

# Just Good Business: An Investor's Guide to B Corps



This report is brought to you by  
The Yale Center for Business and the Environment,  
Patagonia, Inc., and Caprock.



## About The Yale Center for Business and the Environment

The Yale Center for Business and the Environment provides a platform for generating, incubating and launching innovative action at the intersection of business and the environment. The Center joins the strengths of two world-renowned graduate schools—the Yale School of Management and the Yale School of Forestry & Environmental Studies—together with an extensive network of internal and external thought leaders at the business- environment interface. Driven by student interest, we develop partnerships with a wide range of actors across Yale (students, faculty, staff) and in the professional world (alums, companies, NGOs, governments). Our work covers finance, entrepreneurship, marketing, operations, and strategy on issues involving energy, water, carbon, food, natural areas and society.

[www.cbey.yale.edu](http://www.cbey.yale.edu)



## About Patagonia, Inc

Founded by Yvon Chouinard in 1973, Patagonia is an outdoor apparel company based in Ventura, California. A Certified B Corporation, Patagonia's mission is to build the best product, cause no unnecessary harm, and use business to inspire and implement solutions to the environmental crisis. Since 1985, Patagonia has dedicated 1 percent of sales each year to environmental causes.

[www.patagonia.com](http://www.patagonia.com)



## About Caprock

The Caprock Group is a wealth advisory firm engineered for the 21st century, offering both an innovative approach to conventional investing as well as a market-leading platform in sustainable, responsible and impact investing. In so doing, Caprock blends deep investment experience with unconventional investment strategies to future-proof their client's lives: re-thinking wealth from the ground up. Advising on over \$3 billion in family, foundation and philanthropic capital, the firm features regularly in the world's leading financial media, is a founding B Corp and is proud to have been honored as one of only three companies in the world to earn B Community "Best for the World" status in three categories: Employees, Customers and Changemakers.

[www.thecaprockgroup.com](http://www.thecaprockgroup.com)

---

# FOREWORD

## Toward a Common Cause

Vincent Stanley, Director of Philosophy at Patagonia

Investors, meet the B Corps. B Corps, meet the Investors.

Two movements for conscientious business, impact investing and B Corps, both began just a dozen years ago—and have grown rapidly. From the start both shared a commitment to long-term, rather than short-term, gains and to business conducted with a greater purpose and deeper values than financial reward alone.

So far, these movements have grown with not much help from one another. Smaller, privately-held B Corps have stayed under the radar of impact investors, a movement dominated by large entities like sovereign funds, pension funds, and endowments that invest primarily in publicly traded companies. Though they haven't worked together, both movements have had to answer one argument along the same lines—that there isn't enough money to be made doing good.

This turns out not to be true in a couple of important ways. First, many B Corps outperform conventional investments, even during their early years. And doing bad, or simply not caring, has become more expensive. Conventional businesses face rising environmental costs in energy, water, and waste, perhaps next in carbon. They face greater risks to reputation, employee engagement, the ability to hire the best-qualified candidates. Who really wants to leave values at home when setting out for work?

As both movements grow, new possibilities see light. Conventional investors like BlackRock are beginning to demand the degree of transparency—and responsibility—that impact investors have insisted on

for a decade. Increasingly, people of means charge their family offices to fund companies that do things they believe in. Some publicly traded corporations are testing the beneficial waters by encouraging subsidiaries to become B Corps. Silicon Valley venture capitalists are discovering B Corp startups as promising sources to realize great new ideas. Non-B Corps all over the world, of all sizes, are using B Lab's B Impact Assessment Tool to take stock of their own practices. And significantly, communities and regions seeking economic and environmental revival—and greater self-reliance—look to the twin blessings of patient capital and responsible businesses.

The hope of this guide is to illuminate the common path walked by conscientious investors and Benefit and Certified B Corporations—for these groups to find in each other common cause and a helping hand in the great work that needs to be done to restore our communities, heal our planet, and create an economy that works for all.



Vincent Stanley is Patagonia's long-time chief storyteller and helped develop the Footprint Chronicles, the company's interactive website that outlines the social and environmental impact of its products; the Common Threads Partnership; and Patagonia Books. He is also a poet whose work has appeared in Best American Poetry. He and his wife live in Santa Barbara.

# FOREWORD

## An Unconventional Truth

**Matthew Weatherley-White**, Co-Founder and Managing Director at Caprock

I permit myself, occasionally, to claim a unique perspective on B Corporations.

Between owning a founding B Corp that is regularly awarded “Best For The World” status, serving on a handful of early B Impact Assessment standards committees, launching and co-stewarding Benefit Corporation legislation through the Idaho Statehouse, speaking, writing and opining on All Things B, investing in (and advising) other B Corps, and finding myself in full-throated—and good-natured—arguments with cofounders Jay, Andrew, and Bart and a few other B Lab luminaries, my experience pretty much spans the full arc of the B Corp journey.

The best part? With over a decade of B engagement behind me, the deceptively simple premise of quantifying best practices in sustainable business management—and benchmarking those practices over time—still inspires me. Full-bore.

Yet I have also been occasionally perplexed. The community seems to have experienced a form of centripetal acceleration around one axis: establishing a movement through grassroots community building and certification support. Basically, an activist’s approach to changing capitalism. Which is super cool and powerful and sensible. But, well, it is only part of the solution.

Systemic change in the capital markets requires that the investor community engage with the same level of passion and information that supports the entrepreneurial community. Or, as I like to say, investors must

be “embraced and inspired.” Until now, the tools to do this have been surprisingly lacking.

Full disclosure: my company, Caprock, is not a mission-driven company. An anomaly among pioneering businesses like Patagonia, Seventh Generation, Happy Family, and Ben & Jerry’s, we are drawn to certification not for progressive street cred, but rather as a set of lenses to evaluate the sustainability of our enterprise. And by “sustainability,” I mean a form of resilience in the face of an ever-changing business landscape. We adopted sustainability as an operating rubric, ensuring that our employees are secure, our clients overjoyed, our investees respected, and our enterprise durable.

With this in mind, we believe that B Lab quietly offers investors a pair of braided firsts, both of which are captured in this publication: 1) the first toolbox to help management focus on the kind of patient, steady value creation that defines, in our minds, “the right way to do business;” and 2) the first window into the DNA of a sustainable business for analysts and diligence professionals who don’t know the first thing about sustainable business.

Which brings me to a related point. As the economy continues to shift from manufacturing and resource extraction to technology and services, intangible assets are acquiring an increasingly important part of business valuation. It is the foolish executive who refuses to explore ways to optimize intangible asset values. And as the growth of impact investing pushes financial services firms to consider environmental



and social return as a driver of overall portfolio performance, the idea of capturing non-financial return gains currency. Between these two dynamics—one financial and one responsible—we are witnessing a profound recalibration of how the capital markets value companies.

This guide profiles case studies of companies that are growing and shaping categories precisely because they understand how to harness this recalibration to their advantage—in branding, market share capture, customer acquisition, and operating efficiency. And this, to me, is the most exciting aspect of what impact investing is all about, and what this guide does such a great job of surfacing: that B Corporations and Benefit Corporations are the sharp edge of a wedge that will transform the way the capital markets work, and the way capital moves through society.

I titled this foreword—with the obvious hat-tip to Al Gore's "An Inconvenient Truth"—to highlight what many investors are just starting to realize. When paired with solid cash flow management, passionate leadership, a coherent strategy, a rational business plan, and all the other factors that undergird every successful enterprise, B Corp Certification is both a risk mitigator and an opportunity identifier. And while we would never commit capital exclusively on the basis of certification, the presence of an identifiable, legitimate B Culture (either through certification or utilization as a management tool) gives us a window into, and confidence in, the operations of a company. Without it, our diligence is more time consuming and complicated.

And that, to most of the capital markets, is an unconventional—and, to those who would consider themselves Friedman acolytes, an inconvenient—truth.

It is for this reason that I am so excited about this publication. Its concise, insightful chapters will surprise and inform, make us all better investors, and quite possibly give us a sense of optimism about the role of business in society, the flow of money through our culture, and the future of capitalism.



**Matthew Weatherley-White is an entrepreneur, investor, lecturer, speaker, author, athlete, father, competitor and all-around exuberant guy who loves nothing more than a long day in the mountains with his daughter... or the occasional heated argument about the future of capitalism.**

**“The B Corp movement is, to me, a product of a general improvement in our understanding of economic behavior. Through greater appreciation of the real motives that drive and excite people, B Corporations provide a significant new opportunity for investors. I think they could make more profits than any other types of companies, and this guide helps investors understand why.”**

**—Robert Shiller**, Sterling Professor of Economics, Yale University, and Nobel Laureate

---

# CONTENTS

---

|  |           |
|--|-----------|
| <b>Introduction</b>  | <b>6</b>  |
| <hr/>  |           |
| <b>Certified B Corps &amp; Benefit Corporations</b>                                | <b>8</b>  |
| Certified B Corps  | 10        |
| Benefit Corporations   | 12        |
| Why Become a Benefit Corporation:<br>The Whole Foods Story                         | 15        |
| <hr/>  |           |
| <b>Defining The Investor Landscape</b>   | <b>18</b> |
| <hr/>  |           |
| <b>Understanding the Value of Certified<br/>B Corps &amp; Benefit Corporations</b> | <b>24</b> |
| Providing Transparency   | 25        |
| Benchmarking Performance   | 26        |
| Strengthening Governance   | 28        |
| Attracting and Retaining Talent  | 30        |
| Connecting with Customer Values  | 31        |
| Building B Corp Community: B2B Benefits  | 33        |
| Creating a Common Language   | 36        |
| <hr/>  |           |
| <b>Conclusion</b>  | <b>38</b> |

---

# INTRODUCTION



Leading a business in today's markets means taking on roles not recently played by companies, in partnership with, and sometimes in lieu of, government or nonprofit sectors. The practice of capitalism is evolving, business models are shifting to emphasize sustainable growth, and business's impacts on communities and the environment are no longer treated as externalities. The titans of finance are responding. In a January 2018 letter to CEOs, BlackRock Founder, Chairman, and Chief Executive Officer Larry Fink wrote:

**“Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”<sup>1</sup>**

In practice, this call to redefine business success has been answered. In 2006, Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy co-founded the non-profit B Lab to create an assessment known as B Corp Certification, which scores and certifies companies that claim to be good for all stakeholders. They also supported legislation to create a new legal entity, commonly called a Benefit Corporation, which bakes the consideration of all stakeholders into a company's bylaws. Gilbert, Houlahan, and Kassoy designed the B Corp Certification and Benefit Corporation structure based on experience with companies forced to forfeit socially responsible business commitments after acquisition.

It turns out that making socially and environmentally responsible decisions is good business. Certified B Corporations (B Corps) had a greater revenue growth rate than public firms of comparable size during the Great Recession and in each year of 2006-2011, underscoring that an all-stakeholder governance model can translate to better financial performance and lower risk for investors in the long



term.<sup>2</sup> Researchers at the School of Management at SUNY Binghamton found that certified B Corps had an impressive 50.48 percent revenue growth rate during the 2008 financial crisis.<sup>3</sup> Yale University Sterling Professor of Economics Robert Shiller, who won the 2013 Nobel Prize, seems unsurprised by this data:

**“The B Corp movement is, to me, a product of a general improvement in our understanding of economic behavior. Through greater appreciation of the real motives that drive and excite people, B Corporations provide a significant new opportunity for investors. I think they could make more profits than any other types of companies, and this guide helps investors understand why.”**

The mainstream investor community has caught on to the potential of Certified B Corps and Benefit Corporations. As of May 2017, nearly every major Silicon Valley venture capital firm had invested in at least one company holding one of these designations, totaling more than \$1.4 billion in deal flow; and those are only the deals of which B Lab is aware.<sup>4</sup> Given the majority of Certified B Corps and Benefit Corporations

are privately held, there is likely a greater volume of investment activity. And though this guide focuses on Certified B Corps and Benefit Corporations, it is important to recognize that a larger universe of investments already consider social and environmental factors alongside profit. These efforts are known variously as socially responsible investing, impact investing, and ESG investing, to name a few, and as of 2016 they cumulatively totaled \$8.72 trillion in assets under management.<sup>5</sup> Furthermore, the Global Impact Investing Network (GIIN) reports that impact investors have high levels of satisfaction with both impact and financial performance, with assets under management growing by 18 percent compounded annually from 2013 to 2015.<sup>6</sup>

Whatever your interest in Certified B Corps—supporting the triple-bottom line, their strength as investments that bring a more comprehensive set of risks into focus—this guide delivers what investors need to know about Certified B Corps and Benefit Corporations. The information is sourced directly from individual and institutional investors, top academics, and B Corp entrepreneurs.

