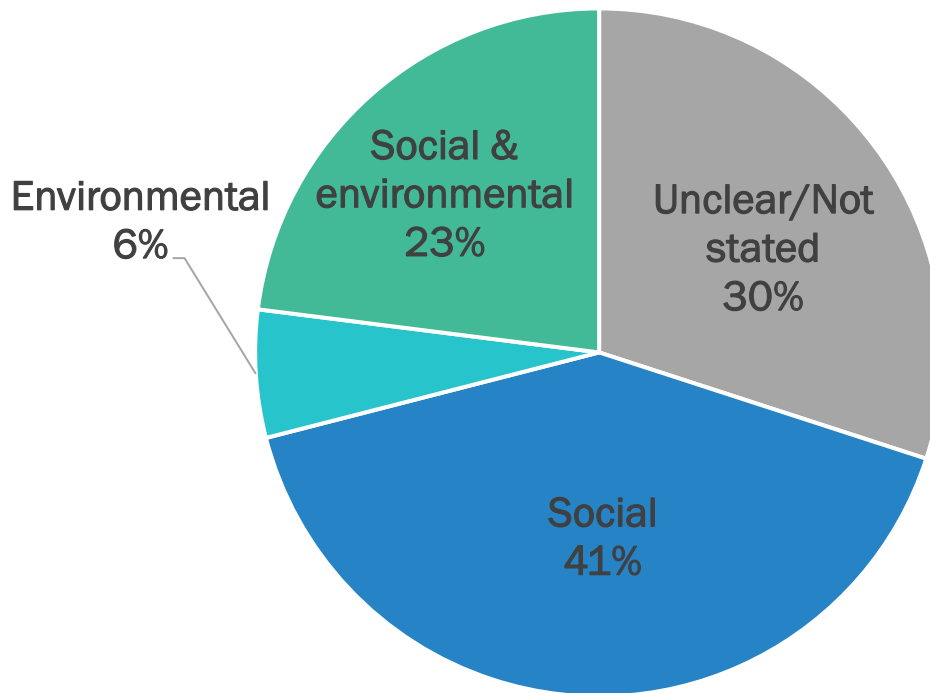
The Tidy Sister (Oregon) – *home cleaning*



Daye Express (Nevada) – *cargo hauler*

Delaware Concealed Carry Coalition – *gun rights advocacy*

How do benefit corporations describe their benefits?



Benefits delivered via

- * Direct services (44%)
- * Indirect services (18%)
- * Products (30%)
- * Fundraising, philanthropy, community service (24%)
- * Operations (21%)

n= 227

Stated benefits: *examples*



ER Assist, disaster response consulting in AR: Services & Products, Environmental Impact: *community recovery, landfill diversion software, bonus structure based on community improvement*



We Labs, coworking space in Long Beach, CA: Services: *build community and networking among members*



Hera Brands, healthcare hardware in PA: Products: *portable devices for healthcare professionals working in homes and communities*



Everest Receivable Services, debt collection in Buffalo, NY: Philanthropy/ Volunteer: *cancer research bike riding fundraiser, dog rescue, children's charities, food bank*

Most do not advertise their legal status.

Does the firm describe itself as a benefit corporation on its website?

10% Extensive description

19% Brief mention

71% No mention

Policy recommendations

supporting benefit corporations

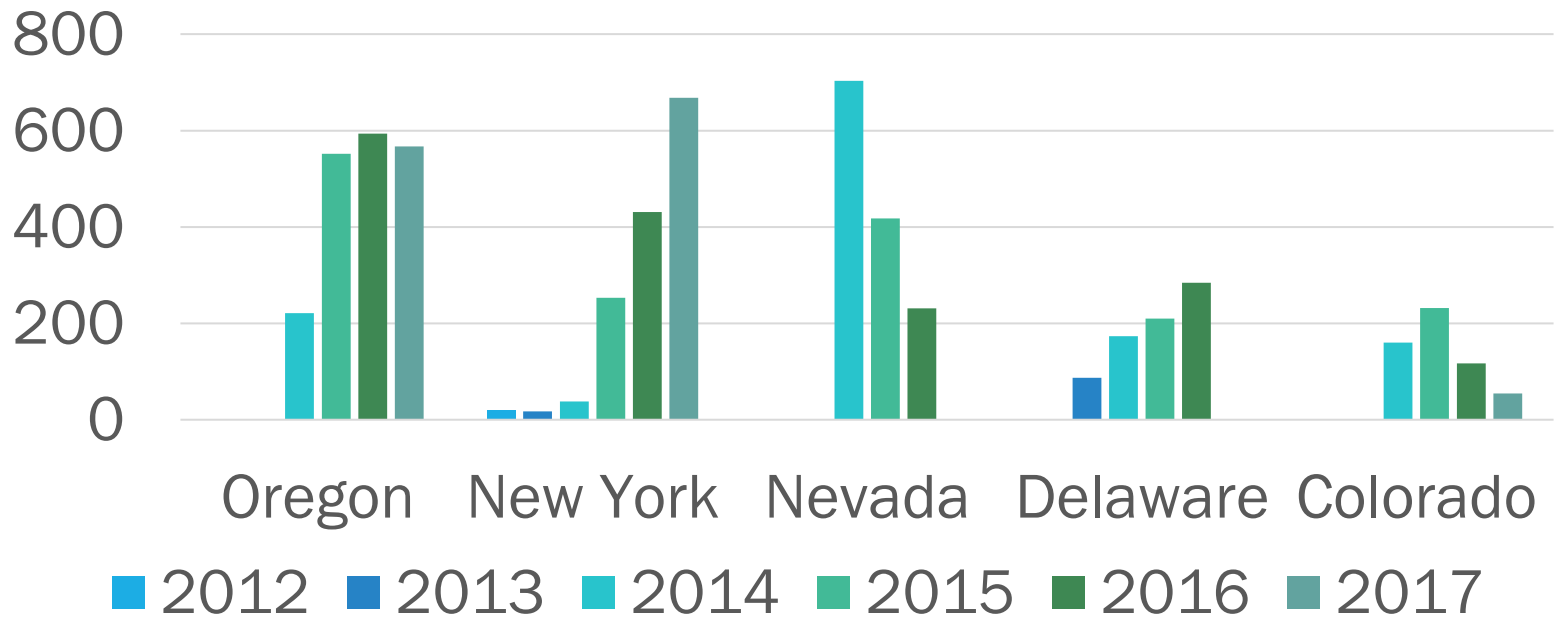
Tailor the law and advocacy to two types of firms: small ups-starts and larger, established companies

Treat the legal form as a business facilitator, not branding

Raise the threshold for becoming a benefit corporation and improve oversight

Appendix

States have varied patterns of incorporation. *top 5 states by year, starting post-legislation*



A small but not insignificant proportion of benefit corporations are doing something good.

From the study, I (very) tentatively infer:

18% of all benefit corporations appear operational and beneficial

5% appear operational and arguably beneficial

12% appear operational but not evidently beneficial

65% appear inactive or have extremely limited online presence or no presence

Most do not comply with reporting requirements.

Only 6% post a benefit report online in states where required

Reports primarily serve as branding and marketing, not as evidence of good governance.



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