

B Lab Legal Framework Objectives & Benefits



1. Objectives

- A. **Expand the responsibilities of the corporation** to include the interests of employees, consumers, the community, and the environment
 - 1. Give **legal permission and protection** to officers and directors to consider all stakeholders, not just shareholders
 - 2. Create **additional rights for shareholders** to hold directors and officers accountable to consider the interests of employees, consumers, the community, and the environment, while also serving the best interests of shareholders.
 - 3. **Limit these expanded rights to shareholders exclusively**; non-shareholders are not empowered with a new right of action.

2. Process

- A. **Amend your governing documents** (e.g., Articles of Incorporation, Membership Agreement, Partnership Agreement) to redefine the best interests of the corporation to include the consideration of employees, consumers, the community and the environment.
- B. **Obtain board / governing body approval** of your amended governing documents
- C. **Obtain shareholder / member / partner approval**, requiring a majority / super-majority vote, depending on your state of incorporation
- D. **File your amended articles** with the Secretary of State

3. Practical Applications

- A. **Day-to-Day Operational Impact:** The values of the corporation are embedded in the governance of the organization, ensuring their survival through new management, new investors and even new ownership.
- B. **Capital Raise Impact:** The new articles are explicitly disclosed in a capital raise, ensuring the mission-alignment of new investors.
- C. **Change of Control Impact:**
 - 1. Directors are no longer legally required to maximize shareholder value exclusively.
 - 2. **Post-acquisition, original management, as a minority shareholder in Newco, can hold the new corporate owner accountable to the company's original commitment to all stakeholders.**
 - 3. As a wholly-owned subsidiary, an organization retains a separate board and corporate governing documents; as a result, the institutionalization of stakeholder interests can survive a change of control.
 - 4. B Corporation certification **provides third party validation to consumers, employees and suppliers that the Company, post-acquisition, still meets transparent, comprehensive social and environmental performance metrics, potentially increasing valuation.**

B Lab Legal Framework Sample Language - PA*

Certified



Corporation

bcorporation.net

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1. If you're a Corporation, institutionalizing stakeholder interests requires amending your Articles of Incorporation. Amending your Articles of Incorporation is a relatively easy process.

The major steps include 1) getting your amended articles approved by both your Board of Directors and shareholders (requiring either a majority or supermajority vote, depending on your state); and 2) filing your amended articles with the secretary of state, coupled with a modest fee (usually less than \$300).

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2. **To incorporate stakeholder interests into your corporate DNA**, please amend your Articles to include the following language:

In discharging his or her duties, and in determining what is in the best interests of the corporation (the "Company") a Directors shall not be required to regard any interest, or the interests of any particular group affected by such action, as a dominant or controlling interest or factor.

He or she shall give due consideration to the following factors, including, but not limited to, the long-term prospects and interests of the Company and its members, and the social, economic, legal, or other effects of any action on the current and retired employees, the suppliers and customers of the Company or its subsidiaries, and the communities and society in which the Company or its subsidiaries operate, (collectively, with the members, the "Stakeholders"), together with the short-term, as well as long-term, interests of its members and the effect of the Company's operations (and its subsidiaries' operations) on the environment and the economy of the state, the region and the nation.

Nothing in this Article, express or implied, is intended to create or shall create or grant any right in or for any person or any cause of action by or for any person.

Notwithstanding the foregoing, any managing member is entitled to rely upon the definition of "best interests" as set forth above in enforcing his or her rights hereunder and under state law, and such reliance shall not, absent another breach, be construed as a breach of a managing member's fiduciary duty of care, even in the context of a Change in Control Transaction where, as a result of weighing other Stakeholders' interests, a managing member determines to accept an offer, between two competing offers, with a lower price per unit.

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3. Subject to your charter documents, amendments will typically require: a vote of your board, a majority or super-majority vote of all the outstanding shares entitled to vote, and the filing of a certificate of amendment with the State.
 4. If you, your legal counsel, or Board of Directors would like to discuss with an attorney the objectives, benefits, and implications of adopting the B Corporation Legal Framework into your corporate governing documents, please contact B Lab at thelab@bcorporation.net and we will set up a call with our counsel at Linklaters.

** Sample language for Pennsylvania and other states available at www.bcorporation.net.