**“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”**

**—Larry Fink, Chairman and CEO at BlackRock**

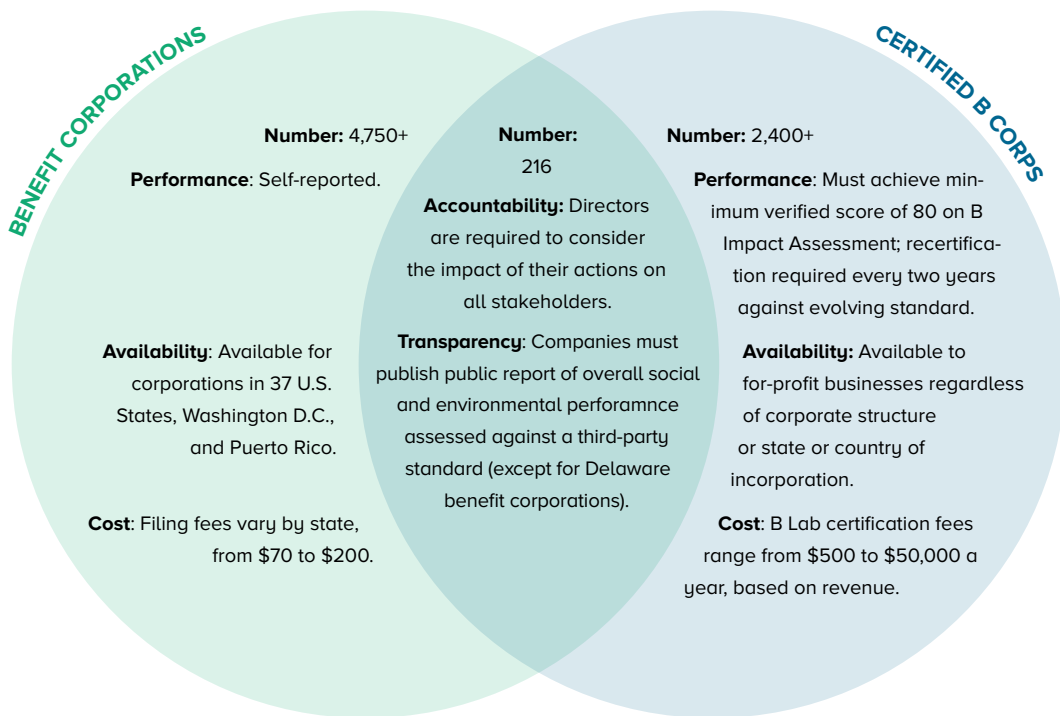




Certified B Corps and Benefit Corporations are often confused. Companies that pursue either denomination make a commitment to consider the impact of their actions on stakeholders in addition to shareholders, and they must publicly disclose social and environmental metrics. *The difference lies in the legally binding nature of their commitment.* Over 200 companies are both certified as B Corporations and incorporated as Benefit Corporations, but there are many companies with just one status.

This section will briefly walk through the intricacies of each denomination. In general, this publication is focused on U.S.-based investors, Certified B Corps, and Benefit Corporations, although there are many Certified B Corps and a growing number of legal structures similar to Benefit Corporations in other countries.

FIGURE 1  
**CERTIFIED B CORPS & BENEFIT CORPORATIONS: WHAT'S THE OVERLAP?**



Sources:  
<http://benefitcorp.net/businesses/benefit-corporations-and-certified-b-corps>  
<https://data.world/blab/benefit-corporations-list>  
<http://bcorporation.net>  
<https://bthechange.com/will-wall-street-embrace-b-corps-5df5c91c4f4a>

## CERTIFIED B CORPS

Similar to LEED and fair trade certifications, B Corp Certification is a third-party audited designation for companies that meet standards of social and environmental performance, accountability, and transparency.<sup>7</sup> Unlike organic, fair trade, or LEED, which apply to specific products or individual buildings, B Corp Certification applies to the entire business.

To be eligible for the certification, companies must complete the B Impact Assessment. The B Impact Assessment is a comprehensive survey of company practices covering six major themes—governance, workers, community, environment, customers, and

industry-specific impact business models—that measure factors such as greenhouse gas emissions, board diversity, employee benefits, and corporate transparency. Survey responses are weighted differently based on the industry, geography, and size of the company, and survey responses roll up to determine a company's B Impact Assessment score.

If a company scores at least 80 out of a possible 200 points, it can continue with the certification process. In the next phase of the process, professionals from B Lab review the completed questionnaire and accompanying documentation to validate the assessment data. If a company still exceeds the 80-point minimum after completing B Lab's review, it is eligible for "B Corp Certification," declaring that it is a socially responsible business.<sup>8</sup>

**FIGURE 2**  
**B IMPACT ASSESSMENT SAMPLE QUESTIONS**

(Sample questions are not available for the Customers and Impact Business Model sections)

|                    |  |
|--------------------|--|
| <b>Governance</b>  | <ul style="list-style-type: none"> <li>• What portion of your management is evaluated in writing on their performance with regard to corporate social and environmental targets?</li> <li>• Does the company have a formal process to share financial information (except salary info) with its full-time employees?</li> </ul>  |
| <b>Workers</b>     | <ul style="list-style-type: none"> <li>• Based on referenced compensation studies, how does your company's compensation structure (excluding executive management) compare with the market?</li> <li>• Based on the results of your employee satisfaction assessment (conducted within the past 2 fiscal years), what percent of your employees are 'Satisfied' or 'Engaged'?</li> </ul> |
| <b>Community</b>   | <ul style="list-style-type: none"> <li>• What % of management is from underrepresented populations? (This includes women, minority/previously excluded populations, people with disabilities, and/or individuals living in low-income communities.)</li> <li>• Are full-time employees explicitly allowed any paid or non-paid time-off hours options for community service?</li> </ul>  |
| <b>Environment</b> | <ul style="list-style-type: none"> <li>• Which is the broadest community with whom your environmental reviews/audits are formally shared?</li> <li>• What % of energy (relative to company revenues) was saved in the last year for your corporate facilities?</li> </ul>  |



As part of the certification process, a company must amend its governing documents to consider all stakeholders (if permitted by law); stakeholders include not only traditional shareholders, but also employees, customers, the community, and the environment. After certifying, companies are subject to onsite, in-depth reviews to further corroborate the findings. B Lab conducts onsite reviews of approximately 10 percent of B Corps every year. Companies must recertify every two years, providing benchmark data to measure

impact over time. The certification dues range from \$500-\$50,000 per year (based on revenues).

Many jurisdictions require that stakeholders be the primary consideration for directors of corporations. As a result, B Lab began state-level campaigns to create a new corporate structure that protects a company's commitment to its stakeholders should it ever be challenged in court. That legal structure is called the Benefit Corporation.

## CASE STUDY



**Legal Structure:** Wholly-owned Subsidiary of Unilever

**Certified B Corp:** Since 2012

**Founded:** 1978

**HQ:** South Burlington, VT

**Sector:** Food and Beverage

**Company Phase:** Mature

**Annual Revenue:** Between \$500M and \$1B

**Favorite ice cream flavors of the authors of this guide:** Bourbon Pecan Pie (Max), Cherry Garcia (Kylee), and Cinnamon Buns (Alex)

### B Impact Report:

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 22            | 7                         |
| Workers                | 27            | 18                        |
| Customers              | N/A           | N/A                       |
| Community              | 44            | 17                        |
| Governance             | 17            | 6                         |
| <b>Overall B Score</b> | <b>110</b>    | <b>55</b>                 |

**“B Corp Certification amplifies the value of our brand and connects us with a strong community of inspiring social businesses.”**

**—Ryan Midden, Flagship Quality Manager at Ben and Jerry's**

**Company Description:** Ben & Jerry's manufactures and sells ice cream, frozen yogurt, and sorbet. It is a subsidiary of Unilever and its products are distributed around the world. Ben & Jerry's follows a three-part sustainable mission that applies to its products, economics, and social values. The company uses wholesome and natural ingredients, operates on a sustainable financial basis that expands value for its stakeholders and expands opportunities for its employees, and initiates innovative ways to improve the quality of life locally, nationally, and internationally.

**B Benefits:** Ben & Jerry's believes that joining a community of companies where all are striving to do better can widen outreach and impact. Furthermore, Ben & Jerry's values the B Impact Assessment as third-party validation of its responsible practices. Despite producing social and environmental assessment reports annually since 1989, the B Impact Assessment increases transparency of key impact metrics. Ben & Jerry's B Corp Certification is supported by Unilever, and the company was the first wholly-owned subsidiary to gain B Corp Certification.

## BENEFIT CORPORATIONS

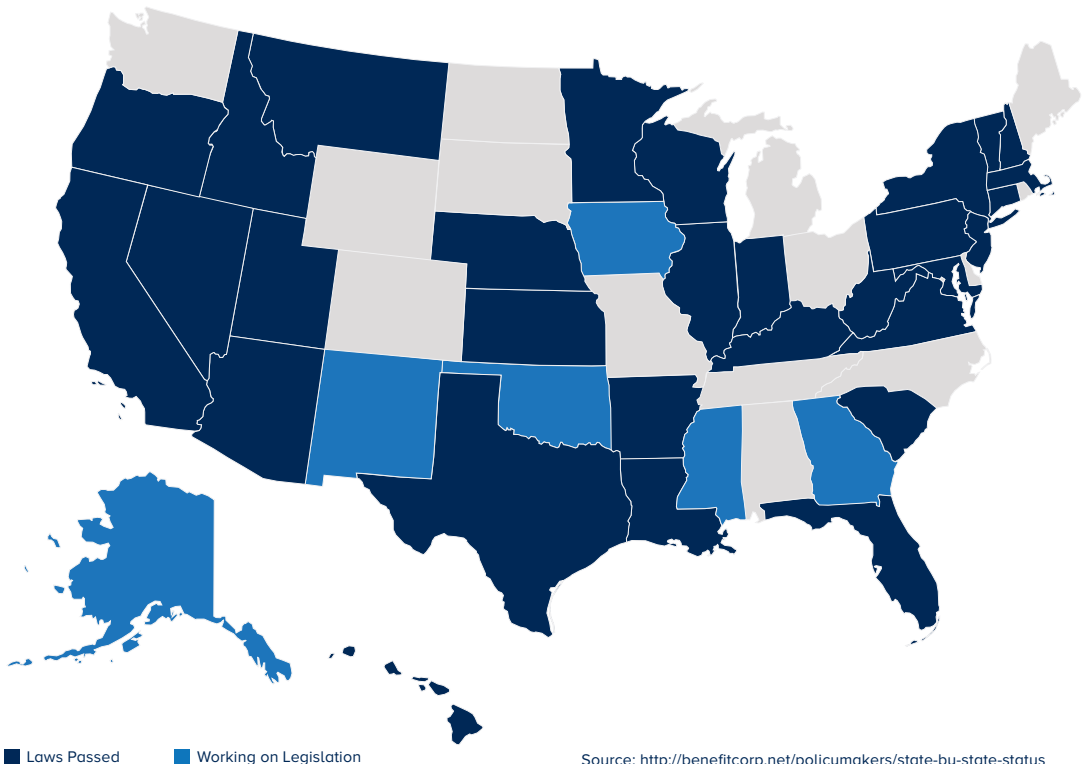
A Benefit Corporation is a for-profit incorporating structure, similar to a C or S Corp. It is now available in 37 U.S. states, the District of Columbia, and Puerto Rico.<sup>10</sup> Benefit Corporations receive no tax benefits. To become a Benefit Corporation, a company must amend its governing documents; in most states, that requires a two-thirds super-majority vote from all shareholders. The amendment typically permits the company to consider all shareholders and non-financial interests—e.g., community, environment, employees, and customers—when making

business decisions. Most states require that Benefit Corporations provide a “general public benefit” defined by “a material positive impact.”<sup>11</sup>

As of December 2017, Certified B Corps that reside in states with Benefit Corporation charters must have a plan to become a Benefit Corporation within two years or they lose their certification (companies can take longer to fully enact the transition). Unlike B Corp Certification, there is no minimum performance requirement to incorporate as a Benefit Corporation. Like Certified B Corps, Benefit Corporations are required to assess and report on key performance

FIGURE 3  
STATE BY STATE STATUS OF LEGISLATION

As of January 2018, most U.S.-based Certified B Corps reside in states that also have Public Benefit Corporation designations.



