



How can the Business Development Bank be a Certified B Corporation if they are wholly-owned by the Canadian Government?

The Business Development Bank of Canada (BDC) is a distinct for-profit business, wholly-owned by the Canadian Government. While government agencies are not eligible for certification, any for-profit corporate entity can be certified as long as they meet the relevant performance and legal requirements for certification.

Does the Business Development Bank of Canada meet the same performance requirement as Certified B Corporations that are not wholly-owned subsidiaries?

Yes.

How does the Business Development Bank of Canada meet the legal requirement for certification as a B Corporation?

The legal requirement for B Corp certification has two components. First, directors must be legally obligated to consider the impact of their decisions on all stakeholders, not just shareholders. Second, shareholders must be able to hold directors and executives accountable to this higher standard of conduct through an expanded right of action. These provisions are generally included in the certifying company's articles of incorporation.

The Business Development Bank of Canada is a "Crown Corporation," or a wholly-owned subsidiary of the Canadian Government. The Business Development Bank of Canada has a specific mandate to serve small and medium sized Canadian entrepreneurs. This mandate was enacted in the Business Development Bank of Canada Act, passed by the Canadian Parliament in July 1995.

More generally, there are a series of laws passed by the Canadian Parliament related to Crown Corporations that obligate the Business Development Bank of Canada to consider the impact of their decisions on their stakeholders and empower stakeholders with the means to hold the company accountable to its purpose rather than purely financial value.

Therefore, the Business Development Bank of Canada satisfies the legal requirement for B Corp certification. Some examples of this consideration and obligation to stakeholders are outlined below:

Employees, Community, and Society

As a Crown Corporation, or a wholly owned subsidiary of the Canadian government, BDC states that they are accountable to all Canadian citizens (i.e. its community), including their employees. These citizens have the power, through their elected representatives, to influence BDC's purpose and activities or even potentially dissolve the BDC, if it is not fulfilling its mission of supporting Canadian entrepreneurs.

Environment

BDC is the only bank in Canada that is subject to the Canadian Environmental Assessment Act, a federal law, which requires the bank to carry out their duties in a manner that avoids significant adverse environmental effects and take actions that promote sustainable development in order to achieve or maintain a healthy environment and a healthy economy.

Accountability and Transparency

Various federal laws

- Financial Administration Act (BDC is subject to directives by other Ministers in government if those authorities believe that it is in the public interest to do so.)
- The Access to Information Act (Allows Canadian citizens to request records from BDC, similar to the Freedom of Information Act (FIOA) in the USA)
- Annual audits
- Every year, the Auditor General of Canada, an Officer of the Parliament of Canada, audits BDC's financial results with a second, external audit firm. These results are then made public.

Appearances at Parliament

BDC is regularly called to Parliament to answer questions related to its fulfillment of its purpose, as well as broader issues related to the small and medium-sized business community in Canada. These appearances are public, and transcriptions of what BDC says are made publicly available.

Special Examinations

At least every ten years, the Auditor General of Canada does a "Special Examination" of BDC. This is a performance audit. It goes beyond strictly financial issues to examine systems and practices related to economy, efficiency and effectiveness. The Auditor General makes public its findings. BDC's last exam of this kind was in 2009.

Purpose

Business Development Bank of Canada Act

- The Business Development Bank of Canada Act states the following under the "Purpose" section of the Act:
 - The purpose of the Bank is to support Canadian entrepreneurship by providing financial and management services and by issuing securities or otherwise raising funds or capital in support of those services.
 - In carrying out its activities, the Bank must give particular consideration to the needs of small and medium-sized enterprises.

Legislative reviews:

- Every ten years, BDC faces a potentially existentialist review by Parliament. The government reviews the BDC Act and proposes to Parliament any changes it judges appropriate. (Historically, these changes have ranged from radical overhauls to smaller scale streamlining. Theoretically, these recommendations could include dissolving BDC if it was not fulfilling its mission.)

Additional Certification Requirements:

In connection with its certification, the Business Development Bank of Canada is also required to meet additional requirements as a wholly-owned subsidiary:

- Mandatory Onsite review: The Business Development Bank of Canada's B Impact Report must be reviewed onsite during each two year certification term. In contrast, 20% of all Certified B Corporations are subject to random onsite review during each term.
- Increased transparency: The following information must be transparent on www.bcorporation.net:
 - the company's ownership structure (e.g. Ownership: Wholly-owned Crown Corporation of the Canadian Government)
 - the company's full B Impact Assessment. In contrast, other Certified B Corporations are required only to make transparent the summary information in the B Impact Report.

The mandatory onsite review and increased transparency requirements are and will be generally applicable to all wholly-owned subsidiaries seeking B Corp certification.

[B Lab welcomes questions regarding the certification process for wholly-owned subsidiaries and other unique or unconventional legal entities or structures.]