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*OPEN MINDS Weekly Wire*  
*Social Services*

## Maryland Creates New Category of Organizations—Mission-Based, For-Profit Benefit Corporations

On April 13, 2010, Maryland Governor Martin O'Malley enacted a law recognizing benefit corporations—Benefit Corporations—as a new corporate structure category for mission-based, for-profit organizations. A Benefit Corporation is accountable for its mission statement and policies supporting its desire to “do well by doing good.” By law, other for-profit corporate structures—C or S Corporations—can only consider how operating and liquidity decisions affect shareholder value, although many corporate mission statements, boards, and executives espouse a desire to be socially responsible and consider other stakeholders. A change in the shareholder mix can force a C or S Corporation to abandon policies. The new law, which goes into effect on October 1, 2010, protects registered Benefit Corporations from shareholder actions that could change the organization’s mission and policies benefiting stakeholders.

Benefit Corporations are an emerging business concept for social responsibility championed by non-profit B Lab, which certifies high-impact companies as “B Corporations.” Certified B Corporations are required to take and pass an impact assessment, as well as adopt a legal framework that commits the company to consider its impact on stakeholders. Maryland’s law is the first time that the B Corporation legal framework has been officially recognized by a state. To support Certified B Corporations, B Lab provides assistance with branding and access to capital markets. Although both the Benefit Corporation structure and the B Corporation Certification are focused on for-profits, non-profit organizations—which always have their mission foremost and have no shareholders—can benefit from B Lab’s free organizational impact evaluation tools for various stakeholders and by knowing how Benefit Corporations operate.

While Maryland is the first state to include Benefit Corporations as a separate corporate entity—and the concept is under consideration by several other states—the City of Philadelphia, Pennsylvania was the first governmental entity to implement a policy on the structure. In December 2009, Philadelphia reduced business privilege taxes for Certified B Corporations. To gain Benefit Corporation status in Maryland, organizations first register as a Benefit Corporation. Then they must report their stakeholder impact according to a third-party standard, such as B Lab. The Maryland law does not specify a minimum level of stakeholder impact and registered Benefit Corporations in the state are not required to meet the performance requirements that all Certified B Corporations meet.

B Lab is a tax-exempt charity; its nine-person Standards Advisory Council oversees certification ratings and auditing requirements for B Corporations. The first B Ratings System was released in October 2007; in January 2010, an updated version was released. B Lab offers a free B Impact Rating System to help organizations assess their impact on a variety of stakeholders and monitor improvement of their social and environmental performance, with specific scores for environment, community, and employees. The assessment varies by the type of company, its products or services, and its size. B Lab provides tools and resources to improve corporate social and environmental performance, including how to develop a

Supplier Code of Conduct or conduct a Life Cycle Assessment.

*For more information, contact: B Lab, 8 Walnut Avenue, Berwyn, Pennsylvania 19312; 610-296-8283; Fax: 610-296-8289; E-mail: [thelab@bcorporation.net](mailto:thelab@bcorporation.net); Web site: [www.bcorporation.net](http://www.bcorporation.net).*

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