Source: <http://benefitcorp.net/policymakers/state-by-state-status>

FIGURE 4  
**SHAREHOLDER PROTECTIONS**<sup>14</sup>

| Protection                   | Type                  | Traditional Corporations | Benefit Corporations |
|------------------------------|-----------------------|--------------------------|----------------------|
| Elect Directors              | Governance            | ✓                        | ✓                    |
| Transaction Votes            | Governance            | ✓                        | ✓                    |
| Mission Alteration High Vote | Governance            |                          | ✓                    |
| Duty of Care                 | Fiduciary Duty        | ✓                        | ✓                    |
| Duty of Loyalty              | Fiduciary Duty        | ✓                        | ✓                    |
| Duty of Disclosure           | Fiduciary Duty        | ✓                        | ✓                    |
| Derivative Suits             | Enforcement Mechanism | ✓                        | ✓                    |
| Director/Class Action        | Enforcement Mechanism | ✓                        | ✓                    |
| Books & Records Action       | Enforcement Mechanism | ✓                        | ✓                    |
| Election Review              | Enforcement Mechanism | ✓                        | ✓                    |
| Heightened Scrutiny          | Standard of Review    | ✓                        | ✓                    |
| Entire Fairness              | Standard of Review    | ✓                        | ✓                    |
| Benefit Report               | Disclosure Right      |                          | ✓                    |

and impact metrics. In most states, this analysis is conducted annually and results are posted publicly, typically on the Benefit Corporation's website. All states mandate that this report be provided to shareholders.<sup>12</sup> Companies with either a B Corp Certification or Benefit Corporation legal structure are potentially subject to greater scrutiny because of the public commitment to socially responsible values.<sup>13</sup>

Benefit Corporations are similar to traditional corporate structures in that their shareholders retain corporate governance rights on board of

director elections and voting on major corporate transactions. (Figure 4 details a full list of shareholder protections for Benefit Corporations versus Traditional Corporations.) Benefit Corporation shareholders can also bring lawsuits if they believe that the board has breached its fiduciary duty. But Benefit Corporations differ on one important point: *they are legally accountable to the company's stakeholders*. Put another way, Benefit Corporations are legally mandated to consider the impacts of key business decisions on their stakeholders, in contrast with the popular perception that corporations are legally

## CASE STUDY

## KICKSTARTER

**Legal Structure:** Benefit Corporation

**Certified B Corp:** Since 2014

**HQ:** Brooklyn, NY

**Sector:** Internet

**Founded:** 2009

**Company Phase:** Growth

**Annual Revenues:** \$31.5M<sup>15</sup>

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 9             | 7                         |
| Workers                | 33            | 18                        |
| Customers              | 8             | N/A                       |
| Community              | 17            | 17                        |
| Governance             | 17            | 6                         |
| <b>Overall B Score</b> | <b>83</b>     | <b>55</b>                 |

**Company Description:** Kickstarter is a global funding platform that builds community around creative projects from arts and publishing to food and film. Kickstarter is a mission-driven organization that prioritizes responsible governance, corporate transparency, and an inclusive work environment. Kickstarter has brought 130,000+ creative projects to life with the support of \$3.5 billion backed by 14 million people.

**B Benefits:** When founder and chairman Perry Chen created Kickstarter, he partnered with investors that aligned with the company's deeply ingrained values. Becoming a Certified B Corp in 2014 was a natural step as the company's values from the start were parallel to B Corp community values. Similarly, when Kickstarter decided to reincorporate as a Benefit Corporation in 2015, to legally balance shareholder primacy, there were no dissenting votes from investors or shareholders. Today, its status as a Benefit Corporation helps frame conversations internally, while signaling the company's values externally.

mandated to maximize profits for shareholders. This premise has not yet been tested in court, but many legal experts believe that should a Benefit Corporation be sued by its shareholders for making perceived financial tradeoffs that prioritize benefits for other stakeholders, the company has a stronger legal case if they are incorporated as a Benefit Corporation than if they are not. The extent to which the ability would stand in legal proceedings is still unknown.

It is important to note that there is an open debate about whether non-Benefit Corporations can instill Benefit Corporation-like legal protections. One side argues that the directors of a C or S Corporation can

take actions that consider all stakeholders by tailoring their charter and articles of incorporation. The legal purpose of a corporation is not, in fact, to maximize profits for shareholders—it is defined at the time of incorporation and evolves through executive and board leadership. This side of the debate argues that the Benefit Corporation legal structure, is therefore, unnecessary. The other side of the debate claims that in most states, including Delaware, charters cannot conflict with law, and current law requires that directors act in the best interests of shareholders. This side would state that Benefit Corporations provide unique protection to act in the best interest of multiple stakeholders.



Regardless of where one falls in the debate, tailoring a traditional corporation's charter and articles of incorporation to include protections for stakeholders requires a level of legal expertise that may be difficult to find or afford. The Benefit Corporation therefore provides an "off-the-shelf" legal structure for leaders who see value in the Benefit Corporation's brand message, transparency, business community, and potential legal protections.

## WHY BECOME A BENEFIT CORPORATION: THE WHOLE FOODS STORY

Whole Foods took the plunge into mainstream organic foods before almost anyone. This bet drove incredible profits; the company capitalized on the tripling of U.S. organic sales between 2005 and 2016.<sup>16</sup> But in 2016 and 2017, the company's profits lagged as Walmart, Kroger, and other mainstream supermarkets started to crowd the organic food space. In its quarterly report in February 2017, Whole Foods reported its sixth consecutive quarter of falling same-store sales, sending its stock tumbling.<sup>17, 18</sup> Later in the year, activist investors purchased a large equity stake in the company and started to push it to take on new board members. This new board forced Whole Foods into a sale, going against CEO John Mackey's wishes to retain control.

### MYTH

**Founders are unable to earn competitive profits because of their businesses' B statuses.**

### FACT

Both Certified B Corps and Benefit Corporations are required to consider all stakeholders in making business decisions. In the case of Benefit Corporations, the consideration of all stakeholders is a legally protected requirement that distinguishes this type of corporation from traditional corporations,

The story of hostile corporate takeover in a time of financial distress is not unique.<sup>19</sup> Very often companies are forced to carry out the sale against their will. But as discussed earlier, could the Benefit Corporation structure have protected Whole Foods? Although he is not sure, CEO John Mackey would have liked to serve as the test case. In an interview with Jay Coen Gilbert, one of the Founders of B Lab, Mackey said:

**"I always thought B Corps were a good idea...but I really didn't think it was necessary. You know, you have this stakeholder model, you take care of your stakeholders, what do you need this legal form for? We had activists come into our stock. ... they wanted to force us into a sale. ... Boy oh boy oh boy, did I wish we were a B Corp. ... I would have loved to have tested the idea of shareholder activists versus the legal form of a Benefit Corporation."<sup>20, 21</sup>**

Later in the interview, Mackey continued to lambast the activist investors, citing the financial sector as a core reason why capitalism has not acted in the best interest of the public, even though he believes that "capitalism is the greatest source for progress in the history of the world."<sup>22</sup>

which are subject to shareholder primacy and its interpretation that corporations must maximize profits for shareholders. Although no stakeholder can establish primacy with a Benefit Corporation, shareholders are the only stakeholder entitled to bring legal action against the corporation or its directors.<sup>23</sup> To date, there have been no cases brought to U.S. courts in which the plaintiff is suing for management's insufficient consideration of stakeholders, and therefore this protection has not been tested.

## MYTH

Investors in Certified B Corps and Benefit Corporations have greater difficulty exiting relative to more traditional investments, and in parallel, founders experience challenges selling their companies because of B Corp Certification or Benefit Corporation status.

## FACT

Neither B Corp Certification nor Benefit Corporation incorporation has an effect on a company's ability to create liquidity events. It is still too early for

rigorous research on the impact of B Corp status on exit trends, and, given the majority of Certified B Corps and Benefit Corporations are privately held, it's difficult to collect comprehensive data on exit activity. There have been several acquisitions in the public markets: Happy Family – Danone; Plum Organics – Campbell Soup Company; Seventh Generation and Sundial Brands – Unilever; New Chapter – Procter & Gamble, Annie's Homegrown – General Mills; and Dansko – ESOP Conversion, amongst others.

**“I know the part of capitalism that is the most diseased. It's the financial sector. It's almost lost its gyroscope of values; it has become just about money and profits...None of the other values of Whole Foods Market mattered, just how could [they] get a few more dollars out of that stock price? And do whatever it takes to get that...I think B Corps and benefit corporations are a tip of a reform movement that capitalism needs as a whole, but particularly the financial sector needs it.”**

While the Whole Foods saga illustrates how responsible practices exhibited by Certified B Corps and Benefit Corporations are likely to be overlooked by short-term investors, long-term investors may see value in these public benefits. Luckily, there are a number of investors that have already backed these companies.

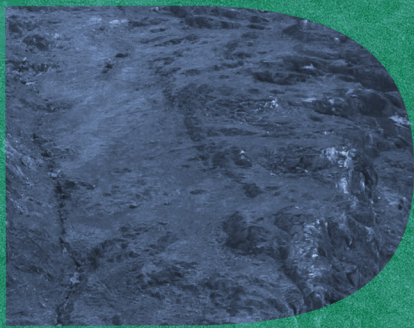
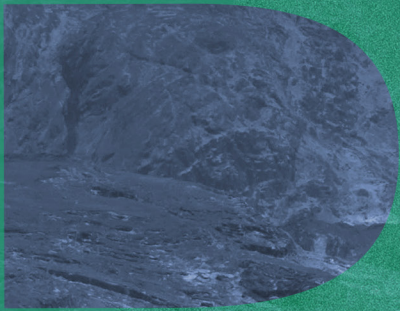
The Yale Center for Business and the Environment and Patagonia, Inc.'s 2017 *Entrepreneur's Guide to Certified B Corporations and Benefit Corporations*<sup>24</sup> provides more detail about the legal standing of Benefit Corporations and is a good reference for further information on the subject. B Lab also provides a *roadmap*<sup>25</sup> for how to become a Benefit Corporation for each state that allows it, and explains the differences for each state.

**“The capital markets as they are now are totally broken...the B Corp Certification and structure is a movement. It says yes, you have to pay attention to what you are doing to the environment, to what you are doing to your workers, to what your impacts are in the community.”**

**—Rose Marcario, CEO at Patagonia**



# DEFINING THE INVESTOR LANDSCAPE



While Certified B Corps and Benefit Corporations range from start-ups to publicly traded companies, the majority of them are privately owned small and medium enterprises. Given this, Certified B Corp and Benefit Corporation investors are often venture capitalists, private equity firms, angel investors, family offices, or high net worth individuals sourced

from an entrepreneur's personal and professional networks. Investors in these companies vary greatly in their return expectations and timeframes: on one hand you have traditional investors like Union Square Ventures, and on the other you have mission-driven NewSchools Venture Fund, which values educational outcome improvements over financial returns.

The diverse group of Certified B Corps and Benefit Corporation investors includes:

Andressen Horowitz  
Baseline Ventures  
Benchmark  
Collaborative Fund  
DBL Partners  
Emerson Collective

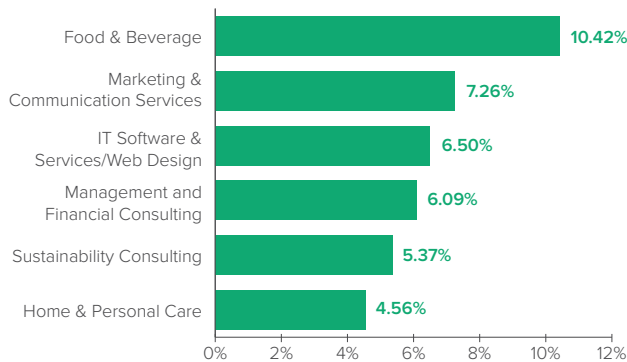
FreshTracks Capital  
Founders Fund  
First Round Capital  
Foundry Group  
Generation Equity Investors

Golden Seeds  
Good Capital  
Greycroft  
Omidyar Network  
Pacific Community Ventures

Sherbrooke Capital  
SJF Ventures  
The Westly Group<sup>26</sup>

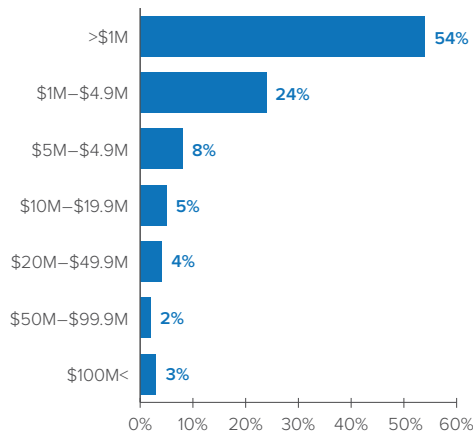
FIGURE 5

TOP CERTIFIED B CORP INDUSTRIES



Source: B Lab 2017

CERTIFIED B CORPS BY REVENUE RANGE



Source: B Lab 2017



B Lab has collected publicly available information on \$1.4B of investments in Benefit Corporations by 122 different venture capital firms to date. Many venture-backed Benefit Corporations have received multiple rounds of funding, showing that Benefit Corporations can readily meet venture capital risk and return expectations. Their research also reveals that nearly every Silicon Valley venture capital firm has invested in a Benefit Corporation as of 2017, demonstrating mainstream appeal of the young legal structure.<sup>27</sup>

Although the majority of investable Certified B Corps are privately held companies, there are a few publicly listed Certified B Corps. In 2015, Laureate Education Inc (both a Benefit Corporation and a Certified B Corp) underwent an IPO and raised \$490M;<sup>28</sup> it was the first Benefit Corporation and the third Certified B Corp to go public. In addition, there are a number of other Certified B Corps, such as Ben and Jerry's, Seventh Generation, and Happy Family that are owned by international conglomerates such as Unilever and Danone (See Figure 7 for a list of all publicly held

## CASE STUDY



**LAUREATE**  
INTERNATIONAL  
UNIVERSITIES

**Legal Structure:** Benefit Corporation

**Certified B Corp:** Since 2015

**Founded:** 1999

**HQ:** Baltimore, MD

**Sector:** Education

**Company Phase:** Mature

**Annual Revenue:** \$4,244M (FY2016)

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 10            | 7                         |
| Workers                | 25            | 18                        |
| Customers              | 24            | N/A                       |
| Community              | 24            | 17                        |
| Governance             | 21            | 6                         |
| <b>Overall B Score</b> | <b>104</b>    | <b>55</b>                 |

**Company Description:** Laureate is a network of nearly 70 online and campus-based universities offering undergraduate and graduate degree programs to more than one million students in 23 countries across

the Americas, Europe, Africa, Asia, and the Middle East. The company is the largest Certified B Corp in the world, and the first Public Benefit Corporation to be traded on any stock exchange in the world.

**B Benefits:** Laureate converted to a Public Benefit Corporation to align its legal structure with its commitment to expanding access to quality higher education. Along with every member of its global network institutions, Laureate then received B Corps Certification in 2015 and re-certification in 2017.

**“We have operated as a Benefit Corporation even before B Corps were introduced. As a company of educators, social impact has been front and center since Laureate’s founding nearly twenty years ago. Now as the world’s largest Certified B Corporation, we are using the B Impact Assessment to measure Laureate’s educational, social, and environmental performance, to demonstrate the social impact of our business, and to set targets for impact in the future.”**  
—Todd Wegner, B Corp Program Manager

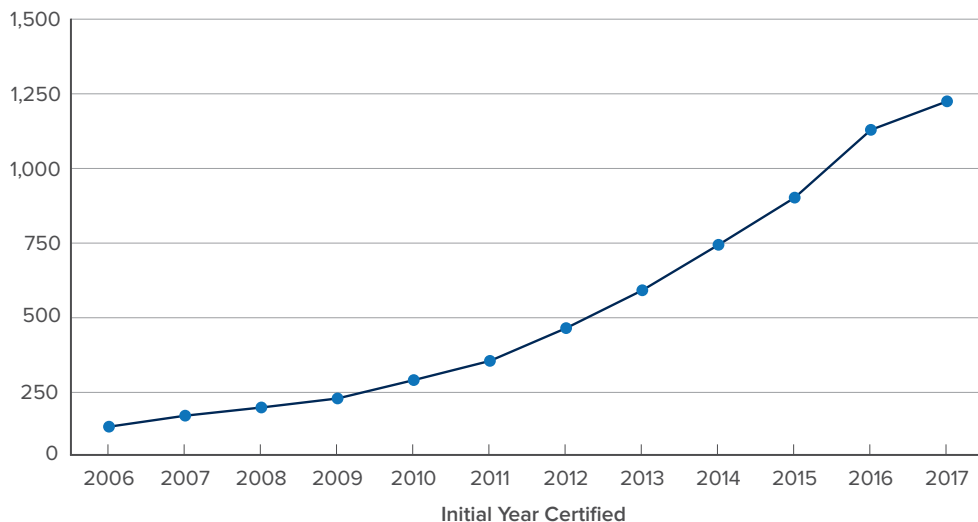
The re-certification process gives Laureate the opportunity to benchmark and improve its impact, for example with regards to its supply chain management and the impact of its network institutions on students who are traditionally underserved.

Certified B Corps.) If public investors want to gain exposure to Certified B Corps, they can invest in the publicly listed corporate parent.

Why are there not many publicly listed Certified B Corps? Rick Alexander, B Lab's Head of Policy, believes "they are new, and taking time to reach the public markets."<sup>29</sup> Public commitments echo Alexander's sentiments. In April 2017, Danone's North American dairy business merged with WhiteWave to form DanoneWave, creating one of the top 15 U.S.

food and beverage companies, by sales, and the country's number one dairy business (excluding cheese). DanoneWave is already a Benefit Corporation and is working to become a Certified B Corp by 2020.<sup>30</sup> In the same month, the CEO of Danone, DanoneWave's parent company, announced its intention to become a Certified B Corp in its Annual General Meeting (and the CFO reiterated that goal in its 2017 full year financial report.)<sup>31, 32</sup>

**FIGURE 6**  
**GROWTH OF U.S. CERTIFIED B CORPS**



Source: B Lab 2017

**FIGURE 7**  
**PUBLICLY HELD CERTIFIED B CORPS**

| Publicly Traded Company | Certified B Corp Subsidiary                    |
|-------------------------|--|
| Unilever                | Ben & Jerry's<br>Seventh Generation<br>Sundial |
| Danone                  | Happy Family                                   |
| Procter & Gamble        | New Chapter, Inc.                              |
| Campbell's              | Plum Organics                                  |
| Concha y Toro           | Fetzer Vineyards                               |
| The Hain Celestial      | Ella's Kitchen                                 |

| Publicly Traded Certified B Corps |
|-----------------------------------|
| Laureate Education, Inc           |
| Natura                            |
| Silver Chef Group                 |
| Australian Ethical                |
| New Resource Bank                 |

**MYTH**

Founders of a Certified B Corp or Benefit Corporation can be satisfied with subpar profits.

**FACT**

Certified B Corps and Benefit Corporations are for-profit companies and profitability is their primary concern. In the long term, there is no company and therefore no impact if there is no profit. Most of the entrepreneurs we consulted believe growing their company is directly connected to increasing or creating their impact, and therefore managers focus on financial business needs. As Barry Nalebuff, cofounder of Honest Tea and professor at the Yale School of Management, said in conversation with Tyler Gage, founder of B Corp Runa Tea: “In the end,

you'll have zero social impact if you don't have any sales. First and foremost, the product has to taste great, and the story is a bonus—it's consistent with who you are, but if it's all about the story, I think it's very hard to have the impact you want.” Prioritizing the hard work of growing a business came up in conversations we had with investors at venture capital firms Better Ventures and SJF Ventures and with representatives from Techstars' Impact Accelerator. These investors encourage their portfolio companies to take the B Impact Assessment but don't require B Corp Certification because they understand that pursuing the certification can divert resources from a company in its nascent stages, a crucial time of development when a company should focus on the fundamentals of its business.

## CASE STUDY



**Legal Structure:** LLC

**Certified B Corp:** Since 2011

**Founded:** 1999

**HQ:** Durham, NC

**Sector:** Venture Capital

**Company Phase:** Mature

**Annual Revenue:** \$260M (as of January 2018)

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 7             | 7                         |
| Workers                | 32            | 18                        |
| Customers              | 32            | N/A                       |
| Community              | 18            | 17                        |
| Governance             | 11            | 6                         |
| <b>Overall B Score</b> | <b>88</b>     | <b>55</b>                 |

**Company Description:** SJF Ventures is a venture capital firm that invests \$1-10M in high-growth companies creating a healthier, smarter, and cleaner future. SJF catalyzes the development of highly successful businesses driving lasting, positive changes in the following sectors: clean energy and efficiency, asset recovery and recycling, food and sustainable agriculture, education, health and wellness, and consumer and enterprise software. It seeks early and later stage companies with proven customer validation, rapid growth, and more than \$1M in annualized revenue.

**B Benefits:** Although SJF Ventures considers Certified B Corps while sourcing investments and supports B Corp best practices such as transparency and the fair treatment of workers, it doesn't expect or actively encourage its portfolio companies to become certified.

**“The #1 reason why we're a Certified B Corp is to support the industry. We use the B Corp community to find service providers for our company, such as web services. Collaborating, bringing more capital into the impact investing space, [and] building the industry [are] our core missions.”**

— Cody Nystrom, Managing Director at SJF Ventures



An aerial photograph of a winding asphalt road through a dense forest. A large, semi-transparent green circular graphic is overlaid on the image, partially obscuring the road and forest. The text is centered within the green area.

# UNDERSTANDING THE VALUE OF CERTIFIED B CORPS & BENEFIT CORPORATIONS



Given the diversity of industry, growth phase, and size in the B Corp business community, as well as the youth of the certification and Benefit Corporation legal structure, it is not possible to characterize B Corps as an asset class and make general statements about their return potential. In fact, we do not recommend investing in B Corps or Benefit Corporations solely because of their status, and nor does B Lab. Co-founder Andrew Kassoy cautions: "Most investors aren't that interested in whether you're a B Corp. They're interested mostly in: Is this a really talented entrepreneur, and is this a good idea?"<sup>33</sup> While B Corp Certification or a Benefit Corporation legal structure does not automatically translate to positive financial returns, it does provide key information to guide investment selection and management. This section outlines what investors can expect from B Corps and Benefit Corporations, and how to use that knowledge to make better investment decisions.

## PROVIDING TRANSPARENCY

Both Certified B Corps and Benefit Corporations are required to publish reports that disclose non-financial data and provide indicators and insights for investors. All Certified B Corps take the B Impact Assessment; these scores are publicly available on the B Lab website. The score breakdown equips investors with data that may not be included in a financial or annual report. In 2017, Ernst & Young surveyed 340 institutional investors and reported that while a corporation's annual report is the most highly regarded source for non-financial disclosures, 60 percent of investors believe that companies do not disclose environmental, social, and governance risks that could affect business and that they should disclose them more fully.<sup>34</sup> For a Certified B Corp, assertions about their social, environmental and governance performance can be supported based on the quantified scores, giving investors additional data compared to traditional businesses. Furthermore, becoming a Certified B Corp signals that a company is committed to transparency, which can increase trust and build relationships with partners.

Benefit Corporations meanwhile must publish a stockholder report that assesses the corporation's promotion of its public benefits stated in their certificate of incorporation.<sup>35</sup> The Benefit Corporation report must include:

1. The objectives to promote the best interests of stakeholders and the public benefits defined in the certificate of incorporation;
2. The standards used to measure progress in promoting those interests and benefits;
3. Data supporting the corporation's success in meeting those objectives and;
4. An assessment of the corporation's success in meeting those objectives and in promoting those interests and the public benefits.<sup>36</sup>

The difference between the Certified B Corp and Benefit Corporation reports are the standards the corporation reports on: Certified B Corps report on standards established by B Lab and Benefit Corporations can measure their performance by using different sets of third-party standards deemed credible by the states in which they are incorporated. Most Benefit Corporations use the B Impact Assessment to evaluate their social and environmental performance.

The Force for Good Fund, which invests in women and people of color-owned businesses, uses the B Impact Assessment to determine which companies have the greatest potential for contributing to positive environmental and social change. While scores from the B Impact Assessment are considered third-party authenticated only if a company follows through with B Corp Certification, simply having a company take the B Impact Assessment can provide greater transparency for investors. RSF Social Finance requires every potential lending client to take the Quick B Impact Assessment to provide more insights into their company. This shortened assessment gives companies feedback on their social and environmental performance compared with similar businesses, without completing the full (200+ question) B Impact Assessment.<sup>37</sup>

## CASE STUDY



**Legal Structure:** Benefit Corporation

**Certified B Corp:** Since 2014

**Founded:** 2011

**HQ:** San Francisco, CA

**Sector:** Impact Consulting, Training, Accelerator/Fund

**Company Phase:** Early

**Annual Revenue:** \$350k

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 19            | 7                         |
| Workers                | 39            | 18                        |
| Customers              | 18            | N/A                       |
| Community              | 35            | 17                        |
| Governance             | 23            | 6                         |
| <b>Overall B Score</b> | <b>134</b>    | <b>55</b>                 |

**Company Description:** LIFT Economy is an impact consulting firm whose mission is to create, model, and share a locally self-reliant economy that works for

the benefit of all life. In 2016, the LIFT Economy team supported Community Ventures (a 501c3 non-profit) in the launch of the “Force for Good Fund.” The Force for Good Fund invests in businesses owned by women and people of color. It supports them in becoming “Best for the World” B Corps, and connects them to peers and mentors in the larger B Corp community.

As part of the initial screening process, Community Ventures and the LIFT Economy team asked prospective investees to take the B Impact Assessment. This gave Community Ventures and LIFT Economy a numerical score with which to evaluate the impact of prospective investees. Only prospects that could potentially become “Best for the World” B Corps—those companies that score in the top 10% of all B Corps worldwide—were considered by the Force for Good Fund.

**B Benefits:** “[The Certified B Corp] is a clear sign that you walk the talk,” says Ryan Honeyman, consultant at LIFT Economy and author of *The B Corp Handbook: How to Use Business as a Force for Good*. Honeyman believes B Corp Certification highlights non-financial indicators and is a signal that a business is stronger than companies that are not certified

## BENCHMARKING PERFORMANCE

The B Impact Assessment is a free service that investors can use to benchmark a company by either comparing it to internal performance over time or to the scores of others that have taken the assessment. Many companies—40,000 to date—take the B Impact Assessment to gather standardized and industry-benchmarked feedback on their management,

sustainability, operations, and impact. Companies and funds that take the assessment can be recognized for their performance by electing to become B Corp Certified or GIIRS Impact Rated.<sup>38</sup> All Certified B Corps receive a free GIIRS rating. B Lab has rated more than 100 private equity and debt funds since launching GIIRS in 2011.<sup>39</sup> A GIIRS Rating allows companies and funds to understand not only their absolute impact performance but also their relative performance to other funds and companies.<sup>40</sup>

Since the B Impact Assessment provides a comprehensive look at an entire company, results can shed light on otherwise hidden areas in need of improvement and accelerate the due diligence process. A study of 45 founding Certified B Corps, including Method Products and Seventh Generation, found that the B Impact Assessment enabled these companies to maintain their commitment to “do good and well” in the five certification categories by creating a structure to make profit alongside social and environmental contributions.<sup>41</sup> Certified B Corps must recertify every

two years, providing a company with the opportunity to set goals and benchmark its performance. Caprock, a Certified B Corp wealth management firm, has used this biannual recertification process to celebrate score increases and to engage in collective thinking and action across the firm, around which areas of improvement should be prioritized leading up to its next recertification. The recertification process ensures Certified B Corps engage in a high level of impact even as they grow and evolve.

## CASE STUDY



**Legal Structure:** LLC

**Certified B Corp:** Since 2016

**Founded:** 2006

**HQ:** Boulder, CO

**Sector:** Tech

**Company Phase:** Growth

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 7             | 7                         |
| Workers                | 26            | 18                        |
| Customers              | 19            | N/A                       |
| Community              | 19            | 17                        |
| Governance             | 11            | 6                         |
| <b>Overall B Score</b> | <b>82</b>     | <b>55</b>                 |

**Company Description:** Techstars strengthens tech entrepreneurs through startup programs, accelerators, corporate innovation partnerships, and venture capital. The Austin-based Techstars Impact Accelerator

supports the founders of mission-driven for-profit startups using tech to solve social and environmental problems. It is backed by the Impact America Fund and Morgan Stanley Investment Management’s AIP Private Markets Team. The 90-day program offers mentors, office space, a \$100,000 convertible note, \$20,000 in return for 6 percent common stock, and lifelong membership in a network of 10,000 mentors, 2,700 investors, 1,200 alumni companies, and 180 staff members.

**B Benefits:** Techstars became a B Corp in 2016 “to continue to build giving into [its] culture...” because the founders “believe that a for profit corporation like Techstars can also be for good and behave responsibly,” according to co-CEO David Brown. All companies in the Impact Accelerator are required to take the B Impact Assessment annually in order for the accelerator to measure the impact of its portfolio and communicate it to investors, although Techstars is ambivalent on portfolio companies certifying as B Corps. Zoe Schlag, Managing Director, chose the assessment because “it’s comprehensive, flexible across industry, and aligns with the sector going forward.”

In an innovative approach tying the cost of capital to ESG benchmarks, Danone partnered with 12 leading global banks on a 2 billion Euro syndicated credit facility that links its margin payable to ESG performance data. The ESG criteria used are i) the scores granted to Danone by two ESG agencies, Sustainalytics and Vigeo Eiris; and ii) the percentage of consolidated sales of Danone covered by B Corp Certifications.<sup>42</sup> The syndicate is led by BNP Paribas and includes Société Générale, Credit Agricole, Natixis, HSBC, Citibank, JPMorgan, Barclays, ING, NatWest, MUFG, and Santander.<sup>43</sup>

The B Impact Assessment can also help with self-improvement. When Patagonia took the B Impact Assessment in 2014, it received a score lower than expected in the environment category. The company discovered that it did not have a program to collect energy use data; so it developed a program to collect this in all retail stores, along with its emission impacts.<sup>44</sup> In order to evaluate the impact of portfolio companies, Bain Capital Double Impact, a multi-asset alternative investment firm, uses the B Impact Assessment as a tool to assess a company's social and environmental performance.<sup>45</sup> Likewise, one wealth management firm specializing in sustainable investing uses B Impact Assessment scores to track how approved investment managers improve over time. While the firm does not require its managers to become Certified B Corps, those who take this extra step are viewed more favorably.

## STRENGTHENING GOVERNANCE

Both B Corp Certification and Benefit Corporation status contribute to stronger governance by holding companies publicly accountable to multiple stakeholders, whether a third-party or through articles of incorporation. The B Impact Assessment is an

objective, industry-relevant standard of best practices for people and the planet. It holds management accountable to operate their company according to stated values and it provides a public benchmark against which to improve. More implicitly, the B Impact Assessment is an indicator of management who likely exhibit greater self-reflection, openness to feedback, awareness of multiple forms of risk (e.g. operational, human capital, nonmarket, supply chain, sustainability), and the initiative to pro-actively manage those risks. The bi-annual re-certification process ensures that “conscious capitalism” is maintained in a company's governance structure as it matures. Although public accountability is a powerful incentive for good governance, investors should be aware that B Corps that violate society's trust and expectations for exemplary behavior stand to lose more in brand equity than companies that refrain from making promises to benefit their stakeholders.

Numerous studies point to the bottom-line value of strong governance, particularly in the form of board and workforce diversity. McKinsey researchers have found that companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians, while those that rank in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians.<sup>46</sup> The positive relationship between greater diversity and greater profitability is correlational, meaning it's not necessarily true that diversity results in profitability, however the unequal performance of companies in the same industry and country does make diversity a competitive differentiator. A company's responses to and score on the B Impact Assessment Governance's section give investors a quick and unbiased window into where companies stand on these financially relevant governance considerations.

## CASE STUDY



**Legal Structure:** Benefit Corporation and Subsidiary of DanoneWave (which is also a Benefit Corporation)

**Certified B Corp:** Since 2011

**Founded:** 2003, launched in 2006

**HQ:** New York, NY

**Sector:** Consumer Packaged Goods

**Company Phase:** Growth

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 41            | 7                         |
| Workers                | 24            | 18                        |
| Customers              | 4             | N/A                       |
| Community              | 26            | 17                        |
| Governance             | 10            | 6                         |
| <b>Overall B Score</b> | <b>105</b>    | <b>55</b>                 |

**“The B Corp process helps us understand how we rank amongst our peers on social responsibility and how to improve our process”**

**—Jessica Rolph, Founding Partner and former COO of Happy Family**

Jessica maintains a position on the Board of Happy Family and has since started another organization, Lovevery, which offers products and information to create developmental experiences for new babies and families.

**Company Description:** Happy Family is a mom-founded and operated premium organic food company whose mission is to change the trajectory of children’s health through nutrition. A subsidiary of DanoneWave, Happy Family is one of the few Certified B Corps owned by a publicly traded parent company.

Happy Family elected to bypass venture capital funding early in its life and instead chose the debt route, taking on capital loans from RSF Social Finance and the Kellogg Foundation in addition to cobbling together other loans from family and friends. After using the loans to become one of the world’s fastest-growing makers of organic baby food, Happy Family elected to sell to Danone because of Danone’s value-based mission, ranking as the #2 seller of children’s food/nutrition in the world, and its ability to help Happy Family scale production.

**B Benefits:** Happy Family uses the Impact assessment as a blueprint for how to improve as a company. “[The certification] is a huge point of pride for our staff,” says Katie Clark, Director of Sustainability at Happy Family. “We share our progress on B Corp improvement projects with all of our staff throughout the year and we strive to gain more points on the assessment with each recertification.” B Corp Certification and the Public Benefit Corporation denomination have also helped the company with employee retention and recruitment, especially with millennials. Danone supports Happy Family’s certification. The parent company has committed to becoming a Certified B Corp by 2020, and can improve its average score on the B Impact Assessment when its subsidiaries achieve higher scores.



## ATTRACTING AND RETAINING TALENT

Being a Certified B Corp or Benefit Corporation helps companies to recruit, retain, and maximize the productivity of the best and brightest who want employers that share their values. Millennials will be 75 percent of the workforce by 2025.<sup>47</sup> It is critical that companies align with this generation's expectations for a satisfying career. A 2012 Deloitte survey of 4,800 college-educated millennials in 16 countries revealed that they believe the greatest purpose of business is to improve society (36 percent) followed closely by generating profit (35 percent).<sup>48</sup> In fact, two out of three millennials responding to a 2015 Deloitte survey stated their organization's purpose is a reason why they chose to work there.<sup>49</sup>

Attracting and retaining talent repeatedly surfaced as a key benefit of B Corp Certification. Nell Derick Debevoise, Founder and CEO of Inspiring Capital, has sourced most of the employees for her NYC-based social impact consulting firm through the B Corp job board, B Work. Business schools, too, are responding to this demand for socially conscious capitalism from the next generation of business leaders. MBA graduates of the Yale School of Management, Harvard Business School, NYU Stern School of Business, and Columbia Business School can apply for student loan forgiveness while working for B Corps and Benefit Corporations.

The desire for a career with purpose is not limited to the millennial generation. In 2016, LinkedIn and Imperative surveyed 26,000 LinkedIn members in 40

### CASE STUDY



**Legal Structure:** LLC

**Certified B Corp:** Since 2013

**Founded:** 2013

**HQ:** Boulder, CO

**Sector:** Social Impact

**Company Phase:** Growth

**Annual Revenue:** \$720K (as of January 2018)

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 6             | 7                         |
| Workers                | 18            | 18                        |
| Customers              | 45            | N/A                       |
| Community              | 22            | 17                        |
| Governance             | 14            | 6                         |
| <b>Overall B Score</b> | <b>105</b>    | <b>55</b>                 |

**Company Description:** Inspiring Capital offers professional development workshops, events, fellowships, and strategy consulting engagements for impact-driven professionals and for-profit and non-profit organizations.

**B Benefits:** Given Inspiring Capital's purpose to activate the human, financial, intellectual, and social capital resources for organizations to integrate their profits and purpose, "becoming a B Corp was a no brainer," said Founder and CEO Nell Derick Debevoise. Key benefits of becoming a B Corp have included: attracting talent; validating that the company's values translate to action through the external certification; connecting with like-minded companies in the B Corps community; and more easily building relationships with nonprofit and philanthropic clients.

countries on professional motivations, satisfaction, and productivity.<sup>50</sup> The survey found that 37 percent of respondents were purpose-oriented employees, or professionals who believe that work has the potential to be a valuable and meaningful part of life. Purpose-oriented professionals accounted for 30 percent or more of respondents in each generation currently in the workforce and were represented in every industry and job function. These findings are important because there are real and quantifiable business benefits to hiring and retaining purpose-oriented talent. These professionals, who are disproportionately drawn to Certified B Corps and benefit corporations, are:

- 54 percent more likely to stay at a company for 5+ years
- 30 percent more likely to be high performers
- 69 percent more likely to be Promoters on Bain & Company's eNPS scale measuring employee engagement and loyalty

Satisfied, high performing, and loyal employees create more than a positive culture. A Hewitt Associates study found that companies with higher levels of employee engagement outperform the stock market by nearly 20 percent.<sup>51</sup> And companies that are able to attract these engaged, loyal, high-performing employees unsurprisingly see outsized growth as well. A Harvard Business Review survey of senior leadership found companies that prioritize purpose experience greater growth. Of companies with 10+ percent growth over the past three years, 58 percent prioritize purpose. Forty-two percent of businesses not prioritizing purpose reported flat or declining revenue over the past three years, in contrast to only 15 percent of prioritizers.<sup>52</sup>

## CONNECTING WITH CUSTOMER VALUES

Academically rigorous research has produced no evidence that customers are willing to pay more for products specifically sold by Certified B Corps or Benefit Corporations. Furthermore, the B Corps leaders interviewed for this guide did not report a boost in consumer sales or loyalty because of their B status.

That said, there are trends that suggest customer behavior may change. Nielsen, a Global Provider of data analytics about consumer preferences, carried out a study in 2015 that found over 66 percent of consumers are willing to pay more for sustainable brands, up from 55 percent in 2014 and 50 percent in 2013.<sup>53</sup> The study found that 52 percent of survey takers, including those that did not indicate willingness to pay a premium for sustainable products, are influenced by brand/company trust when making purchases.<sup>54</sup> Corroborating these findings, the Director of Social Impact at Ben & Jerry's, Rob Michalak, cited his company's own research that shows consumers are 2.5 times more loyal to companies that integrate values-driven action throughout their supply chains.<sup>55</sup>

The growth of the organics certification exemplifies evolving consumer preferences for sustainable branding. As highlighted in the Whole Foods case study, the organics market has grown immensely in the past decade and, as of 2016, organic food sales accounted for over 5 percent of the U.S. food market. Organic food sales also increased by 8.4 percent in 2016, compared to 0.6 percent growth in the overall food market.<sup>56</sup> These rates are not anomalous, as organic food sales have consistently grown every year since 2003.

Recognition of the B Corp logo has a long way to go before it becomes as recognizable as certified organic labeling. In a national U.S. study of more than 1,500 individuals, the Hartman group found that only 14 percent of surveyors were familiar with B Corp Certification logo versus 64 percent for the certified organic icon.<sup>57, 58</sup> Should the B Corp logo become

## CASE STUDY

SNW

**Legal Structure:** Subsidiary of OppenheimerFunds, Inc.

**Certified B Corp:** Since 2014

**Founded:** 2002

**HQ:** Seattle, WA

**Sector:** Financial Services

**Company Phase:** Growth

**Assets Under Management:** \$2.7B (as of January 2018)

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 7             | 7                         |
| Workers                | 26            | 18                        |
| Customers              | 19            | N/A                       |
| Community              | 19            | 17                        |
| Governance             | 11            | 6                         |
| <b>Overall B Score</b> | <b>82</b>     | <b>55</b>                 |

**"[B Corp Certification] has been a benefit, no doubt."**

**—Mark Baker, VP Director of Strategic Accounts**

**Company Description:** SNW Asset Management specializes in U.S. dollar-denominated taxable and tax-exempt fixed income investment management for a range of different clients. In 2017, OFI Global, a subsidiary of OppenheimerFunds, Inc., acquired SNW.

SNW marries rigorous financial analysis to a mission of investing in fixed-income portfolios that carry a social purpose. SNW actively engages with bond issuers to provide greater transparency in their underwriting process. For example, when analyzing a bond associated with a housing authority, SNW might identify the demographics of the housing authority's beneficiaries—whether it, say, assists single-parent families or helps homeless individuals gain shelter.

**B Benefits:** SNW has used the B Corp community to broaden its business development targets by identifying potential investors and partners who share like-minded social missions. SNW recently gained a foundation client that included B Corp Certification as part of the criteria in a request for proposal (RFP) for asset management services. Furthermore, SNW's success as a B Corp has made ripples with its new parent company. Not only was OppenheimerFunds sympathetic to SNW's B Corp status during the acquisition process, but OppenheimerFunds itself is now considering whether to certify.

more mainstream and gain the trust of consumers, this might begin to shape purchasing decisions. (These changes are unlikely to take place in the near future because many customers are unaware of what it means to be a Certified B Corp; and though responders report one thing on a survey, they may act differently when actually making purchases.<sup>59,60</sup>)

The evidence for investing in Certified B Corps is more compelling when considering generational wealth transfers; investors that add Benefit Corporations or Certified B Corps to their portfolios could appeal to millennials and women—two groups that are accumulating a growing share of global wealth. According to research conducted by the Boston College Social Welfare Research Institute, \$58.1 trillion will transfer to future generations by 2061.<sup>61</sup> Deloitte expects millennials to grow their wealth to as much as \$24 trillion by as early as 2020.<sup>62,63</sup> Boston Consulting Group found that 30 percent of global private wealth is already controlled by women, and that number is primed to increase.<sup>64</sup> These shifts in wealth are significant because millennials and women will grow the pool of socially responsible investments. Morgan Stanley's Institute for Responsible Investing found that 86 percent of millennials are either interested or very interested in incorporating sustainable principles into their investment portfolios, compared to just 75 percent of the general population.<sup>65</sup> Women are also more interested in investing ethically compared with men (84 percent to 67 percent).<sup>66</sup> Given their social values, Certified B Corps and Benefit Corporations could become targeted investment opportunities from these growing populations.

## BUILDING B CORP COMMUNITY: B2B BENEFITS

Many Certified B Corps cite the B Corp community as a primary benefit of becoming certified. While researching *The B Corp Handbook, How to Use Business as a Force for Good*, Ryan Honeyman interviewed over 100 individuals at Certified B Corps and found that the strength of the community is deeply fulfilling.<sup>67</sup> “Being part of a community that shares your core values and a clear sense of purpose... inspires, motivates, and energizes B Corps to use their businesses as a force for good,” he writes.<sup>68</sup> Furthermore, in addition to joining the broader B Corp community, B Corps have united to form regional networks. These collaborations have sparked new business opportunities, as B Corps frequently make new connections and cultivate relationships with potential business partners. B Lab supports the community with B2B Peer Circles, groups comprised of B Corps that share best practices and ideas on a range of topics.<sup>69</sup>

In addition, Certified B Corps gain access to discounts through B Lab-cultivated partnerships. These savings can support cash-strapped entrepreneurs and often exceed B Corp licensing fees in value. For example, Salesforce offers up to 20 percent off its Client Relationship Manager (CRM), Intuit offers free Quickbooks licenses, and Inspire Commerce and NetSuite offer discounts on their credit card processing and enterprise software, respectively.<sup>70</sup> B Lab is working to expand partnership programs to provide additional incentives to the B Corp community.

Only one tax benefit is associated with Certified B Corps. In 2012, Philadelphia began offering a \$4,000 tax credit to Certified B Corps through a Sustainable Business Tax Credit. They plan to ramp up the program to include more applicants over the next few years.<sup>71</sup> Although the benefit may be small, other cities could follow suit in efforts to attract socially minded businesses, and the good jobs they create.

CASE STUDY



**Legal Structure:** RSF Social Finance is a hybrid organization with a nonprofit parent managing both investor and philanthropic capital. RSF includes a Delaware registered Benefit Corporation.

**Certified B Corp:** Since 2009

**Founded:** 1936 as the Rudolf Steiner Foundation, but started offering loans in 1984

**HQ:** San Francisco, CA

**Sector:** Financial Services

**Company Phase:** Mature

**Assets Under Management:** \$212M (as of January 1, 2018)

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 8             | 7                         |
| Workers                | 27            | 18                        |
| Customers              | 38            | N/A                       |
| Community              | 50            | 17                        |
| Governance             | 23            | 6                         |
| <b>Overall B Score</b> | <b>145</b>    | <b>55</b>                 |

**“We’re all in this together”**

**—Reed Mayfield, Manager, Social Enterprise and Lending at RSF**

**Company Description:** RSF Social Finance (RSF) is a financial services organization focused on long-term financial relationships that are direct, transparent, and personal. RSF provides opportunities for people to align their investing and giving with their values; it connects social entrepreneurs that generate positive social, economic, and ecological impact with diverse forms of capital. Its core offering is senior secured debt between \$200,000 and \$5,000,000. RSF offers capital in the form of mortgages, construction financing, term debt, and working capital lines of credit. Additionally, RSF uses an approach called Integrated Capital to best meet the needs of social entrepreneurs. Integrated capital is the coordinated use of different forms of financial capital and non-financial resources, including loans, loan guarantees, investments, grants, and non-financial assistances, to support an enterprise that’s working to solve complex social and environmental problems. Since 1984, RSF has issued over \$465 million in loans, grants and investments.

**B Benefits:** Although RSF does not require that its loan recipients become Certified B Corps, if they believe a partner would be a B Corp fit, they support the certification process. By being a member of the Certified B Corp community, RSF increases its brand awareness and connects with other members by, “getting to be in the same conversation with folks who are making incredible change,” according to Reed Mayfield, Manager of Social Enterprise and Lending. RSF frequently participates in B Corp events to share best practices with others. At these events, RSF also identifies potential lending targets and new clients.



**“When we started B Lab, we wanted to find a way to build a global movement of people who saw that business could be a force for good.”**

**—Andrew Kassoy, Co-Founder at B Lab**

## CREATING A COMMON LANGUAGE

The Certified B Corp community provides a platform where like-minded business leaders can connect, quickly build trust, and form relationships based on common values. “The B Corporation organizes and amplifies the voices of this diverse marketplace behind the power of a unifying brand,” says Honeyman in his book.<sup>72</sup> This commonality can accelerate transactions between investors and businesses given the parties hold mutual values.

This trust and understanding is especially helpful when investors and investor-seeking companies want to form partnerships. As one B Corp investor relations professional put it, “Investing in companies is like a marriage with a pre-nup and having alignment in exit expectations between investors and companies is a

challenge.”<sup>73</sup> B Corp Certification gives companies a succinct and standardized language to communicate values and practices to potential partners. For example, when Traditional Medicinals, an herbal tea company and Certified B Corp, wanted to take outside investment it worked with Big Path Capital, an impact investment bank and a founding Certified B Corp that advises mission-driven businesses and institutional investors on raising capital and executing sales. With the help of Big Path Capital, Traditional Medicinals was able to reach its goal, creating a private liquid market for 20 percent of the ownership of the company.<sup>74</sup> This was done through partnership with a third Certified B Corp, the Builders Fund. According to Traditional Medicinals CEO Blair Kellison, “the entire thesis for the investment was based on the mission and values of all three parties involved in the transaction. When this is the case, the negotiations can go more smoothly.”<sup>75</sup>

### CASE STUDY

## A Common Collaboration

MPOWERD, a Brooklyn-based Certified B Corp that strives to make the world a brighter, cleaner, safer place through its solar products, committed to finding an investor that would not force it to abandon its social mission as it expanded its business. In the search for the right investor partner, MPOWERD met with consumer packaged goods companies and government entities, but found that impact funds had the best strategic alignment. Although it took time, MPOWERD's patience eventually bore fruit; it partnered with the Builders Fund, a private

equity fund and fellow Certified B Corp that invests in high-growth, entrepreneurial companies that create a positive impact in the world. Both Certified B Corps were able to naturally align through the shared value of using business as a force for good,<sup>TM</sup> facilitating a relationship based on mutual trust—a key component for investment. “We have a very supportive board because of the partnership,” said John Salzinger, MPOWERD co-founder and Chief Business Development Officer.

## MPOWERD™

**Legal Structure:** Benefit Corporation

**Certified B Corp:** Since 2014

**Founded:** 2012

**HQ:** Brooklyn, NY

**Sector:** Energy

**Company Phase:** Early

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 36            | 7                         |
| Workers                | 19            | 18                        |
| Customers              | 29            | N/A                       |
| Community              | 16            | 17                        |
| Governance             | 16            | 6                         |
| <b>Overall B Score</b> | <b>115</b>    | <b>55</b>                 |

**Company Description:** MPOWERD is committed to providing every human access to clean, portable electricity. The Brooklyn-based startup is the creator and manufacturer of Luci, an inflatable solar light with an innovative form and function that is durable, waterproof, and collapsible. The Give Luci (Give One / Get One) Program has enabled them to send lights to people who need them the most in over 100 countries, impacting over 2.6 million lives.

**B Benefits:** MPOWERD was able to find the best mission alignment and support from other Certified B Corps. “[The Builders Fund] understood our mission, helped us focus on our messaging, not just on a financial side, and smiled when they realized what we were doing,” says John Salzinger, MPOWERD co-founder and Chief Business Development Officer. MPOWERD believes the Builders Fund couldn’t have been a better fit because of the shared belief that it is possible to do both good for society and generate a profit.

## Builders Fund

**Legal Structure:** LP

**Certified B Corp:** Since 2015

**Founded:** 2015

**HQ:** San Francisco, CA

**Sector:** Private Equity & Impact Investing

**Company Phase:** Growth

**B Impact Report:**

| Category               | Company Score | Median Score <sup>9</sup> |
|------------------------|---------------|---------------------------|
| Environment            | 16            | 7                         |
| Workers                | N/A           | 18                        |
| Customers              | 68            | N/A                       |
| Community              | 27            | 17                        |
| Governance             | 17            | 6                         |
| <b>Overall B Score</b> | <b>129</b>    | <b>55</b>                 |

**Company Description:** The Builders Fund is a private equity fund that invests in high-growth and purpose-driven businesses driving systematic change in sectors including food & agriculture, health & wellness, resource efficiency, and economic development. The fund seeks to catalyze a shift in financial markets toward a more equitable and sustainable form of capitalism by investing in and building impactful, values driven businesses. The Builders Fund has a gold, three-star GIIRS fund rating, including a gold environmental score and platinum scores for both governance and community.

**B Benefits:** The Builders Fund views the B Corp Certification as an indicator that can lead to outperformance and can help select for thoughtful management. “The [Certified B Corp] community is a target rich environment in terms of potential investments” says Tripp Baird, Builders Fund Co-Founder and Managing Partner.

# CONCLUSION



Since Certified B Corps and Benefit Corporations entered the business world approximately 10 years ago, 40,000+ companies have taken the B Impact Assessment; 2,500 companies have certified as B Corps; and 5,000 entrepreneurs have incorporated their U.S. ventures as Benefit Corporations across 37 states, Washington D.C., and Puerto Rico. Investors have taken notice—from angel investors to private equity firms to family offices—and they have come to the table; almost every Silicon Valley venture capitalist has invested in at least one Benefit Corporation. 2015 saw Laureate Education launch its IPO and raise \$450M. This was the first Certified B Corp and the third Benefit Corporation to go public. Investors see value in B Corps for a range of reasons:

- Greater transparency through access to operational, sustainability, and impact data not shared in financial statements;
- Standardized, industry-specific benchmarks for management best practices;
- Third-party audits of progress on performance metrics over time;

- Improved governance standards and public accountability;
- Stronger ability to attract and retain impact-driven talent, particularly millennials;
- Potential to attract and build more trusting relationships with consumers;
- Collaborative partnerships with a community of like-minded businesses.

While the Certified B Corp and Benefit Corporation community has grown rapidly, the potential applications of assessment, certification, and incorporation, as well as the relevance for investors, have yet to be solidified. Although there are stories about the financial value of the B Corp toolkit, B Corps are too new for academically rigorous research on their bottom-line benefits. Many investors are still skeptical about doing well while doing good, despite impact investing research from Wharton and the GIIN that dispelled the myth that it is necessary to trade financial returns for social and environmental impact.<sup>76, 77</sup> Some investors voice concern that the B Impact Assessment does not provide sufficient information on financially material issues, while others generally welcome the

assessment as an impact measurement tool. It will also be important to monitor any court decision on the Benefit Corporation's ability to provide additional stakeholder protections. These outcomes could make or break the value of the legal structure.

Despite these uncertainties, there is reason to project continued growth for Certified B Corps and Benefit Corporations. For one, although this guide focuses on U.S.-based firms, the global Certified B Corps community has grown exponentially in the past few years. There are now more Certified B Corps based outside the U.S. than within. Second, millennials, who are more likely to want to live, work, and make purchases according to socially and environmentally responsible values, are growing into the majority of the consumer base. They are already affecting products with responsible labels; the Organic Trade Association credits millennials with recent growth in the organics market. It is reasonable to expect that they will also support Certified B Corps through lifestyle and employment choices. Third, new financial

instruments and innovations, like crowdfunding, have significant potential to increase the flow of capital into companies that are good for people and planet by opening up investment opportunities for unaccredited investors. Consumers can do more than shop, eat, and work according to their values—they can invest in Certified B Corps and Benefit Corporations as well.

As BlackRock CEO Larry Fink wrote in his annual investor letter, we are entering a crucial juncture in our history where “society is demanding that companies, both public and private, serve a social purpose... Without a sense of purpose, no company, either public or private, can achieve its full potential.”<sup>78</sup> When the world's largest asset manager and a Nobel laureate in economics start saying the same things as earthy companies like Patagonia, everyone should listen. What role will Certified B Corps and Benefit Corporations play in the next evolution of capitalism? The verdict is still out. But if investors do not take notice, they could go the way of the dinosaurs.

**When the world's largest asset manager and a Nobel laureate in economics start saying the same things as earthy companies like Patagonia, everyone should listen.**



## METHODOLOGY

The research published in this guide was collected through 60+ informal, conversational telephone, and in-person interviews with investors, Certified B Corps, Benefit Corporations, B Lab, Global Impact Investing Network, leading academics, and attorneys. Additionally, a literature review of current news events, industry research, and academic research was performed to support claims and fill knowledge gaps from our interviews.

## ACKNOWLEDGEMENTS

The authors would like to thank the following people for providing ongoing support in the evolution of this guide:

Vincent Stanley (Patagonia); Matthew Weatherley-White (Caprock); Stuart DeCew (Yale University); Heather Fitzgerald (Yale University); Cassandra Walker Harvey (Yale University); Rick Alexander (B Lab); Tripp Baird (Builders Fund); Mark Baker (SNW Asset Management); Abigail Barnes (Allergy Amulet); Eddie Bernhardt (SNW Asset Management); Katie Clark (Happy Family); Kate Cooney (Yale University); Todd Cort (Yale University); Lisa Curtis (KuliKuli); Nell Derick Debevoise (Inspiring Capital); Logan Duran (Patagonia); Jed Emerson (ImpactAssets); Sara Eshelman (Omidyar Network); Andy Fyfe (B Lab); Tyler Gage (Runa Tea); Demetris Giannoulia (Spring Bank); Ryan Honeyman (LIFT Economy); Ken Inadomi (Yale Alumni Nonprofit Alliance); Andrew Kassoy (B Lab); Justin Kazmark (Kickstarter); Meredith Kellner (Incandescent); Thomas Kelly (SUNY Binghamton); Amanda Kizer (B Lab); Cary Krosinsky (Yale University); Shrina Kurani (Better Ventures); Georgia Levenson Keohane (Pershing Square Foundation); Tamar Makov (Yale University); Reed Mayfield (RSF Social Finance); David Menard (Murtha Cullina); Ryan Midden (Ben & Jerry's); Peter Moroz (University of Regina); Cody Nystrom (SJF Ventures); Seth Perlman (Perlman + Perlman); Aliana Pineiro (GIIN); Jessica Rolph (Lovevery); John Salzinger (MPOWERD); Robert Shiller (Yale University); Zoe Schlag (Techstars); Sydney Thomas (Precursor Ventures); Jessica Thomas (North Carolina State University); Corey Vernon (Radicle Impact); Todd Wegner (Laureate Education); Michael Wheelchel (Big Path Capital); Logan Yonavjak (CREO Syndicate)

The graphic design was created by Henk van Assen, Senior Critic at Yale University School of Art, together with Igor Korenfeld and Meghan Lynch, Designers at HvADesign.

## ABOUT THE AUTHORS



(From left to right) Alex Buerkle, Max Storto, Kylee Chang

**Alex Buerkle** holds an MBA from the Yale School of Management and a BA from Cornell University. She is passionate about utilizing business as a force for social and environmental good. While at Yale, she interned for JPMorgan Chase & Co., consulted for Hewlett Packard and a sustainable transportation startup, planned the first ever conference on the business of menstruation, and led a student trek on Scandinavian design. Prior to Yale, Alex made grant, debt, and equity investments in African businesses and social enterprises and served on the board of Net Impact NYC. Alex also brings experience in product development, organizational behavior research, and social sector consulting. She has been recognized as a StartingBloc Social Innovation Fellow, a Philanthropy New York Emerging Leader, a Forté Fellow, and a Yale Center for Customer Insights Fellow.

**Kylee Chang** is a Master of Environmental Management candidate at the Yale School of Forestry and Environmental Studies. She is enthusiastic about providing investors and businesses with information and tools to properly address social and environmental issues. At Yale, she worked as a Research Assistant at the Center for Industrial Ecology. Before coming to Yale, Kylee interned at NASA and Chevron studying pollution from agricultural practices and oil refineries. She previously worked as a climate researcher studying urban air pollution, climate change in the Arctic, and ocean health; publishing her work in respected academic journals. She holds a BS in Chemistry from Loyola Marymount University and an MS in Earth Science from UC San Diego. Kylee enjoys surfing, yoga, and dancing Argentine tango.

**Max Storto** is a Master of Environmental Management candidate at the Yale School of Forestry and Environmental Studies. At Yale, Max served as a Research Assistant for the Yale Initiative on Sustainable Finance. Before starting graduate school, he worked at Boston Common Asset Management, a socially responsible investment firm that integrates sustainability and human rights issues into its investment process (and a B Corp!) and at the Sustainable Endowments Institute, an NGO focused on financing energy-efficiency projects. He studied Environmental Science and Public Policy at Harvard University and loves backpacking, board games, and responsible supply chains.

## ENDNOTES

- 1 Fink, Larry. "A Sense of Purpose." Annual Letter to CEOs. *BlackRock*. <https://www.blackrock.com/corporate/en-no/investor-relations/larry-fink-ceo-letter>
- 2 Chen, Xiujian, and Thomas F. Kelly. "B-Corps—A Growing Form of Social Enterprise." *Journal of Leadership & Organizational Studies* 22, no. 1 (2014): 102–14. doi:10.1177/1548051814532529.
- 3 Ibid.
- 4 Alexander, Rick. "How Investors Really Feel About B Corps" *B the Change*. May 24, 2017. <https://bthechange.com/how-investors-really-feel-about-b-corps-7dcf7988a6e3>.
- 5 US Sustainable Responsible and Impacting Investing Trends. *US Forum for Sustainable and Responsible Investment*. 2016. [https://www.ussif.org/store\\_category.asp?id=4](https://www.ussif.org/store_category.asp?id=4)
- 6 "Impacting Investing Trends". *Global Impact Investing Network*. December 2016. [https://thegiin.org/assets/GIIN\\_Impact%20InvestingTrends%20Report.pdf](https://thegiin.org/assets/GIIN_Impact%20InvestingTrends%20Report.pdf).
- 7 "B Corporation." *What are B Corps? | B Corporation*. <https://www.bcorporation.net/what-are-b-corps>.
- 8 "Make It Official | B Corporation," accessed January 31, 2018, <http://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/make-it-official>.
- 9 Of all businesses that have completed the B Impact Assessment. Median scores will not add up to overall
- 10 The exact requirements to become a Benefit Corporation differs by state, but the general sentiment is the same. Italy allows companies to incorporate as Benefit Corporations across the entire country and Australia has considered following suit.
- 11 "How to Become a Benefit Corporation." Accessed February 19, 2018. <http://benefitcorp.net/businesses/how-become-benefit-corporation>
- 12 "Benefit Corporations: Frequently Asked Questions for Investors," accessed December 27, 2017, [http://benefitcorp.net/sites/default/files/FAQs%20Investors%206\\_9.pdf](http://benefitcorp.net/sites/default/files/FAQs%20Investors%206_9.pdf).
- 13 "Nice Firms Finish Last? Etsy Tax Woes Shows Why Doing Good Is a Drag." *Fortune*, accessed February 20, 2018, <http://fortune.com/2015/09/29/etsy-tax-woes/>.
- 14 "Shareholder Duties and Protections | Benefit Corporation," accessed December 27, 2017, <http://benefitcorp.net/investors/shareholder-duties-and-protections>.
- 15 "Kickstarter, Inc." 2018. *Kickstarter | PrivCo | Private Company Financial Intelligence*. Accessed February 28. <https://www.privco.com/private-company/kickstarter-inc>.
- 16 "Robust organic sector stays on upward climb, posts new records in U.S. sales." Organic Trade Association. May 24, 2017. <https://www.ota.com/news/press-releases/19681>.
- 17 Whole Foods Market, Inc. - Investors. Accessed February 20, 2018. <http://investor.wholefoodsmarket.com/investors/default.aspx>.
- 18 Dewey, Caitlin. "Why Whole Foods is Now Struggling." *Washington Post*. February 9, 2017. [https://www.washingtonpost.com/news/wonk/wp/2017/02/09/why-whole-foods-is-now-struggling/?utm\\_term=.0b3abd0df305](https://www.washingtonpost.com/news/wonk/wp/2017/02/09/why-whole-foods-is-now-struggling/?utm_term=.0b3abd0df305).
- 19 Gelles, David. "How the Social Mission of Ben & Jerry's Survived being Gobbled Up." *New York Times*. August 21, 2015. <https://www.nytimes.com/2015/08/23/business/how-ben-jerrys-social-mission-survived-being-gobbled-up.html>.
- 20 At the end this quote, John Mackey used the term "B Corp" when he meant to say "Benefit Corporation". We have changed to quote to reflect what we believe he meant to express.
- 21 Coen Gilbert, Jay. "Panera Bread CEO and Co-Founder Resigns to Join the Conscious Capitalism Movement." *B the Change*. December 19, 2017. <https://bthechange.com/panera-bread-ceo-and-co-founder-resigns-to-join-the-conscious-capitalism-movement-f10ea6d08da6>
- 22 Whole Foods CEO Mackey on Benefit Corporations Interview October 2017. [https://www.youtube.com/watch?v=x\\_1Qu1hufaY](https://www.youtube.com/watch?v=x_1Qu1hufaY).
- 23 Frederick H. Alexander, *Benefit Corporation Law and Governance: Pursuing Profit with Purpose*, 2017.
- 24 "An Entrepreneur's Guide to Certified B Corporations and Benefit Corporations. *Yale Center for Business and the Environment*. March 2017. [http://cbey.yale.edu/sites/default/files/CBEY\\_BCORP\\_Online.pdf](http://cbey.yale.edu/sites/default/files/CBEY_BCORP_Online.pdf)
- 25 "Corporation Legal Roadmap" *B Corporation*. Accessed February 20, 2018. <https://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/legal-roadmap/corporation-legal-roadmap>.
- 26 "Benefit Corporation." Benefit Corporations Raising Capital | Benefit Corporation. Accessed March 7, 2018. <http://benefitcorp.net/benefit-corporations-raising-capital>.
- 27 Alexander, Rick. "How Investors Really Feel about B Corps." *B the Change*. May 24, 2017. <https://bthechange.com/how-investors-really-feel-about-b-corps-7dcf7988a6e3>.
- 28 Gensler, Lauren. "The World's Biggest For-Profit College Company, Laureate Education, Raises \$490 Million in Public Debut." *Forbes*. February 17, 2017. <https://www.forbes.com/sites/laurengensler/2017/02/01/laureate-education-initial-public-offering/#5d2e7c1f2b3d>.

- 29 Alexander. "How Investors Really Feel about B Corps." 2017.
- 30 Kowitz, Beth. "This Dairy Company Says its Business Model is the Future of Corporate America." *Fortune*. April 25, 2017. <http://fortune.com/2017/04/25/danone-white-wave-benefit-corporation/>
- 31 "Danone CEO Announces Intention to Deepen Work with B Lab." *CSR News*. April 27, 2017. [http://www.csrwire.com/press\\_releases/39933-Danone-CEO-Announces-Intention-to-Deepen-Work-with-B-Lab](http://www.csrwire.com/press_releases/39933-Danone-CEO-Announces-Intention-to-Deepen-Work-with-B-Lab)
- 32 2017 Danone Full Year Financial Report press release. "Strong Results in 2017 with Solid Progress on Growth and Efficiency". February 16, 2018. [http://danone-danonecom-prod.s3.amazonaws.com/COMMUNIQUE\\_DE\\_PRESSE/EN/2018/FIN\\_PR\\_FY17.pdf](http://danone-danonecom-prod.s3.amazonaws.com/COMMUNIQUE_DE_PRESSE/EN/2018/FIN_PR_FY17.pdf)
- 33 Michelle Goodman, "4 Strategies to Use When Raising Money for Your B Corps," *Entrepreneur*, September 9, 2015, <https://www.entrepreneur.com/article/249141>.
- 34 "Is your nonfinancial performance revealing the true value of your business to investors?" EY. 2017. [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Nonfinancial\\_performance\\_may\\_influence\\_investors/\\$FILE/ey-nonfinancial-performance-may-influence-investors.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Nonfinancial_performance_may_influence_investors/$FILE/ey-nonfinancial-performance-may-influence-investors.pdf)
- 35 Alexander, Rick. "Delaware Public Benefit Corporations: Widening the Fiduciary Aperture to Broaden the Corporate Mission". *Journal of Applied Corporate Finance*. June 2016. <http://onlinelibrary.wiley.com/doi/10.1111/jacf.12177/abstract>
- 36 *Ibid.*
- 37 "B Corporation." *August 2017: Beta Release of Updated Quick Impact Assessment*. Accessed March 1, 2018. <https://www.bcorporation.net/blog/august-2017-beta-release-of-updated-quick-impact-assessment>.
- 38 B Impact Assessment (and GIRS Rating). IRIS. Accessed February 2018. <https://iris.thegiin.org/b-impact-assessment-metrics>
- 39 "B Lab Honors 28 Best for the World Funds." *CSRWire.com The Corporate Social Responsibility Newswire*. Accessed March 1 2018. [http://www.csrwire.com/press\\_releases/40453-B-Lab-Honors-28-Best-for-the-World-Funds-](http://www.csrwire.com/press_releases/40453-B-Lab-Honors-28-Best-for-the-World-Funds-)
- 40 GIRS Funds. <http://b-analytics.net/girs-funds>
- 41 Wilburn, Kathleen and Wilburn. "Evaluating CSR accomplishments of founding certified B Corps", *Journal of Global Responsibility*, Vol. 6 Issue: 2, pp.262-280, 2015. <https://doi.org/10.1108/JGR-07-2015-0010>
- 42 2017 Danone Full Year Financial Report press release.
- 43 Gilbert, Jay Coen. "Every CFO Should Know This: 'The Future of Banking' Ties Verified ESG Performance to Cheaper Capital." *Forbes*. February 20, 2018. <https://www.forbes.com/sites/jaycoengilbert/2018/02/20/every-cfo-should-know-this-the-future-of-banking-ties-verified-esg-performance-to-cheaper-capital/#fabcbbf7e4dd>
- 44 Logan Duran, Patagonia, Inc, interview. February 7, 2018.
- 45 "Strategy | BainCapital Double Impact." *Bain Capital Double Impact*. Accessed February 20, 2018. <https://www.baincapit-aldoubleimpact.com/strategy>.
- 46 Vivian Hunt, Dennis Layton, and Sara Prince, "Why Diversity Matters | McKinsey & Company," accessed January 30, 2018, <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>.
- 47 "WorkdayVoice: Workforce 2020: What You Need To Know Now," accessed January 31, 2018, <https://www.forbes.com/sites/workday/2016/05/05/workforce-2020-what-you-need-to-know-now/#2d396d4b2d63>.
- 48 "Millennial Innovation Survey," accessed December 29, 2017, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/dttl-crs-millennial-innovation-survey-2013.pdf>.
- 49 "The millennial majority is transforming your culture". Deloitte University. 2017. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/about-deloitte/us-millennial-majority-will-transform-your-culture.pdf>
- 50 "2016 Workforce Purpose Index Purpose at Work". Imperative. [https://cdn.imperative.com/media/public/Globa\\_Purpose\\_Index\\_2016.pdf](https://cdn.imperative.com/media/public/Globa_Purpose_Index_2016.pdf)
- 51 "Not Sure? | B Corporation," accessed December 27, 2017, <https://www.bcorporation.net/become-a-b-corp/not-sure>.
- 52 "The Business Case for Purpose," accessed December 28, 2017, [http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/\\$FILE/ey-the-business-case-for-purpose.pdf](http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/$FILE/ey-the-business-case-for-purpose.pdf).
- 53 "The Sustainability Imperative". *Nielsen*. October 2015. <http://www.nielsen.com/us/en/insights/reports/2015/the-sustainability-imperative.html>.
- 54 *Ibid.*
- 55 Lomonaco, Dennis. "Be Nice or Leave: The Pragmatic Case for B Corps." *Forbes*. January 22, 2018. <https://www.forbes.com/sites/forbesagencycouncil/2018/01/22/be-nice-or-leave-the-pragmatic-case-for-b-corps/3/#d8721744ed6a>.

- 56 "Robust Organic Sector Stays on Upward Climb, Posts New Records in U.S. Sales | OTA," accessed February 20, 2018, <https://www.ota.com/news/press-releases/19681>. "Robust Organic Sector Stays on Upward Climb, Posts New Records in U.S. Sales | OTA."
- 57 "Claims, Certificates and Seals on Product Packaging". *Hartman Group*. December 21, 2017. <https://www.hartman-group.com/hartbeat-acumen/235/claims-certificates-and-seals-on-product-packaging>.
- 58 "Sustainability 2017 Report Overview". *Hartman Group*. <http://store.hartman-group.com/content/Sustainability-2017-Overview.pdf>.
- 59 Crowne, D. P., & Marlowe, D. (1960). A new scale of social desirability independent of psychopathology. *Journal of Consulting Psychology*, 24(4), 349-354. <http://psycnet.apa.org/doiLanding?doi=10.1037%2F0047358>.
- 60 Kuokkanen, Henri. (2017) "Fictitious consumer responsibility? Quantifying Social Desirability Bias in Corporate Social Responsibility Surveys." *Nature*. Palgrave Communications Volume 3. <http://www.nature.com/articles/palcomms2016106>
- 61 Havens, John and Schervish. "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy". *Center on Wealth and Philanthropy Boston College*. May 28, 2014, [http://www.bc.edu/content/dam/files/research\\_sites/cwp/pdf/A%20Golden%20Age%20of%20Philanthropy%20Still%20Bekons.pdf](http://www.bc.edu/content/dam/files/research_sites/cwp/pdf/A%20Golden%20Age%20of%20Philanthropy%20Still%20Bekons.pdf)
- 62 Kobler, Daniel and Hauber, Ernst. "Millennials and wealth management: Trends and challenges of the new clientele." *Deloitte*. November 9, 2015. <https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/lu-millennials-wealth-management-trends-challenges-new-clientele-0106205.pdf>
- 63 "Generation SRI, Sustainable Investment Joins the Mainstream." *The Economist*. November 25, 2017. <https://www.economist.com/news/finance-and-economics/21731640-millennials-are-coming-money-and-want-invest-it-responsibly-sustainable>
- 64 Beardsley, Brent, Holley, Jaafar, et al. "Global Wealth 2016." *Boston Consulting Group*. June 15, 2016. <https://www.bcgperspectives.com/content/articles/financial-institutions-consumer-insight-new-strategies-for-nontraditional-client-segments/>
- 65 "Millennials Drive Growth in Sustainable Investing." *Morgan Stanley Institute for Sustainable Investing*. August 9, 201., <https://www.morganstanley.com/ideas/sustainable-socially-responsible-investing-millennials-drive-growth>
- 66 Ibid.
- 67 Honeyman, Ryan. *The B Corp Handbook, How to Use Business as a Force for Good*. Berret-Koehler Publishers. Inc. 2014.
- 68 Ibid.
- 69 Ibid.
- 70 B Corporation 2011 Annual Report. [https://www.bcorporation.net/sites/all/themes/adaptivetheme/bcorp/pdfs/B%20Corp\\_2011-Annual-Report.pdf](https://www.bcorporation.net/sites/all/themes/adaptivetheme/bcorp/pdfs/B%20Corp_2011-Annual-Report.pdf)
- 71 Sustainable Business Tax Credit | Service. City of Philadelphia. <https://beta.phila.gov/services/payments-assistance-taxes/tax-credits/sustainable-business-tax-credit/>
- 72 Honeyman. *The B Corp Handbook, How to Use Business as a Force for Good*. 2014.
- 73 Interview with Amanda Kizer. B Lab. October 18, 2017.
- 74 "Success Through Community: Traditional Medicinals Found Aligned Investor by Seeking Shared Values." *B the Change*. July 20, 2017. <https://bthechange.com/success-through-community-traditional-medicinals-found-investor-through-seeking-shared-values-45c3cdc41d71>
- 75 Ibid.
- 76 "Impacting Investing Trends." *Global Impact Investing Network*.
- 77 Gray Jacob and Ashburn, Douglas, Jeffers. "Great Expectations Mission Preservation and Financial Performance in Impact Investing." *Wharton Social Impact Initiative*. 2015. <https://socialimpact.wharton.upenn.edu/wp-content/uploads/2016/09/Great-Expectations-Mission-Preservation-and-Financial-Performance-in-Impact-Investing.pdf>
- 78 Fink, Larry, "A Sense of Purpose."



